Creditreform Bank Rating

Banque Fédérative du Crédit Mutuel SA (Group)

Creditreform Rating

Rating Object	Rating Information	
Banque Fédérative du Crédit Mutuel SA (Group)	Long Term Issuer Rating / Outlook: **A+ / stable**	Short Term: **L2**
Creditreform ID: 355801929	Stand Alone Rating: A+ Type: Update / Unsolicited	

Rating Date:	**13 December 2023**	Rating of Bank Capital and Unsecured Debt Instruments:	
Monitoring until:	withdrawal of the rating	Preferred Senior Unsecured (PSU):	**A+**
Rating Methodology:	CRA "Bank Ratings v.3.2" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.1" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3" CRA "Institutional Protection Scheme Banks v1.0"	Non-Preferred Senior Unsecured (NPS):	**A**
		Tier 2 (T2):	**BBB+**
Rating History:	www.creditreform-rating.de	Additional Tier 1 (AT1):	**n.r.**

Rating Action

Creditreform Rating affirms Banque Fédérative du Crédit Mutuel's (Group) Long-Term Issuer Rating at A+ (Outlook: stable)

Creditreform Rating (CRA) affirms Banque Fédérative du Crédit Mutuel's (Group) Long-Term Issuer Rating at A+. The rating outlook is stable.

CRA affirms Banque Fédérative du Crédit Mutuel's Preferred Senior Unsecured Debt at A+, Non-Preferred Senior Unsecured Debt at A, Tier 2 Capital is upgraded to BBB+. The rating of AT1 Capital is set to not rated (n.r) due to the lack of eligible securities.

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update.

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Key Rating Drivers

- Strong creditworthiness of Crédit Mutuel Group, the Institutional Protection Scheme, Banque Fédérative du Crédit Mutuel is affiliated with
- Bancassurance business model provides the cooperative banking group with predictable income streams
- High asset quality benefitting from a high share of low risk mortgages und limited risk appetite
- Satisfactory profitability metrics; expectation that the higher interest rate environment in core markets will provide a tailwind to the group's net interest income in the medium term
- Significant liquidity buffer over regulatory requirements

Executive Summary

Quantitative:	Good
Earnings	Satisfactory
Assets	Very Good
Capital	Very Good
Liquidity	Good
Qualitative:	Very Good

The rating of Banque Fédérative du Crédit Mutuel is prepared on the basis of group (Crédit Mutuel Group) consolidated accounts.

The Long-Term Issuer Rating of Banque Fédérative du Crédit Mutuel has been affirmed as Crédit Mutuel Group – the Institutional Protection Scheme it is affiliated with – maintained its strong creditworthiness. Crédit Mutuel Group's profitability and efficiency metrics are overall satisfactory but earnings quality is strong due to multiple and relatively stable income streams from its bancassurance business model. Despite being considerably concentrated in France, Crédit Mutuel Group's asset base is of good quality and dominated by low-risk mortgage lending. Capital metrics are extraordinary strong supported by modest dividend payouts which allows to retain most profits. While Crédit Mutuel Group's liquidity coverage ratio experienced a steep drop in 2022, reflecting TLTRO reimbursements, the group's overall liquidity position remains good.

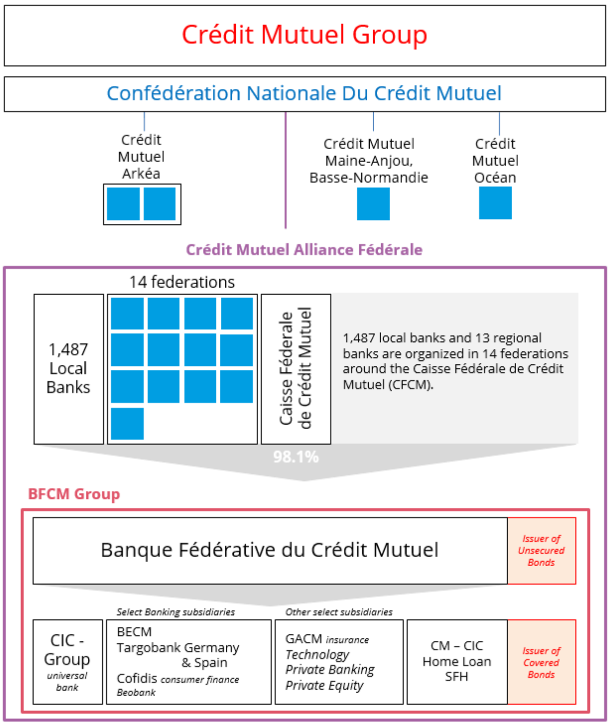
In the Institutional Support Assessment Creditreform Rating comes to the conclusion that in the case of Banque Fédérative du Crédit Mutuel's Long-Term Issuer Rating, there is a strong connection between Crédit Mutuel Group's and Banque Fédérative du Crédit Mutuel. In the opinion of Creditreform Rating, a stand-alone rating of BFCM is thus not appropriate due to its affiliation with Crédit Mutuel Group. The rating is thus prepared on the basis of consolidated accounts of the institutional protection scheme, where possible.

Company Overview

Banque Fédérative du Crédit Mutuel (hereinafter: BFCM) is the central refinancing entity for Crédit Mutuel Alliance Fédérale (hereinafter: CMAF) and depository for its undertakings for collective investments. Additionally, it is the holding company for CMAF's subsidiaries and coordinates their activities. Major subsidiaries are CIC-Group (a universal bank), Targobank Germany and Spain (Retail), BECM (serving regional economies/cross-country business and real estate), Cofidis Group (consumer finance) and Beobank (banking and insurance services in Belgium).

CMAF, on the other hand, is the single most important cooperative alliance within Crédit Mutuel Group (hereinafter: CMG or the group), which consists of 18 regional federations across France. CMAF represents an alliance of 14 of these regional federations, including well over a thousand cooperative banks, organized around the common federal bank Caisse Fédérale de Crédit Mutuel (hereinafter: CFCM).

