2018 results

With 17.7% growth in net income, **Crédit Mutuel posts solid earnings confirming** the appropriateness of its mutual bank model.

Paris, 6 March 2019

Net income – Group Share of the company **Strong growth in net income.**	**€3,504m**	**+17.7%**
Net banking income **Stable NBI, with growth in core businesses.** Retail banking (+1.8%) despite the instability of the financial markets in 2018 in other sectors.	**€17,526m** Excluding exceptional items	- 1.3% + 0.3%
Shareholders' equity – Group share **The performance achieved in 2018 strengthens the group's shareholders' equity** for the benefit of all its customer members: at Crédit Mutuel, there are no shareholders.	**€54,167m**	**+5.6%**
CET1 solvency ratio The group's financial strength is confirmed once again: **Crédit Mutuel topped the ranking of French banks in the 2018 European stress tests.**	**17.5%**	**+ 5 bp**
Deposits **Dynamic deposit taking** despite continuing low interest rates.	**€396.7 bn**	**+6.1%**
Loans Crédit Mutuel supports the projects of all its customers. With particularly strong growth in lending, **the federations play an active role in the financing of their territories.**	**€467.4 bn**	**+8.0%**
Number of customers and bank barometer **Crédit Mutuel is the preferred banking brand in France** according to the Posternak/Ifop barometer. This confidence translates into an increase of more than 900,000 customers in 2018.	**32.5 m customers**	**+ 0.9 million**

An ever stronger and more efficient mutual bank model

2018 once again highlighted the solidity of the Crédit Mutuel group: with **€3,578 million of net income**, Crédit Mutuel achieved a remarkable financial performance in the service of all its customer-members and its Federations.

This growth in net income - up by 17.2% - confirms the appropriateness of Crédit Mutuel's positioning and of its governance structure based on a central body and 19 autonomous Federations.

With **€54.2 billion in shareholders' equity** (+5.6%), the group post a strong CET1 solvency ratio of 17.5%, up by 5 basis points. These results confirm that the Crédit Mutuel group's financial solidity meets the highest European standards.

At the heart of this success: the commitment of the group's 82,000 employees to a local relationship banking model that combines the best of traditional banking and digital banking. The Group thus attracted more than 900,000 new customers in 2018, bringing the total number of customers and members at Crédit Mutuel and its subsidiaries to 32.5 million.

In an environment of profound technological and social change, marked by persistently low interest rates and difficult conditions in the financial markets, stiffer competition and tighter regulations, Crédit Mutuel has stepped up the transformation of its business model through diversification in all its business lines; it has strengthened its position as a multi-service local bank and pursued its technological transformation designed to constantly improve the banking relationship and the customer and advisor experience.

Crédit Mutuel, THE local relationship bank adapted to the needs of ALL its customers

22,450 elected members and **82,000** employees at the service of **32.5 million** customer

Strong and with powerful momentum in responsible development and innovation, Crédit Mutuel Group continuously reinvents itself so as to offer to all its customers the best services and digital banking.

Firmly anchored in their regions, the Federations finance the real economy on a daily basis while enabling a diversification that benefits individuals, professionals and businesses. **Loan outstandings** increased by 8% to **€467.4 billion in 2018**.

True to its fundamental principles, Crédit Mutuel reaffirms its mutualist difference and its choice to maintain unbreakable ties with its customers and members through its local banks and over 30,000 advisors. A strong local network of **5,700 points of sale** covers the whole of France.

Its commitment in the proximity banking is recognised by both its customers and the French as a whole. Crédit Mutuel is the preferred banking brand in France according to the Posternak/Ifop barometer. The Crédit Mutuel group is also ranked as the top French bank by the US magazine Global Finance and as the top French banking group by the UK magazine World Finance.

Alongside this commitment to financing individuals and the regional economies, the Crédit Mutuel group **has opted for a generous social policy** and growth in its workforce (+1.6%) to sustain employment and the group's growth.

SOUND PERFORMANCES

Total net income
+ 17.2%

These results reflect firm business activity in an economic environment characterised by persisting low interest rates and a sharp correction in the financial markets at the end of the year.

