BANQUE FÉDÉRATIVE
Crédit Mutuel

February 22, 2018

PRESS RELEASE

BFCM Group
Strong results

				change at constant scope [1]
Net banking Income	€10,422m			+ 4.5%
Operating income	€3,660m	➡	Excellent operating performance	+ 9.8%
Net Income	€1,824m			- 10.2%*
of wich attributable at the owners of the company	€1,549m		* after the exceptional corporate income tax surcharge of €223 M	
CET1 Capital Ratio	16.5% [2]	➡	Financial strenght confirmed	
Business				
Loans	€224.7bn			+ 6.6%
Total Savings	€410.8bn	➡	Strong commercial momentum	+ 5.2%
of which, bank deposits	€184.0bn			+3.8%
of which, financial insurance savings	€44.4bn			+2.0%
of which, financial savings	€182.4bn			+7.5%

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

BFCM Group, whose core business is retail banking (67% of net banking income), has recorded good results and maintained its growth momentum. Its earnings growth enabled it to further strengthen its financial structure.

Note: all changes referenced are at constant scope; see the methodology note at the end of this press release.

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 3.8% from 2016 to €184 billion, reflecting steady growth in current accounts (up 13.5%).

Total net customer loans rose by 6.5% from 2016 to €224.7 billion. Outstanding equipment loans increased by 18.3% to €58.8 billion.

The customer loans-to-deposits ratio was 122.1% at December 31, 2017 compared with 119.7% in the previous year.

The insurance business also performed well, with a 3.7% increase in the number of policies to 28.9 million and premium income of €9.7 billion.

Financial results

Net banking income grew by 4.5% to €10,422 million. This improvement was achieved mainly in the group's two core businesses, retail banking and insurance, which account for more than 80% of its net banking income.

The cost-to-income ratio improved to 57.4% from 58.9% in the previous year, with a limited 1.7% rise in operating expenses to €5,979 million compared with €5,787 million at end-2016.

Total net additions to/reversals from provisions for loan losses rose by 3.4% to €783 million in 2017 compared with €749 million in 2016 due to the impact of the collective provision. Net additions to/reversals from provisions for loan losses relative to customer loans were stable at 0.34%.

After recognition of the capital loss on the Banco Popular securities in light of its sale to Santander in June following the decision by the Single Resolution Committee (net after-tax impact of €121 million) and of the impairment of the equity-accounted value of the BMCE Bank of Africa securities at their stock market price (€175 million), income before tax rose 10.1% from 2016 to €3.3 billion in 2017.

Despite the increase in income before tax, reflecting the group's operating performance, net income fell by 10.2% to €1.8 billion after deducting an exceptional tax surcharge of €223 million levied on large companies to partially offset the unconstitutionality of the dividend tax. On a same-tax basis in 2017, the group's total income would have been €2 billion, a €100 million increase over 2016.

The group's tax expense was €1.5 billion (€1.1 billion in 2016), i.e., a record tax rate of 46.1%.

Banque Fédérative du Crédit Mutuel (BFCM) is a subsidiary of Crédit Mutuel CM11 Group. The latter's Common Equity Tier 1 (CET1) ratio was 16.5%[1] at end-2017, up 150 basis points, and its capital adequacy ratio was 19.9%[1]. The group's risk-weighted assets were €198.4 billion at end-December 2017 versus €207.1 billion at end-December 2016 and credit risk represented nearly 90% of this amount. CET1 capital, at €32.6 billion[1] at end-2017, increased by 5% year over year.

With respect to implementation of IFRS 9, it is estimated that first-time adoption at January 1, 2018 will have a limited 15-basis-point impact on the CET1 ratio[2].

BFCM Group's ratings[3] at end-2017 are detailed in the table below. They compare favorably with French and European peers.

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

The three agencies, Standard & Poor's, Moody's and Fitch, confirmed Crédit Mutuel CM11 Group's short- and long-term ratings during the year.

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

- a strong franchise in retail banking and insurance in France,
- a relatively low risk appetite,
- strong capitalization and liquidity,
- strong internal capital generation capacity.

[1] *Excluding transitional measures*

[2] *Internal assessment. Unaudited figure*

[3] *Standard & Poor's: ratings for Crédit Mutuel Group scope; Moody's and Fitch: ratings for BFCM Group/Crédit Mutuel CM11 Group scope*

Retail banking

Net banking income from retail banking came to €7,078 million, up 3%. Net fee and commission income rose by 4.9%. General operating expenses were stable, rising 0.2% to €4,217 million, compared with €4,076 million in 2016. Net additions to/reversals from provisions for loan losses were €769 million.
Net income therefore amounted to €1,384 million, up 11.4%.

Insurance

The insurance business contributed €742 million (up 1.3%) to net income. This reflects additional provisions in borrower's insurance given that holders can now terminate their policy each year, and the exceptional corporate income tax charge due in respect of the fiscal year ended December 31, 2017.