Chart 1: Group organization chart Crédit Mutuel Alliance Fédérale| Source: CMAF/BFCM Annual Report 2022



The rating object is BFCM, but as the central institution of the alliance, it is in our view an integral part of CMAF and thus inseparable from it. Therefore, qualitative and certain quantitative characteristics of the consolidated report of CMAF are also processed in the rating and mentioned accordingly in the report.

BFCM has structured its activities across three lines of business: *"Retail Banking"* incorporates the bank's network activities including Crédit Industriel et Commercial (CIC, BECM, Beobank as well as Targobank regional banks in Spain. Consumer lending (Targobank Germany and Cofidis) and various leasing and real estate services offered by subsidiaries are also reported within retail banking. Secondly, the *"Insurance"* segment via Groupe des Assurances du Crédit Mutuel

(GACM) offers a broad range of policies (P&C, health, savings & retirement, professional activities) which are distributed by the banking networks. As of end 2022, over 13mn policyholders held held 36.6mn contracts with GACM. Thirdly, *"Specialized Business Lines"* includes BFCM's domestic and foreign asset management and private banking operations, as well as the corporate banking and capital markets subdivisions and private equity.

Being its central institution BFCM shares a common strategy with CMAF. The banking alliance is currently in the late stage of its "2019-2023 strategic plan together#today's world, faster, further!" that is centered around four strategic priorities, namely relation, commitment, innovation and solidity. The alliance aims among others to strenghten its role as an omnichannel bank, to leverage synergies and exploiting cross-selling opportunities. Moreover, in its interim report 2023 CMAF stated, that it is on track to meet the 2023 financial targets, including a net banking income of EUR 14.6bn (2022: EUR 17.3bn) and net profit of at least EUR 3bn (2022: 3.5bn). Currently, work is underway to develop a strategy update for the 2024-2027 period.

Turning to changes in the group structure, BFCM announced to dispose off GACM Espana and Targobank Spain in late 2022. While the sale of GACM Espana to Axa Spain for a purchase price of EUR 310mn was closed in July 2023, the sale of Targobank Spain to Abanca was concluded in October.

CMG with its subsidiaries is grouped under the "umbrella body" of Confedération Nationale du Crédit Mutuel (hereinafter: CNCM). CNCM is the network's central body according to the French Monetary and Financial Code (L.511-30). CNCM is responsible in particular for ensuring the solidity of its network and the proper operation of its affiliated banks. It must take all necessary measures to this end, particularly ensuring the liquidity and solvency of each of its affiliated banks and that of the network as a whole (as required under Article L.511-31 of the French Monetary and Financial Code). This system is based on a set of rules and mechanisms put in place at the regional and federative levels, each federation has to set up a solidarity mechanism between the local banks within their respective territorial jurisdiction. The mechanism seeks to enable local banks to avoid long-term deficits or to restructure a deteriorated situation. A federal fund is set up by contributions and subsidies. Contributions in case of net profits and subsidies in case of losses are meant to equalize earnings between local banks. Difficulties are meant to be resolved at a regional level first, but if a regional solidarity solution proves insufficient, a national solidarity mechanism shall be implemented. To this end, CNCM must take all necessary measures to ensure the liquidity and solvency of each institution in trouble, as well as the entire network. There is unlimited solidarity between CNCM affiliates.

In the Institutional Support Assessment, Creditreform Rating examines the extent to which an existing cross-guarantee system or IPS can have an influence on BFCM's rating. As a result, Creditreform Rating comes to the conclusion that in the case of BFCM's Long-Term Issuer Rating, there is a strong connection between Crédit Mutuel Group's CNCM and BFCM due to its mandated support required by law to ensure the liquidity and solvency of its affiliated banks and the network as a whole. Crédit Mutuel's mutual support system is based on a set of rules and mechanisms put in place at the regional and federative levels. This enables additional notching. In the opinion of Creditreform Rating, a stand-alone rating of BFCM/CMAF is thus not appropriate due to its affiliation with Crédit Mutuel Group/CNCM.

The rating is thus prepared on the basis of consolidated statements of Crédit Mutuel Group, where possible.

Business Development

Profitability

Creditreform Rating AG follows a structural approach in the presentation of the income statement and balance sheet as well as in the calculation of key ratios. The presentation may therefore differ from that of the bank. Creditreform Rating pursues the goal of making financial statements of different banks as well as within the scope of consolidation as comparable as possible. Certain key ratios are also taken or calculated from the Bank's Pillar III Report for reasons of comparability. Balance sheet and income statement figures are taken from the consolidated financial statements of the respective years. One-off or exceptional items are, where possible, relegated to the line items non-recurring revenue and expense.

CMG's operating income improved moderately from EUR 20.5bn (2021) to EUR 21.1bn, with net interest income (+6.8% yoy) being the main driver. While CMG's interbank lending operations and its securities portfolio benefitted from higher rates, interest margins in the customer business have not improved yet, mainly reflecting CMG's balance sheet structur. Rapidly rising rates on regulated savings of which CMG had about EUR 167bn at the end of 2022, drove up deposit costs instantly while assets will reprice more gradually.

Net insurance income which has accounted for about 20% of operating income over the last four years rose modestly (+3.4%) last year. Business growth and higher premiums (+5.2% yoy) in both life and non-life insurance more than offset increasing claims and inflation induced cost pressures.

Moreover, net fee & commissions, which constitute about a quarter of operating income, rose modestly (+3.8% yoy), mainly on the back of higher net commission income earned from customers. By contrast, CMG's net trading and securities income, which has been traditionally volatile in recent years, fell of a cliff, dropping by almost 40% yoy to EUR 0.5bn in 2022.

On the other hand, operating expenses increased dynamically (+5.6% yoy) largely due higher employee benefits expenses. Further driving up costs, spending dynamics on „other expenses“ was disproportionately strong. Alongside ongoing digitization efforts and cost pressures from external service providers, CMG had to pay about EUR 0.1bn higher contributions to the single resolution fund in 2022.