In this environment, NBI (€17,526 million) managed to stay at a very good level (-1.3% and +0.3% adjusted for non-recurrent items). It was boosted by dynamic momentum in retail banking (+1.8%), the group's core business, and by growth in its insurance business (more than 29 million insurance policies, i.e. an increase of 3.9%); like for other banking groups, the situation in the financial markets had a negative impact in 2018.

The increase in **operating expenses** (€11,332 million) was well-contained (+ 2,4 %).

Payroll expenses reflect the group's investment in people, in particular with regard to training with the group mobilised to adapt its business lines and help its people cope with the digital transformation. A general wage increase of 1% (and 1.5% in 2019) and payment of an exceptional bonus for purchasing power of €1,000 (€73 million) was applied by the majority of its members. These commitments were also accompanied by a 1.6% increase in the number of employees. All in all, payroll expenses increased by 3.0% to serve the group's growth, demonstrating its determination to support its employees.

Furthermore, ongoing investment **in technology and the increase in tax expense**, in particular the contribution to the Single Resolution Fund (€166 million, i.e. €33 million more than the previous year) also contributed to the increase in operating expenses.

Net additions to/reversals from provisions for loan losses (€988 million) increased by 2.4% but improved on a comparable basis. Stage 3 impairment equivalent to actual loss under IAS39 declined by 13.7%, demonstrating the good quality of the loans and of their management. The non-performing loans ratio was 3.0% versus 3.3% the previous year. The overall coverage ratio was 62.7% versus 59.9% in 2017.

The application of the new IFRS9 accounting standard resulted in a €149 million increase in the provision for performing loans.

In 2018, the Group expanded with the consolidation of Banque du Luxembourg Investments, various Fintechs and the Veritas group in Germany.

The insurance divisions GACM (Groupe des Assurances du Crédit Mutuel) and NEA (Nord Europe Assurances) were also merged in 2018, with no impact at the group level.

Net income attributable to owners of the company totalled €3,504 million, up by 17.7%. This strong increase reflects good revenue resilience, tight control of operating expenses and provisions for loan losses as well as exceptional items in 2017.

FINANCIAL SOLIDITY: CREDIT MUTUEL AT THE TOP OF THE FRENCH BANKS

€54,167m
of shareholders' equity groupe share

Crédit Mutuel's performance in 2018 has strengthened its financial solidity.

Consolidating shareholders' equity - a prior condition for its financial solidity and for financing its development - is one of the group's central priorities. Its growth is underpinned by, as well as income for the year, on the allocation to reserves of a large part of net income of previous years (94.9% of 2017 net income).

At 31 December 2018, shareholders' equity group share amounted to **€54,167 million** (+5.6%), enabling it to post CET1 prudential capital of **€47,511 million**, up by 7.1%. This, together with the quality of its assets, brings the **CET1 solvency ratio to 17.5%**, very far above the regulatory requirement.

This financial strength was further confirmed by the stress test published by the European Banking Authority in November 2018, which placed it in the top rank of French banks. These results confirm the strength of the cooperative and mutualist banking model that ensures the security and development of each of its 2,100 local banks, 19 federations and 6 federal banks while fully respecting their diversity.

Stress test 2018: Crédit Mutuel top of the French banks

Based on the results of the stress test published by the European Banking Authority in November 2018, the Crédit Mutuel group ranks first among French banks with a CET1 solvency ratio of 13.2% in 2020 in the worst-case scenario. This ratio stood at 17.4% at end-December 2017.

It ranked fifth among Eurozone commercial banks.

The Crédit Mutuel group thus confirms its great financial solidity and the appropriateness of its development model, which has ensured the security and development of each of its federations and subsidiaries for more than a century.

LOCAL RELATIONSHIP BANKING: CREDIT MUTUEL, A KEY PLAYER IN THE LOCAL ECONOMY

2018 validates the relevance of a model whose goal is to become the local relationship bank for all its customers, by constantly improving the banking relationship for the benefit of its customer base of individuals, not-for-profit organisations, professionals and businesses.