Corporate banking

Net banking income of €382 million fell by 2.7% at a time of negative interest rates and with fee and commission income down 5.7%. Operating expenses rose by 2.4% to €109 million with the contribution to the Single Resolution Fund €3 million higher than last year. Net additions to/reversals from provisions for loan losses came to €19 million compared with €22 million a year ago. Income before tax was €254 million, down 3.9% from December 31, 2016.

Capital markets

The capital markets activity had net banking income of €383 million, down 6.9% from 2016. The 9% increase in operating expenses was due in part to the contribution to the Single Resolution Fund, which was charged to this business and was more than €7 million higher than last year. Income before tax was €179 million compared with €220 million last year.

Private banking

Net banking income rose by 6.1% to reach €509 million. Fee and commission income increased by 5.5% and the other components of net banking income (net interest income and other components) were 6.7% higher on average. Operating expenses were up 6.2% to €353 million. Net additions to/reversals from provisions for loan losses totaled €5 million compared with €4 million last year.

Income before tax was €154 million (€149 million in 2016 including the €10 million capital gain on real estate sales). This represented a 2.3% increase before recognition at December 31, 2017 of net income from divested activities, i.e., €22 million in 2017 (divestment of the Singapore and Hong Kong private banking business).

Private equity (CM-CIC Investissement)

The proprietary investment portfolio totaled €2.3 billion, including €668 million invested in 2017 by all private equity division entities since the beginning of the year. The portfolio comprises 352 non-fund equity holdings, of which the vast majority are in companies that are group customers. Funds managed for third parties came to €205 million.

The private equity business performed well in 2017, with net banking income of €259 million as of December 31, 2017, compared with €195 million in 2016, and income before tax of €212 million, compared with €149 million in the previous year.

The consolidated financial statements are being 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 Regulation of the Autorité des Marchés Financiers (French financial markets authority - AMF).

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BFCM Group (*) Key figures

(in € millions)	December 31, 2017	December 31, 2016
Activity		
Total assets	493,585	491,344
Loans and advances to customers, including lease financing	224,682	213,329
Total savings	410,801	464,894
- of which, customer deposits	184,014	178,256
- of which, insurance products	44,360	43,481
- of which, savings (managed and in custody)	182,427	243,157
Shareholders' equity[(1)]		
Shareholders’ equity attributable to owners of the company	24,192	22,826
Non-controlling interests	3,412	4,092
Employees, year-end [(2)]	46,236	45,522
Number of branches	2,546	2,575
Number of customers (in millions)	17.4	16.9

Financial results

Consolidated income statement (in € millions)	December 31, 2017	December 31, 2016
Net banking income	10,422	9,830
General operating expenses	-5,979	-5,787
Gross operating income	4,443	4,043
Net provision allocations/reversals for loan losses	-783	-749
Operating income	3,660	3,295
Net gains/losses on other assets and equity affiliates	-318	-296
Income before tax	3,342	2,999
Corporate income tax	-1,541	-1,100
Net gain/(loss) on discontinued operations	22	44
Net income	1,824	1,943
Net income attributable to owners of the company	1,549	1,655

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

Methodology note

1) **Restated 2016 results**: slight changes were made to the sector information in 2017:

- The depository (retail banking), central treasury (capital markets) and group subsidiary (corporate banking) activities have been combined and allocated to the holding company business. Restated 2016 results are therefore presented for these four businesses (retail banking, corporate banking, capital markets, holding company) at December 31, 2017.
- The results of entities in which the group has non-controlling interests have been moved from the retail banking business to the holding company business in order to present, in retail banking, the results of the networks and subsidiaries over which the group exerts full management influence.

2) The **changes at constant scope** are calculated after:

- adjusting in 2016 and 2017 for the first-time consolidation of the leasing and factoring entities acquired from General Electric in France and Germany (retail banking segment).
- adjusting for the deconsolidation in 2017 of the CIC Singapore private banking activity.

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-to-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 “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)	Measure of the level of risk
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)	Measure of the level of risk calculated on an individual basis
Customer loans	“Loans and receivables due from customers” item of the asset side of the consolidated balance sheet	Measure of customer activity with regard to loans
Customer deposits; bank deposits	“Due to customers” item of the liabilities site of the consolidated balance sheet	Measure of customer activity with regard to balance sheet funds
Insurance products	Life insurance products held by our customers - management data (insurance company)	Measure of customer activity with regard to 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 with regard to off-balance sheet funds (excluding life insurance)
Total savings	Sum of bank deposits, insurance savings and bank savings products	Measure of customer activity with regard to 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”	Measure of 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	Measure representing 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” sector + COFIDIS	Measure of customer activity with regard to new loans
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)	Measure of the level of collective provisions
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	This coverage rate measures the maximum residual risk

	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"	associated with loans in default ("non-performing loans")
Ratio of non-performing loans	Ratio of individually impaired receivables to gross customer loans	Indicator of asset quality