Cost of risk amounted to EUR 970mn, up from 892mn. The increase was driven by significant net additions to stage 1 and stage 3 provisions which were partly compensated by net reversals for stage 2 exposures.

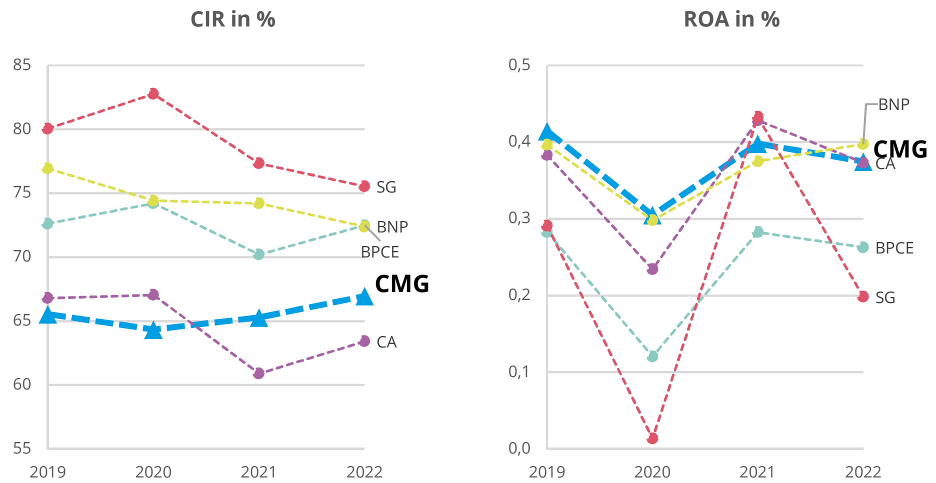
We classify the net loss on consolidated securities of EUR 148mn which includes the sales impact of Targo Spain and FLOA Bank as a non-recurring expense. In the same vein, capital gains on disposals worth EUR 40mn were classified as non-recurring revenue.

As a result of higher impairments costs and with operating costs outpacing operating income, CMG's net income declined slightly to EUR 4.2bn (-3.5% yoy) in 2022.

Due to the minor movement in CMG's net income, key earnings metrics - which are overall at a satisfying level - remained broadly stable. The CIR edged up slightly from 65.3% (2021) to 67%. At this level, CMG lags behind European best-in-class banks in terms of cost efficiency although its CIR compares favorably to a broader set of French financial institututions and banking groups (see Chart 3). The same statement applies to CMG's RoA, which came in at 0.37% last year (2021:

0.4%). Thus, CMG's RoA was closely aligned with peers BNP Paribas and Credit Agricole but significantly higher than at Societe Generale and Groupe BPCE. We also note that CMG's RoA has been the least volatile among peers in recent years. In our view, this is a testimony of CMG's earnings quality that benefits from broad revenue diversification, including income streams from a large and relatively stable insurance segment.

Chart 2: CIR & RoA of CMG in comparison to the peer group | Source: eValueRate / CRA

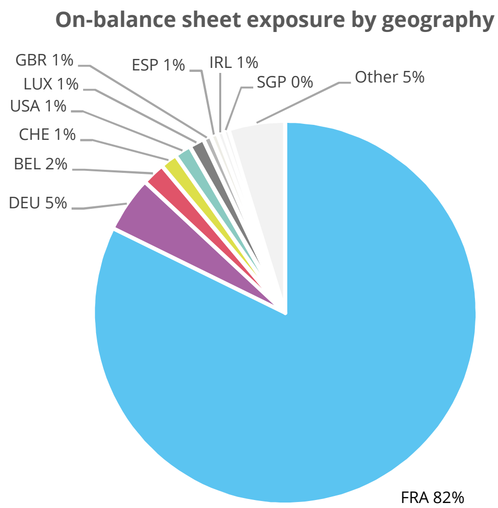


Since CMG does not publish any interim or quarterly financial reports, we have limited visibility on the group's year-to-date business performance. However, interim results of CMAF and Crédit Mutuel Arkéa, which together account for about 97% of CMG's consolidated assets, can provide some indication. In H1-23, CMAF and Crédit Mutuel Arkéa's net income was down by 7.3% and 53.4%, respectively. At CM Arkéa net banking income suffered from adverse changes in TLTRO conditions towards the end of 2022 that squeezed interest margins. CMAF, on the other hand, reported a modest 3.9% yoy increase in net revenues, mainly driven by private banking, corporate finance and market activities. However, revenue growth in the important retail banking & consumer finance division was muted as net interest income in France contracted by another 3.7% yoy due to continuing inflows into regulated savings. CRA expects this trend to continue over the remainder of the year. CMAF currently guides for revenues of EUR 14.6bn in 2023, which would be materially below 2022 levels. We also note that both banking alliances had to cope with sustained cost pressures caused by the inflationary enviroment in H1-23. Operating expenses at Arkea were up 5.7% yoy and by +6.7% yoy at CMAF, with higher employee benefits expenses being the main driver. Also putting some pressure on the bottom line, CMAF's cost of risk normalized towards pre-pandemic levels. Against this backdrop, we expect a modest weaking of CMG's profitability in 2023.

Asset Situation and Asset Quality

With total assets of EUR 1.1tr in 2022, CMG was the third-largest cooperative banking group in France behind Groupe BPCE (EUR 1.5tr) and Credit Agricole Group (EUR 2.4tr). The weighted country risk assessment score (CRAS) of "4" (CRAS ranging from "1" highest to "5" lowest risk) reflects the fact that CMG has predominantly exposure to jurisdictions with low or very low macroeconomic and political risks. CMG's operations are clearly concentrated in the domestic market (see Chart 4). As of 2022, France accounted for 83% of the group's on-balance sheet exposures, followed by Germany (5%) and Belgium (2%). Hence, geographical diversification of credit risk is limited although CRA ackknowledges CMG's focus on low-risk lending activities (see below) in the French market has been a boon to net income stability in recent years.

