BANQUE FÉDÉRATIVE Crédit Mutuel

PRESS RELEASE

February 20, 2020

Results for the year ended December 31, 2019

Growth in net profit	**€2,663 million**	**+9.1%**
Rise in net banking income	**€10,865 million**	**+4.9%**
Customer outstandings	**Customer loans**	€250.1bn **+6.2%** [1]
	Customer deposits	€217.1bn **+13.4%** [1]
Financial structure	**CET1 ratio**[2] **(excluding transitional provisions)**	17.3% **+70 bp**
	Leverage ratio[2] **(excluding transitional provisions)**	6.4% **+20 bp**
	Shareholders' equity	€32.1bn **€2.4bn**

All the 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, IT, CIC Iberbanco, etc.

(1) Changes calculated without repurchase agreements for securities - see methodology notes at the end of this press release.

(2) Ratio of Crédit Mutuel Alliance Fédérale, which includes BFCM in its scope of consolidation.

Banque Fédérative du Crédit Mutuel (BFCM) and its subsidiaries, with retail banking as the core business, posted strong results and remained on a growth track. The improvement in its financial results have increased its financial soundness.

Commercial activity

In a highly competitive economic climate marked by persistently low interest rates and the increasing pressure of regulatory requirements, BFCM continued to develop its commercial activity to better serve its customers.

Bank deposits from customers amounted to €217.1 billion at end-December 2019, an increase of 13.4% compared with 2018 thanks to steady growth in current accounts (+11.2%) and certificates of deposit and term deposits (+48.4%).

Total net outstanding loans to customers came to €250.1 billion at end-2019, up 6.2% from 2018. Outstanding equipment loans rose by 8.6% to €71.6 billion and home loans by 6.5% to €87.5 billion.

Financial results

In 2019, BFCM achieved net banking income of €10,865 million.

The French, Spanish and German banking networks were up by 4.4%.

In 2019, general operating expenses totaled €6,226 million compared with €6,051 million in 2018, increasing by only 2.9%, less than the increase in net banking income, despite a significant increase in the contribution to the Single Resolution Fund (SDRF) by 12% to 155 million euros.

Net additions to/reversals from provisions for loan losses rose by €193 million as a result of an exceptional provision in respect of a major loan default in corporate banking. Excluding corporate banking, net additions to/reversals from provisions for loan losses increased by 5.6%.

Profit before tax was €3,786 million year on year, up 3.3%.

"Net gains/(losses) on other assets and equity consolidated companies" showed a gain of €145 million in 2019, which included the capital gain on Groupe des Assurances du Crédit Mutuel's investment in RMA (Royale Marocaine d’Assurance) and the group's share in the profit of equity consolidated companies such as Euro Information and Banque Casino.

In 2018, this line item (€167 million) included the share of profit from BMCE Bank of Africa, which has since been deconsolidated and the shares of which have been reclassified as short-term investment securities.

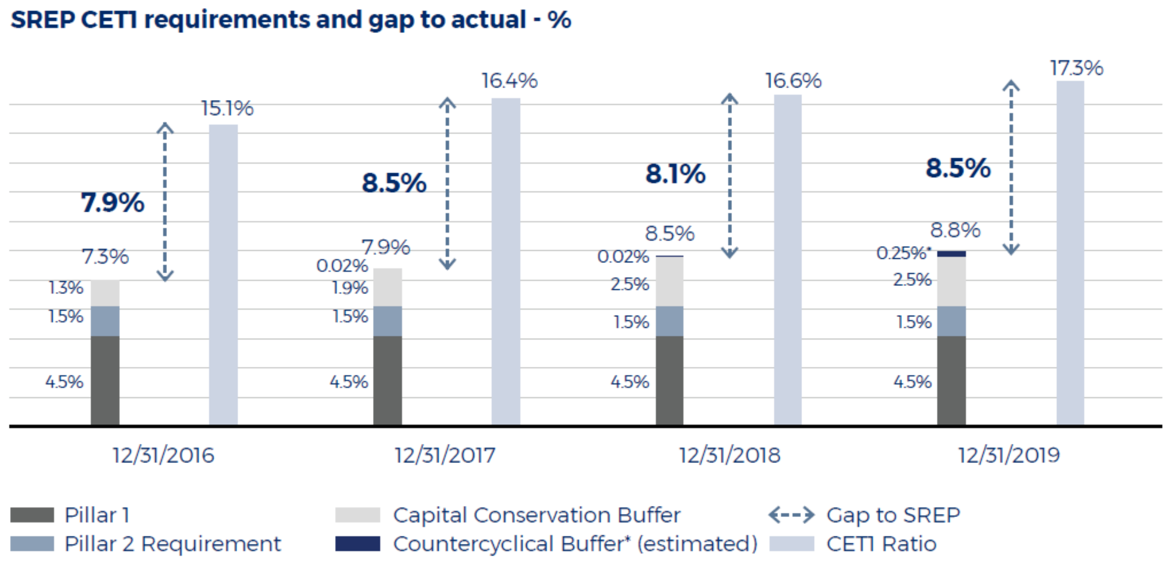
Net profit in 2019 rose by 9.1% to €2,663 million compared with €2,440 million in 2018. It benefited from growth in income that outpaced the rise in general operating expenses despite a significant increase in net additions to/reversals from provisions for loan losses for an exceptional default.