Drawing on the **force of its network where more than 95% of lending decisions are made, the** group is continuing its digital transformation to promote an ever closer, more proactive, more efficient and more trusting relationship between advisors and customers, underpinned in particular on development of artificial intelligence in 100% of its business lines and constant enhancement of the functions of websites and mobile applications. A transformation that gives the priority to innovation and data protection.

In 2018, the intense commitment of the staff at all the group's various networks contributed to **increasing the number of customers and members, up by 2.9% to 32.5 million.**

A strong support for local economies

€467 bn
Outstanding loans

Outstanding loans increased by 8.0% up to €467 billion in 2018, underlining the group's constant presence at its customers' side in all their personal and professional financing needs.

This strong growth concerned all loan categories.

Therefore, the accompaniment of individual customers can be seen in the growth in home loans, which totalled €234.1 billion (+7.4%) and in consumer loans (€45.9 billion, +9.1%) at the networks and specialised subsidiaries.

Support for businesses meets the different needs of professional customers, particularly through equipment loans, which amount to €108.4 billion (+9.7%), factoring (€14.2 billion, +9%) and finance leases (€17.4 billion, +6.6%).

The market share of loans of the networks in France increased slightly up to 17.1%.

A sustained growth in savings

Total savings came up to 787.7 billion at end-December 2018 (+2.1%)

Deposits on the balance sheet accounted for €396.7 billion (+6.1%). This testifies to good momentum as even excluding current accounts whose growth continues even in a low interest-rate environment, the other savings products offered by the group continued to grow (+3.2%), with the exception of term deposits.

Deposits in savings book accounts (€110.7 billion) grew by 7% and home savings (€47.4 billion) grew by 4.3%.

Insurance savings (€134.4 billion) continue to grow (+2.0%) while **bank financial savings** (€256.6 billion) suffered from the conditions in the financial markets at the end of the year (-3.4%).

The market share of deposits of the group's networks in France is stable at 15.5%

STRENGTHENING ITS POSITION AS A MULTI-SERVICE BANK

In 2018, the Crédit Mutuel group stepped up the diversification of its product and service offering with the support of its networks and specialised subsidiaries, emphasizing its position as a multi-service group firmly anchored in its local territories.

A genuine bankinsurance group

More than 33 million policies

Developed within the group as from 1971, insurance has recorded strong sales in both life and non-life insurance. This was reflected in growth in premium intake and in commissions paid to the networks.

The negative stock-market conditions and an increase in claims, linked in particular to natural disasters, nonetheless weighed on net insurance income, which dropped by 5.7% up to €2.2 billion

The year was marked by the merger of Nord Europe Assurances (NEA) and its subsidiaries with Groupe des Assurances du Crédit Mutuel (GACM). This merger had no impact at the group level.

The insurance activity contributed nearly 30% of net income attributable to owners of the company.

A diversified and efficient service offer

While insurance continues to be a major development path, the group's performances in telephone services, remote surveillance (n° 1 in home remote surveillance), real estate (n° 1 in sales of new properties), leasing and finance leasing (main player in finance leasing for business in France) testifies to the success of this diversification strategy. Diversification is continuing with new offers such as electric-assist bikes, very high-speed broadband box and real estate in the existing properties market.

These transformations contribute day after day to building a local relationship bank that serves its customer members and regional development to the benefit of all.

Note: 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.

To find out more about the Crédit Mutuel group, click here or meet us at:

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2018 key figures

NBI: €17,526 million
Total net income: €3,578 million
Net income share group: €3,504 million
Shareholders' equity share group: €54,167 million

Common Equity Tier 1 ratio: 17.5 %
Leverage ratio: 6.4 %
Liquidity ratio: 132.6 %

5,700 points of sale
82,000 employees
32.5 million customers

Savings: €787.7 billion
Deposits: €396.7 billion
Loans: €467.4 billion

Major player in bankinsurance in France

17.1% market share in bank loans
15.5% market share in deposits

A quality issuer

Standard & Poor's LT ratings: ● A (senior debt) stable outlook
● A + (counterparty)

** 6.7% with exemption from centralized regulated savings (based on the decision of the General Court of the European Union of July 13, 2018).*