Chart 3: On-balance sheet exposures of CMG end-of 2022 | Source: eValueRate / CRA / Pillar III



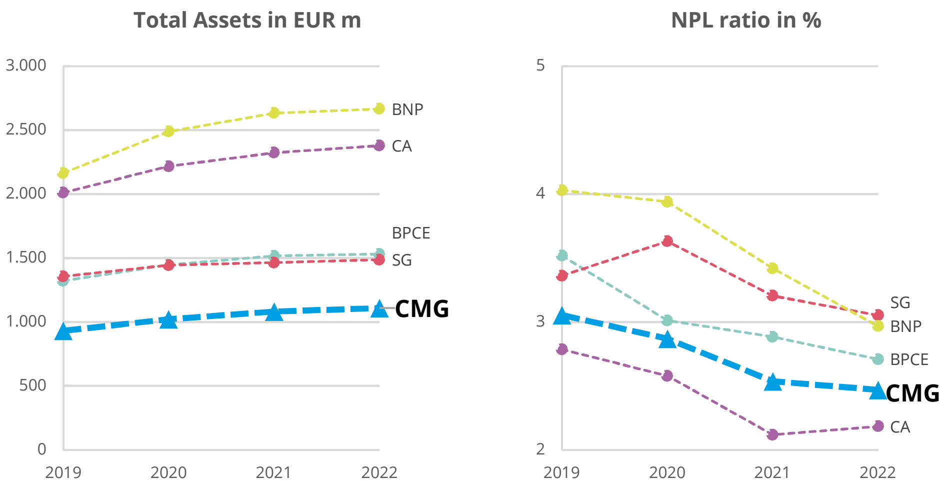
Commensurate with its universal bank business model, loans and advances to customers were by far CMG's largest balance sheet position as of year-end 2022. The loan book ist split equally between non-financial corporates and retail customers. The bulk of loans are French home loans, according to its pillar 3 disclosures the group carried EUR 245bn of residential mortgages by the end of 2022. Given that the vast majority of these mortgages carries fixed rates, the collateralized nature lending, and borrower based measures enshrined in French law (including a legally binding debt-service–to income limit of 35% and maturity limit of 25 years), we consider the risk profile of these loans as fairly low.

Potential pockets of vulnerability include CMG's elevated exposure to real estate activities (2022: 148% of CET1, according to CMG pillar 3 disclosure) and consumer lending. CMG's consumer loans are primarily granted through Cofidis Group, Targobank Germany and Financo – a leading player in auto and RV finance. The loan portfolio of Cofidis Group ended the year with loans outstanding of EUR 18.2bn (+13% yoy) and Targobank Germany's retail loans amounted to EUR 19.7bn (+9.9% yoy). Although we believe that the credit quality of these consumer loans is particularly vulnerable in case of a sharp economic downturn, CMG's overall exposure to consumer lending in relation to net customer loans in excess of EUR 600bn appears moderate.

Generally, CMG's rating is supported by very strong asset quality metrics. After a notable drop in 2021, CMG's ratio of non-performing loans (as calculated by CRA) stabilized at 2.5% last year

– a level we consider good also in relation to French peers. Except for Credit Agricole, which displayed a slightly lower NPL-ratio comparable French banks reported NPL-ratios closer to 3% (see Chart 5). The potential problem loan ratio (stage 2 loans) improved for the second year in a row and fell to 6.6%. Furthermore, CMG is well provisioned, with the reserves/NPL ratio sitting at 81%, which is comparable to that of other French banks. In contrast to its domestic competitors, CMG recorded no material increase in cost of risk last year. Cost of risk was 29bp. of RWA or 9bp. of total assets, essentially unchanged compared with 2021 and well below the pandemic heights in 2020. With regard to the recent development in cost of risk, CMG benefitted from the fact that, unlike Societe Generale and Credit Agricole, it did not have any direct Russian and Ukrainian exposures.

Chart 4: Total assets & NPL ratio of CMG in comparison to the peer group | Source: eValueRate / CRA



Against the backdrop of more challenging macroeconomic conditions – particularly slowing growth and still high inflation in CMG's core market France – there are signs that CMG's will likely bottom in the near term. At the end of the first half of the year, CMAF's NPL-ratio slightly from 2.6% to 2.7%, CM Arkea's impaired loan ratio remained stable at 2.0%. Looking ahead into 2024, however, we expect no significant deterioration in asset quality. Employment is expected to remain close to record levels in France, at the same time pressure on borrowers' real disposable income should gradually subside and support their debt service capacity.

Refinancing, Capital Quality and Liquidity

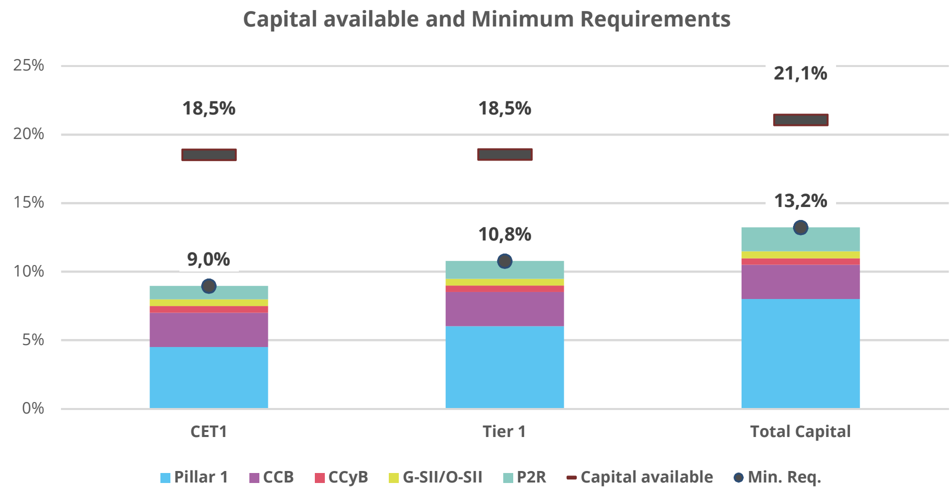
A large a granular base of retail customer deposits funding dominates the liability side of GCM's balance sheet. Last year, customer deposits accounted for two thirds (67%) of financial liabilities – the largest share of all French banks CRA rates. CMG registered sustained deposit inflows (+3.3% yoy) in 2022, although at somewhat slower pace than in the previous year. Above all, the group attracted more regulated demand savings deposits in an environment of rising interest rates. The total deposit base to which regulated interest rates apply, rose by 8.5% yoy to EUR 167bn.

