BANQUE FÉDÉRATIVE
Crédit Mutuel

Press release

July 29, 2021

First-half results 2021

	1st half 2021	change H1 2021/ H1 2020	change H1 2021/ H1 2019
NET BANKING INCOME UP SHARPLY IN ALL BUSINESS LINES	**€5.983bn**	**+23.0%**	**+6.5%**
retail banking & insurance	*€4.768bn*	*+12.0 %*	*+0.4%*
specialized business lines	*€1.066bn*	*+76.4 %*	*+28.3 %*
GENERAL OPERATING EXPENSES KEPT IN CHECK	**€3 306bn**	**+4.0%**	**+4.2%**
NET ADDITIONS TO LOSS PROVISIONS SIGNIFICANTLY DOWN	**€204m**	**+78.3%**	**-55.6%**
SIGNIFICANT INCREASE IN NET PROFIT	**€1.723bn**	**x 3.6**	**+24.6%**

GROWTH IN LENDING TO SUPPORT THE RECOVERY

		change vs. 6/30/2020
Home loans	**€97,4bn**	**+8,7%**
Equipment loans	**€75,3bn**	**+1,3%**
Consumer loans	**€35,6bn**	**+5,9%**

A STRONGER FINANCIAL POSITION

		change vs. 12/31/2020
CET1 ratio [1] including net profit for Q1 2021	**18.1%**	**+30 pb**
Leverage ratio [1]	**7.0%**	**+10 pb**
Shareholders' equity	**€34.3bn**	**+€1.7bn**

All data in this press release concerns the Banque Fédérative du Crédit Mutuel (BFCM) consolidated scope. The BFCM consolidated scope includes Banque Fédérative du Crédit Mutuel and its main subsidiaries: CIC, ACM, BECM, Targobank Germany and Targobank Spain, Cofidis, the IT subsidiaries, etc.

Unaudited financial statements – limited review currently being conducted by the statutory auditors.

[1] Ratios (excluding transitional measures) at March 31, 2020 for Crédit Mutuel Alliance Fédérale, which includes BFCM in its scope of consolidation.

Activity

Customer deposits were up substantially (by 8.8%), especially in respect of current accounts (up 17.3%, i.e. by €23.2 billion) and Livret A passbook accounts, which totaled €11.1 billion (up 12.2% year on year).

Strong sales momentum led to a 4.4% year-on-year rise in outstanding customer loans, which stood at €275.7 billion at June 30, 2021. This rise was driven by home loans (€97.4 billion, up 8.7%), as well as by consumer loans (€35.6 billion, up 5.9%) and cash flow loans (€39.7 billion, up 3.4%).

Financial results

At €5.983 billion, **net banking income** (NBI) was 22.8% up on the first half of 2020, and 6.5% up on the first half of 2019.

The increase in NBI was driven by the growth recorded in the banking networks (NBI up 4%) thanks to a resilient interest margin and higher commission income. It was also buoyed by the increase in income generated by the corporate banking (up 7%) and private banking (up 2.7%) businesses. The dynamic performance of net banking income from the insurance, capital markets and private equity businesses was buoyed by the rebound in financial markets over the period.

General operating expenses were €3.306 billion, up 4.3% compared with the first half of 2020. Operating expenses were affected in particular by the continuing rise in contributions to the Single Resolution Fund and supervision costs.

The cost/income ratio was 55.3%.

Net additions to provisions for loan losses fell substantially (-78.3%). The total expense was €204 million, versus €940 million in the first half of 2020.

The decrease in provisioning expenses primarily concerns non-proven risk, for which a net reversal of provisions was recorded in first half of 2021 compared with a significant expense in the first half of 2020 and for 2020 as a whole. The assumptions of the IFRS 9 scenarios were not modified in the first half of the year. However, Stage 2 receivables decreased significantly compared to 12/31/2020, allowing sector-based provisions in particular to be reversed. There was thus a net reversal of provisions for non-proven risk of €94 million.

Net profit for the first half of 2021 was €1.723 billion, versus €473 million in the first half of 2020. This substantial rise was due to increased banking income and lower provisioning expenses. The total is 25% higher than the pre-crisis level (€1.383 billion for the first half of 2019).

Financial structure

At June 30, 2021, BFCM's consolidated shareholders' equity totaled €34.3 billion, compared with €32.6 billion at the end of 2020.

Banque Fédérative du Crédit Mutuel is a subsidiary of Crédit Mutuel Alliance Fédérale, which had a Common Equity Tier 1 (CET1) ratio of 18.1% at the end of March 2020, including net profit for the first quarter.

Risk-weighted assets (RWA) came to €235.3 billion at March 31, 2021, compared with €233.8 billion at the end of December 2020. At €210.9 billion, credit risk-weighted assets represented 90% of the total.

The target leverage ratio at March 31, 2021 was 7.0%, compared with 6.9% at December 31, 2020, after the exclusion of central bank exposures as permitted by the ECB at the end of 2020.

Financial soundness and the relevance of the business model are recognized by the three rating agencies that rate Crédit Mutuel Alliance Fédérale, BFCM and the Crédit Mutuel group.