Financial structure

Banque Fédérative du Crédit Mutuel is a subsidiary of Crédit Mutuel Alliance Fédérale, which had a Common Equity Tier 1 (CET1) ratio of 17.3%[1] at end-2019, an increase of 70 basis points, and an overall solvency ratio of 20.4%[1]. Risk-weighted assets amounted to €225.7 billion at December 31, 2019, including €203.2 billion (90% of the total) for credit risk. CET1 capital[1] was €39 billion at end-December 2019, an increase of 9.9% thanks to the carryover.

[1] *Excluding transitional provisions*

The group's strong capital generation, which is underpinned by the retention of virtually all its net profit, has enabled it to withstand regulatory pressure and increase its surplus over Supervisory Review and Evaluation Process (SREP) requirements for several years.



Financial soundness and the relevance of the business model are recognized by the three rating agencies[2] 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	Date of last publication
Standard & Poor's	A+/A-1	A	Stable	A-1	11/25/2019
Moody's	Aa2/P-1	Aa3	Stable	P-1	11/4/2019
Fitch Ratings	A+	A+	Stable	F1	11/25/2019

* *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 Ratings.*

On 16 October, Standard & Poor's upgraded the Crédit Mutuel Group's intrinsic strength rating ("SACP") by one notch from "A-" to "A", a very good level since only one-third of the banks among the 100 largest banks in the world rated by Standard & Poor's have an intrinsic strength rating greater than or equal to "A".

[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.*

Results by business line

Retail banking

Net banking income from retail banking was €7,449 million (+2%). Net commission income rose by 0.8%. General operating expenses increased by 1.7% to €4,373 million (€4,298 million in 2018). Net additions to/reversals from provisions for loan losses totaled €855 million.

Net profit came to €1,461 million (+0.9%).

Insurance

The share of insurance income in BFCM's results rose by 6.6% to €859 million. Groupe des Assurances du Crédit Mutuel’s net profit was €886 million compared with €855 million, an increase of 3.6%.

Private banking

Income from private banking (€572 million) rose by 3.8% compared with 2018 thanks to steady margins and a high level of fee and commission income (+2.9%, i.e. €9 million) in line with development.

General operating expenses increased by 10.1% compared with 2018 to €413 million. This is in line with the recruitment policy and digitalization investments that have been pursued in order to adapt to new regulatory constraints.

There was a net loan loss provision reversal of €6 million in 2019 versus an allocation of €16 million in 2018. Operating income therefore increased by 2.9% to €165 million.

Net profit, however, fell by 4.2% as a result of non-recurring income in 2018 under "Net gains/(losses) on other assets and equity consolidated companies".

Corporate banking

Net banking income from corporate banking fell by 3% in 2019 in a challenging environment of low interest rates that held down the margin and negatively impacted deposit inflows and credit terms.

Costs went up: general operating expenses saw a rise of 7.8%. Net additions to provisions for loan losses, at €139 million, were hit by exceptional provisions, mainly on a corporate default.

Net profit fell by 38.5% to €133 million.

Capital markets activities

Net banking income increased by 38% to €337 million thanks to the increase in the portfolio valuations which made up for a difficult end of year in the financial markets in 2018.

General operating expenses rose by 6.8%. Gross operating income increased by €78 million.

Net profit came to €80 million compared with €20 million in 2018, after the payment of €75 million in commissions to the networks.

Private equity

Investment activity was strong in 2019 with €422.1 million invested.

At December 31, 2019, the portfolio was valued at €2.6 billion and included more than 350 investments.

The international development required to further support the companies in the portfolio and expand investments was ramped up. At end-2019, Crédit Mutuel Equity had seven locations in four countries (Switzerland, Germany, Canada and the USA) which invested €182 million.

Net banking income was strong in 2019 at €265 million.

General operating expenses increased from €50 million to €51 million in 2019.

Net profit totaled €213 million.

The annual audit procedures on the financial statements for the year ended 12/31/2019 are currently being conducted by the auditors.