Apart from that, CMG continued to take advantage of central bank funding. As of year-end 2022, CMG had outstandings of EUR 42.6bn under the TLTRO III programme (2021: EUR 54bn). Notwithstanding CMG's strong deposit franchise, wholesale markets continue to be an important source of funds. In 2022, the group ramped up its debt funding from EUR 154bn to 171.2bn, to prepare for the nearing end of the TLTRO program. Both CM Arkea and CMAF regularly issue debt instruments across the whole capital stack (excl. AT1) at various maturities.

CM Arkea borrowed EUR 4.3bn in 2022 and CMAF raised EUR 20.7bn in MLT funds, mostly via BFCM. Issuance activity was observed across the whole capital stack (excl. AT1), including senior preffered securities and as well as Tier 2 instruments. Moreover, through Credit Mutuel Home Loan SFH the group has also a long established access to covered bond markets, which it regularly uses to refinance the group's mortgage origination activities. As of October 2023, CMAF had already raised EUR 20.4bn in funds, thereby achieving its funding target for 2023.

CMG's ratings are supported by capital metrics, which are extraordinary strong by both national and European industry standards. Alongside stable profitability in recent years the cooperative group pursues a policy of modest dividend distributions and retains most of its earnings to build capital organically. However, we note that CMG's regulatory capital ratios also benefit from a special calculation regime known as the Danish compromise. Being recognized as financial conglomerate, CMG is authorized to assign a risk weight of 250% to the equity value of its insurance subsidiaries instead of deducting them outright from capital.

Chart 5: Regulatory capital and requirements of CMG in Q2-23| Source: eValueRate / CRA / Pillar III

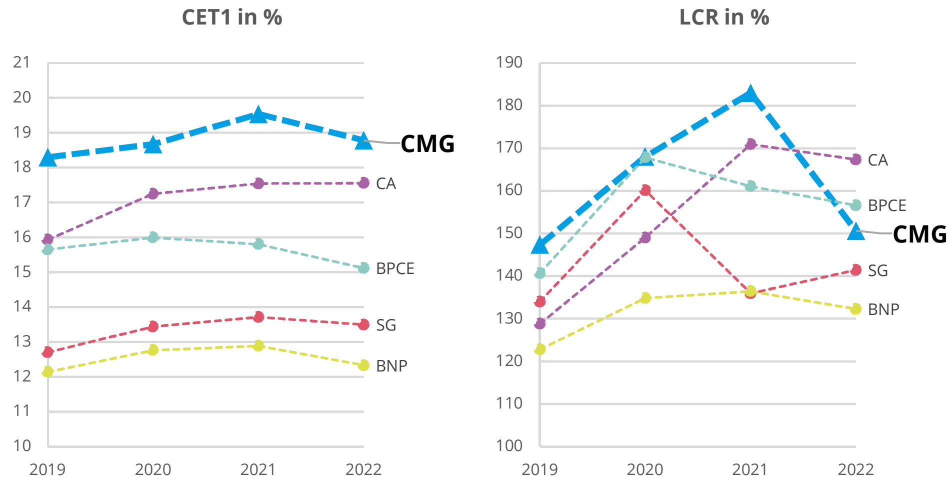


That being said, CMG's CET1-ratio dropped from 19.5% to 18.8% in 2022 entirely driven by RWA inflation. In absolute terms, CET1 capital increased by EUR 1.7bn and the group posted an extraordinarily high CET1 buffer of 1,027bp above regulatory minimum requirements. During the first half of 2023, the CET1 ratio and the associated buffer decreased to 18.5% and 958bp., respectively.

The latter was a result of higher CET1 minimum requirements. Following the implementation of a 0.5% countercylical buffer(CCyB) rate in France effective from April 2023, CMG's countercyclical buffer requirement increased by 0.44 percentage points. By the end of June 2023, GCM had to comply with a CET1 SREP requirement of 8.95%, including an unchanged pillar 2 requirement (P2R) and O-SII surcharge of 0.98% and 0.5%, respectively.

Although French banks will be confronted with further increase of the CCyB we expect CMG to retain material excess capital in the short to medium term. The drag on the group's capital ratios from the implementation of Basel III endgame reforms should be limited. As of 2022, CMG has already calculated capital requirements for 37% of its credit exposures under the standardized approach – the highest share among French peers.

Chart 6: CET1 ratio and LCR of CMG in comparison to the peer group | Source: eValueRate / CRA / Pillar III



CMG's liquidity coverage ratio declined sharply in 2022. HQLA (after haircuts) went down from EUR 169.5bn (2021) to EUR 160bn, partly reflecting cash outlays for TLTRO repayment, at the same time and due to rising levels of unsecured wholesale funding. Overall, however, liquidity remains strong as CMG's LCR still posted at 150.6% end-of 2022 and further recovered to 165% by Q2-23 - comfortably beyond the minimum regulatory requirement of 100%. The LCR is broadly aligned with peers.