	LT/ST counterparty **	ISSUER/LT preferred senior debt	Outlook	ST preferred senior debt	Stand-alone rating ***	Date of last publication
Moody's	Aa2/P- 1	Aa3	Stable	P-1	a3	11/18/2020
Fitch Ratings *	AA-	AA-	Negative	F1+	a+	5/28/2021
Standard & Poor's	A+/A-1	A	Stable	A-1	a	6/24/2021

* The Issuer Default Rating remains at A+.

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

*** The stand-alone rating is the Stand Alone Credit Profile (SACP) for Standard & Poor's, the Adjusted Baseline Credit Assessment (Adj. BCA) for Moody's and the Viability Rating for Fitch Ratings.
Standard & Poor's: Crédit Mutuel Group rating.
Moody's: Crédit Mutuel Alliance Fédérale/BFCM and CIC ratings.
Fitch Ratings: Crédit Mutuel Alliance Fédérale rating.

On June 24, 2021, Standard & Poor's raised the ratings outlook for the Crédit Mutuel group and several other French and European banks from negative to stable, on the basis that the improvement in the economic environment had reduced the risk of a material deterioration in asset and capital quality. For the Crédit Mutuel group, the stable outlook also reflects the establishment of a loss buffer, which may enable it to go up a notch on account of its ALAC ratio (additional loss absorbing capacity).

As a reminder, the negative outlooks issued by Fitch and Standard & Poor's in March and April 2020 were attributed to the development of the pandemic and resulted from general ratings revisions applied to European banks.

Results by business

Retail banking

Net banking income from retail banking was €3.708 billion (up 2.7%). General operating expenses were kept in check (up 4.2%) at €2.318 billion. Net additions to provisions for loan losses were €230 billion, comprising a €281 million addition in relation to proven risk and a €51 million reversal in relation to non-proven risk.

Net profit was €786 million (x2.6).

Insurance

At €513 million, net profit for the insurance division recovered to a comparable level to that at the end of June 2019 and was substantially up from the figure at June 30, 2020 (€487 million). This change is partly due to the movements in the financial markets, which sank sharply in the first half of 2020 but went up significantly in 2021, producing an increase in GACM's net financial income under IFRS. The difference from the June 30, 2020 figure is mainly due to the unilateral solidarity measures taken to support policyholders as from the first half of 2020.

Private banking

Net banking income for the private banking business line continued to grow, rising 2.7% to €319 million; net profit (€66 million) was down on account of the rise in general operating expenses, which included some exceptional items during the first half.

Corporate banking

At €198 million, net banking income was up by 7%. General operating expenses were down by 1.9%. Net profit (€124 million) was buoyed by a partial reversal of the provisions made in 2020 for non-proven risk, producing a net overall reversal of loan loss provisions of €37 million.

Capital markets

The 2020 crisis gave rise to significant volatility in the markets, which was a source of opportunities but also dragged down the valuations of certain strategies. The return to less volatile conditions since the second quarter of 2020 has led to a very strong rebound in net banking income (up €255 million over one year) and net profit (€115 million, compared with €43 million in the first half of 2019).

Private equity

Business activity and results in the private equity segment were marked by a large number of disposals in the first half of 2021 and by high valuations of portfolio investments, while maintaining highly prudent valuations of holdings in industries affected by the crisis. At €213 million, net profit was €163 million higher than in the first half of 2020 and €60 million higher than in the first half of 2019.

The portfolio of invested assets amounted to €2.9 billion at June 30, 2021. In the first half of the year, 13 new investments were made for €278.5 million.

A fund for infrastructure projects has been launched and offered to third-party investors.

Unaudited financial statements – limited review currently being conducted by the statutory auditors.
The Board of Directors met on July 29, 2021 to approve the financial statements.
All financial communications are available at www.bfcm.creditmutuel.fr and are published by Crédit Mutuel Alliance Fédérale in accordance with the provisions of Article L. 451-1-2 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).

Director of information: Paul Gibert - tel.: 03 88 11 24 64 - paul.gibert@creditmutuel.fr

Banque Fédérative du Crédit Mutuel

Consolidated scope

Key figures [1]

in € millions	6/30/2021	6/30/2020
Financial structure and business activity		
Balance sheet total	658,624	627,244
Shareholders' equity (including net profit for the period before distributions)	34,256	32,575
Loans (including lease financing)	275,733	270,836
Total savings	557,859	393,178
- of which customer deposits	*268,306*	*137,314*
- of which insurance savings	*58,490*	*57,055*
- of which financial savings (managed and in custody)	*231,063*	*198,809*
Branches and customers		
Number of branches	2,330	2,410
Number of customers (in millions)	19.9	19.5

in € millions	H1 2021	H1 2020
Results		
Net banking income	**5,983**	**4,871**
General operating expenses	(3,306)	(3,169)
Gross operating income	**2,677**	**1,701**
Cost of risk	(204)	(940)
Operating profit/(loss)	**2,473**	**761**
Net gains/(losses) on other assets and equity consolidated companies	(63)	23
Profit/(loss) before tax	**2,410**	**784**
Income taxes	(693)	(310)
Net gains/(losses) on discontinued operations	7	0
Net profit/(loss)	**1,723**	**473**
Non-controlling interests	204	96
Net profit/(loss) attributable to the group	**1,519**	**378**

[1] Consolidated figures for Banque Fédérative du Crédit Mutuel and its main subsidiaries: CIC, ACM, BECM, Targobank Germany and Targobank Spain, Cofidis, the IT subsidiaries, etc.