All regulated information, including the registration document, is available at www.bfcm.creditmutuel.fr and is published by BFCM 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).

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BANQUE FÉDÉRATIVE DU CRÉDIT MUTUEL
consolidated scope

Key figures (1)

in € millions	12/31/2019	12/31/2018
Financial structure and activity		
Total assets	569,947	535,112
Shareholders' equity (including net profit for the year before dividend pay-outs)	32,072	29,654
Loans (including lease financing)	250,142	244,000
Total savings	470,076	428,002
- of which customer deposits	217,103	193,459
- of which insurance-based savings	58,717	56,926
- of which bank savings products (invested in group savings products)	194,257	177,617

	12/31/2018	12/31/2017
Key figures		
Number of branches	2,418	2,502
Number of customers (in millions)	19.2	17.9

in € millions	2019	2018
Results		
Net banking income	**10,865**	**10,354**
General operating expenses	(6,226)	(6,051)
Gross operating income	**4,639**	**4,303**
Net additions to/reversals from provisions for loan losses	(998)	(805)
Operating income	**3,641**	**3,498**
Net gains/(losses) on other assets and equity consolidated companies	145	167
Profit/(loss) before tax	**3,786**	**3,664**
Income tax	(1,124)	(1,224)
Net profit	**2,663**	**2,440**
Non-controlling interests	380	356
Net profit attributable to the group	**2,282**	**2,084**

(1) Consolidated results of Banque Fédérative du Crédit Mutuel and its main subsidiaries: CIC, ACM, BECM, Targobank Germany and Targobank Spain, Cofidis, IT, CIC Iberbanco, etc.

Methodology notes

Following the accounting reclassification in 2019 of some repurchase transactions, changes in customer outstandings at amortized cost are calculated excluding repurchase agreements:

Banque Fédérative du Crédit Mutuel

Outstanding customer loans

(€ millions)	2019	2018	change	
			As a %	In €m
Loans and receivables to customers at amortized cost (A)	**250,142**	**244,000**	**+2.5%**	**+6,142**
of which repurchase agreements* (B)	915	9,381	n.s.	(8,466)
Customer loans excl. repurchase agreements (A) - (B)	**249,227**	**234,619**	**+6.2%**	**+14,608**

Customer deposits

(€ millions)	2019	2018	change	
			As a %	In €m
Amounts due to customers at amortized cost (A)	**217,103**	**193,459**	**+12.2%**	**+23,644**
of which repurchase agreements* (B)	3	2,024	n.s.	(2,021)
Customer deposits excl. repurchase agreements (A) - (B)	**217,100**	**191,435**	**+13.4%**	**+25,665**

* The change in the management model for some repurchase agreements led to the classification of transactions initiated on or after January 1, 2019 in the fair value through profit or loss portfolio. This change does not affect transactions that correspond to a trading strategy or are intended to refinance a trading book. Banking book transactions continue to be recorded in the portfolio at amortized cost.

Alternative performance indicators – Article 223-1 of the AMF's General Regulation / ESMA guidelines (ESMA/20151415)

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 "IFRS 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 at amortized cost" item of the asset side of the consolidated balance sheet	measure of customer activity in terms of loans
cost of non-proven risk	12-month expected losses (S1) + expected losses at maturity (S2) [1] see note. Application of IFRS 9. Impairment is recorded for all financial assets for which there is no individual objective evidence of impairment.	measures the level of non-proven risk
customer deposits; bank deposits	"due to customers at amortized cost" item on 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
savings; customer funds invested in group savings products	off-balance sheet savings products held by our customers or under custody (securities accounts, mutual funds, etc.) - management data (group entities)	representative measure of activity in terms of off-balance sheet funds (excluding life insurance)
total savings	sum of bank deposits, insurance-based 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" on the publishable consolidated income statement	measures the level of general 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 expense" item of the publishable consolidated income statement	representative measure of profitability
loan to deposit ratio	ratio calculated from items of the consolidated balance sheet: ratio expressed as a percentage of total customer loans ("loans and receivables due from customers" item of the asset side of the consolidated balance sheet) to customer deposits ("due to customers" item of the liabilities side of the consolidated balance sheet)	measure of the dependency on external refinancing
coverage ratio	determined by calculating the ratio of provisions for credit risk (impairment S3) to the gross outstandings identified as in default in accordance with regulations (individually impaired gross receivables S3)	this coverage ratio measures the maximum residual risk associated with loans in default ("non-performing loans")
ratio of non-performing loans to gross loans	ratio of individually impaired gross receivables (S3) to gross customer outstanding loans (calculated from "loans and receivables due from customers" note to the consolidated financial statements: gross receivables + finance leases)	Indicator of asset quality