Due to BFCM/CMAF's bank capital and debt structure, the Group's Preferred Senior Unsecured Debt instruments are not notched down in comparison to the Long-Term Issuer Rating. Due to the seniority structure, BFCM/CMAF's Non-Preferred Senior Unsecured debt is rated A. BFCM/CMAF's Tier 2 Capital is rated BBB+ based on BFCM/CMAF's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 Capital is set to not rated (n.r.) due to a lack of eligible securities.

Environmental, Social and Governance (ESG) Score Card

Creditreform Bank Rating
Environmental, Social and Governance (ESG) Bank Score
Banque Federative du Credit Mutuel (4 rue Frederic-Guillaume Raiffeisen, 67913 Strasbourg-N

Creditreform Rating

CMAF/BFCM has one significant and two moderate ESG rating drivers

• Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due to CMAF's very high capitalization figures, solid earnings and asset quality, beating French peers.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating drivers. Green Financing / Promoting is rated neutral and Corporate Behaviour is rated positive. Green Bond issues are still low in total volume in the former case, but is commendable in terms of corporate behavior in regards of code of conduct and code of ethics application, in addition to no major scandals in recent years.

ESG Bank Score

3,8 / 5

Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
< = 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2022	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)
Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated very positive in terms of the CRA ESG criteria.	1	(+ +)
Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage https://creditreform-rating.de/en/about-us/regulatory-requirements.html. In addition, we refer to CRA's position paper "Consodering the Impact of ESG Factors".

Outlook

The outlook of the Long-Term Issuer Rating of BFCM is stable. In general, the stable outlook on BFCM's rating is supported by our view that the existing institutional arrangements, underpining the mutual support within CMG, will remain in place. For CMG as a whole, we expect inflation induced cost pressures and the pass-through of higher interest rates to customers to put some pressure on the bank's bottom line in the short term. In the medium term however, rising interest rates should be a tailwind to CMG's profitability in view of its substantial lending activities. Also supporting our stable outlook, we believe that CMG's asset quality will not deteriorate significantly and the group will retain sizeable capital buffers above its regulatory minimum requirements for the forseeable future.

Scenario Analysis

Best-case scenario: AA-

Worst-case scenario: A

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In a scenario analysis, the bank is able to reach a Long-Term Issuer Rating of AA- in the "Best-Case-Scenario" and a Long-Term Issuer Rating of A in the "Worst-Case-Scenario". The ratings of Bank Capital and Senior Unsecured Debt would respond similarly based on our rating methodology. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We might upgrade BFCM's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt if CMG – the Institutional Protection Scheme BFCM is affiliated with – manages to increase its intrinsic profitability sustainably and at the same time maintains its very strong asset quality and capital metrics.

By contrast, a downgrade of BFCM's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt could occur if – contrarily to our expectation - significant changes to the mutual support framework are implemented, weakening the cohesion between members of the wider Crédit Mutuel Group.

Appendix

Bank ratings BFCM

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

Long-Term Issuer / Outlook / Short-Term **A+ / stable / L2**

Bank Capital and Debt Instruments Ratings BFCM

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured (PSU):	**A+**
Non-Preferred Senior Unsecured (NPS):	**A**
Tier 2 (T2):	**BBB+**
Additional Tier 1 (AT1):	**n.r.**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	21.09.2018	A / stable / L2
Rating Update	19.12.2019	A / stable / L2
Monitoring	24.03.2020	A / NEW / L2
Rating Update	19.11.2020	A / stable / L2
Rating Update	12.11.2021	A+ / stable / L2
Rating Update	15.12.2022	A+ / stable / L2
Rating Update	13.12.2023	A+ / stable / L2
Bank Capital and Debt Instruments	**Rating Date**	**Result**
Senior Unsecured / T2 / AT1 (Initial)	21.09.2018	A / BBB- / BB+
PSU / NPS / T2 / AT1	19.12.2019	A / A- / BBB- / BB+
PSU / NPS / T2 / AT1	24.03.2020	A / A- / BBB- / BB+ (NEW)
PSU / NPS / T2 / AT1	19.11.2020	A / A- / BBB- / BB+
PSU / NPS / T2 / AT1	12.11.2021	A+ / A / BBB / BBB-
PSU / NPS / T2 / AT1	15.12.2022	A+ / A / BBB / BBB-
PSU / NPS / T2 / AT1	13.12.2023	A+ / A / BBB+ / n.r.

Tables Crédit Mutuel Goup

Figure 2: Income statement[1] | Source: eValueRate / CRA

Income Statement (EUR m)	2022	%	2021	2020	2019
Income					
Net Interest Income	9.121	+6,8	8.540	8.379	7.959
Net Fee & Commission Income	5.236	+3,8	5.044	4.393	4.348
Net Insurance Income	3.984	+3,4	3.854	3.281	3.580
Net Trading & Fair Value Income	790	-38,8	1.291	98	942
Equity Accounted Results	-5	-73,7	-19	-16	3
Dividends from Equity Instruments	42	+5,0	40	22	24
Other Income	1.960	+11,2	1.763	3.228	2.824
Operating Income	**21.128**	**+3,0**	**20.513**	**19.385**	**19.680**
Expense					
Depreciation and Amortisation	1.929	+9,7	1.759	932	816
Personnel Expense	7.438	+4,9	7.091	6.710	6.801
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	4.780	+5,2	4.544	4.831	5.280
Operating Expense	**14.147**	**+5,6**	**13.394**	**12.473**	**12.897**
Operating Profit & Impairment					
Operating Profit	**6.981**	**-1,9**	**7.119**	**6.912**	**6.783**
Cost of Risk / Impairment	970	+8,7	892	2.635	1.200
Net Income					
Non-Recurring Income	40	-	-	-	-
Non-Recurring Expense	175	-	-	-	-
Pre-tax Profit	**5.876**	**-5,6**	**6.227**	**4.277**	**5.583**
Income Tax Expense	1.723	-10,9	1.933	1.167	1.742
Discontinued Operations	-	-	8	4	17
Net Profit	**4.153**	**-3,5**	**4.302**	**3.114**	**3.858**
Attributable to minority interest (non-controlling interest)	33	-	-	44	83
Attributable to owners of the parent	4.120	-3,4	4.266	3.070	3.775

Figure 3: Key earnings figures| Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	66,96	+1,66	65,30	64,34	65,53
Cost Income Ratio ex. Trading (CIRex)	69,56	-0,12	69,68	64,67	68,83
Return on Assets (ROA)	0,37	-0,02	0,40	0,30	0,41
Return on Equity (ROE)	6,05	-0,37	6,41	5,00	6,46
Return on Assets before Taxes (ROAbT)	0,53	-0,05	0,58	0,42	0,60
Return on Equity before Taxes (ROEbT)	8,56	-0,73	9,28	6,87	9,35
Return on Risk-Weighted Assets (RORWA)	1,24	-0,13	1,38	1,04	1,34
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,76	-0,23	1,99	1,43	1,94
Net Financial Margin (NFM)	1,10	-0,04	1,14	1,05	1,24
Pre-Impairment Operating Profit / Assets	0,63	-0,03	0,66	0,68	0,73

Change in %-Points

[1] Data by our data provider eValueRate, which is standardized for analytical reasons. Thus, the used data and the resulting figures do not have necessary to match the presentation of the bank, which refers to this and all subsequent tables and figures.

Figure 4: Development of assets | Source: eValueRate / CRA

Assets (EUR m)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	142.201	-9,5	157.145	129.800	86.726
Net Loans to Banks	61.826	+4,7	59.064	55.948	47.275
Net Loans to Customers	611.185	+8,4	563.777	529.545	489.108
Total Securities	60.246	+1,2	59.521	69.143	64.319
Total Derivative Assets	5.833	-29,0	8.212	10.199	10.226
Other Financial Assets	17.490	+34,7	12.985	15.773	18.596
Financial Assets	**898.781**	**+4,4**	**860.704**	**810.408**	**716.250**
Equity Accounted Investments	213	+0,0	213	344	359
Other Investments	579	+5,1	551	531	493
Insurance Assets	179.294	-7,7	194.196	185.891	187.473
Non-current Assets & Discontinued Ops	4.986	> +100	215	95	777
Tangible and Intangible Assets	8.664	-11,5	9.792	10.614	10.508
Tax Assets	4.435	+20,9	3.667	3.959	3.962
Total Other Assets	11.124	-0,3	11.153	9.768	11.094
Total Assets	**1.108.076**	**+2,6**	**1.080.491**	**1.021.610**	**930.916**

Figure 5: Development of asset quality | Source: eValueRate / CRA and Pillar III

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	55,16	+2,98	52,18	51,83	52,54
Risk-weighted Assets[1] / Assets	30,12	+1,22	28,89	29,21	30,93
NPL[2]/ Loans to Customers[3]	2,47	-0,07	2,54	2,87	3,05
NPL[2]/ Risk-weighted Assets[1]	4,50	-0,11	4,61	5,14	5,23
Potential Problem Loans[4]/ Loans to Customers[3]	6,65	-1,09	7,74	9,89	5,31
Reserves[5]/ NPL[2]	81,01	-0,34	81,35	77,72	89,67
Cost of Risk / Loans to Customers[3]	0,16	+0,00	0,16	0,49	0,24
Cost of Risk / Risk-weighted Assets[1]	0,29	+0,00	0,29	0,88	0,42
Cost of Risk / Total Assets	0,09	+0,00	0,08	0,26	0,13

Change in %-Points

1 RWA: Pillar 3, EU CR1
2 NPL: Gross; Non-Performing Loans of the categories Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
3 Loans to Customers: Gross; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
4 Potential Problem Loans: Stage 2; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

Figure 6: Development of refinancing and capital adequacy | Source: eValueRate / CRA

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	25.940	+1,1	25.649	21.388	25.733
Total Deposits from Customers	566.045	+3,4	547.673	521.988	439.586
Total Debt	171.254	+11,2	153.974	162.911	159.844
Derivative Liabilities	12.763	+71,5	7.444	7.160	7.217
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	61.367	-8,9	67.383	43.667	35.390
Total Financial Liabilities	**837.369**	**+4,4**	**802.123**	**757.114**	**667.770**
Insurance Liabilities	176.161	-6,0	187.453	179.033	180.810
Non-current Liabilities & Discontinued Ops	3.720	> +100	345	94	758
Tax Liabilities	1.800	-19,6	2.240	2.330	2.517
Provisions	3.787	-14,9	4.450	4.523	4.207
Total Other Liabilities	16.576	-1,4	16.812	16.289	15.154
Total Liabilities	**1.039.413**	**+2,6**	**1.013.423**	**959.383**	**871.216**
Total Equity	**68.663**	**+2,4**	**67.068**	**62.227**	**59.700**
Total Liabilities and Equity	**1.108.076**	**+2,6**	**1.080.491**	**1.021.610**	**930.916**

Figure 7: Development of capital and liquidity ratios | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	6,20	-0,01	6,21	6,09	6,41
Leverage Ratio[1]	6,67	-1,31	7,98	7,60	7,00
Common Equity Tier 1 Ratio (CET1)[2]	18,78	-0,76	19,54	18,67	18,30
Tier 1 Ratio (CET1 + AT1)[2]	18,78	-0,83	19,62	18,84	18,57
Total Capital Ratio (CET1 + AT1 + T2)[2]	21,32	-1,29	22,61	21,86	21,60
CET1 Minimum Capital Requirements[1]	8,51	+0,02	8,49	8,49	7,71
Net Stable Funding Ratio (NSFR)[1]	117,69	-8,15	125,84	n/a	n/a
Liquidity Coverage Ratio (LCR)[1]	150,64	-32,36	183,00	168,00	147,34

Change in %-Points

1 Pillar 3 EU KM1
2 Regulatory Capital Ratios: Pillar 3 EU KM1

Tables BFCM

Figure 8: Income statement of BFCM | Source: eValueRate / CRA

Income Statement (EUR m)	2022	%	2021	2020	2019
Income					
Net Interest Income	6.324	+13,2	5.585	5.522	5.147
Net Fee & Commission Income	2.987	+2,3	2.920	2.597	2.588
Net Insurance Income	2.352	+5,2	2.236	1.763	2.102
Net Trading & Fair Value Income	270	-70,9	927	62	805
Equity Accounted Results	58	-6,5	62	145	74
Dividends from Equity Instruments	24	+4,3	23	8	10
Other Income	929	+25,7	739	740	776
Operating Income	**12.944**	**+3,6**	**12.492**	**10.837**	**11.502**
Expense					
Depreciation and Amortisation	1.298	+11,5	1.164	330	280
Personnel Expense	3.660	+7,6	3.401	3.300	3.333
Tech & Communications Expense	-	-	-	-	-
Marketing and Promotion Expense	-	-	-	-	-
Other Provisions	-	-	-	-	-
Other Expense	3.371	+6,7	3.159	2.879	3.177
Operating Expense	**8.329**	**+7,8**	**7.724**	**6.509**	**6.790**
Operating Profit & Impairment					
Operating Profit	**4.615**	**-3,2**	**4.768**	**4.328**	**4.712**
Cost of Risk / Impairment	743	+14,8	647	2.094	999
Net Income					
Non-Recurring Income	17	+54,5	11	12	96
Non-Recurring Expense	19	+0,0	19	17	22
Pre-tax Profit	**3.870**	**-5,9**	**4.113**	**2.229**	**3.787**
Income Tax Expense	1.234	-3,6	1.280	721	1.124
Discontinued Operations	0	-100,0	9	-	-
Net Profit	**2.636**	**-7,2**	**2.842**	**1.508**	**2.663**
Attributable to minority interest (non-controlling interest)	347	-2,5	356	224	380
Attributable to owners of the parent	2.288	-8,0	2.487	1.284	2.282

Figure 9: Key earnings figures of BFCM | Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	64,35	+2,51	61,83	60,06	59,03
Cost Income Ratio ex. Trading (CIRex)	65,72	-1,07	66,79	60,41	63,48
Return on Assets (ROA)	0,38	-0,05	0,43	0,24	0,47
Return on Equity (ROE)	7,28	-0,81	8,09	4,63	8,30
Return on Assets before Taxes (ROAbT)	0,56	-0,06	0,62	0,36	0,66
Return on Equity before Taxes (ROEbT)	10,68	-1,02	11,71	6,84	11,81
Return on Risk-Weighted Assets (RORWA)	-	-	-	-	-
Return on Risk-Weighted Assets before Taxes (RORWAbT)	-	-	-	-	-
Net Financial Margin (NFM)	1,18	-0,06	1,24	1,13	1,37
Pre-Impairment Operating Profit / Assets	0,67	-0,05	0,72	0,69	0,83

Change in %-Points

Figure 10: Development of assets of BFCM | Source: eValueRate / CRA

Assets (EUR m)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	111.454	-7,7	120.723	99.110	64.764
Net Loans to Banks	56.492	+1,9	55.421	52.628	50.034
Net Loans to Customers	321.090	+12,5	285.430	269.870	249.230
Total Securities	49.528	+5,4	47.011	52.437	49.108
Total Derivative Assets	8.401	+32,5	6.341	7.314	7.527
Other Financial Assets	12.590	+32,4	9.511	12.127	15.304
Financial Assets	**559.555**	**+6,7**	**524.437**	**493.486**	**435.967**
Equity Accounted Investments	877	+4,5	839	903	727
Other Investments	28	-6,7	30	50	56
Insurance Assets	108.847	-10,1	121.042	116.567	115.200
Non-current Assets & Discontinued Ops	4.962	> +100	107	-	726
Tangible and Intangible Assets	5.020	-17,1	6.054	7.068	6.939
Tax Assets	2.754	+27,2	2.165	2.296	2.183
Total Other Assets	7.520	-8,2	8.194	6.874	8.149
Total Assets	**689.563**	**+4,0**	**662.868**	**627.244**	**569.947**

Figure 11: Development of asset quality of BFCM | Source: eValueRate / CRA and Pillar III

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	46,56	+3,50	43,06	43,02	43,73
Risk-weighted Assets[1] / Assets	-	-	-	-	-
NPL / Net Loans to Customers	3,37	-0,04	3,41	3,87	3,90
NPL / Risk-weighted Assets[1]	-	-	-	-	-
Potential Problem Loans / Net Loans to Customers	7,11	-2,78	9,89	11,22	6,02
Reserves / NPL	73,91	-5,40	79,31	77,67	71,22
Cost of Risk / Net Loans	0,23	+0,00	0,23	0,78	0,40
Cost of Risk / Risk-weighted Assets	-	-	-	-	-
Cost of Risk / Total Assets	0,11	+0,01	0,10	0,33	0,18

Change in %-Points
1 RWA: Pillar 3, EU CR1

Figure 12: Development of refinancing and capital adequacy of BFCM | Source: eValueRate / CRA

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	36.488	+16,9	31.207	25.547	27.463
Total Deposits from Customers	283.537	+3,4	274.159	268.617	217.099
Total Debt	144.815	+11,3	130.141	135.118	133.845
Derivative Liabilities	13.527	> +100	5.649	4.816	5.071
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	49.827	-9,0	54.733	32.878	29.244
Total Financial Liabilities	**528.194**	**+6,5**	**495.889**	**466.976**	**412.722**
Insurance Liabilities	106.492	-9,4	117.520	112.568	111.192
Non-current Liabilities & Discontinued Ops	3.720	-	0	-	725
Tax Liabilities	1.281	-20,3	1.608	1.581	1.765
Provisions	2.420	-19,1	2.993	2.968	2.699
Total Other Liabilities	11.234	+15,4	9.731	10.576	8.772
Total Liabilities	**653.341**	**+4,1**	**627.741**	**594.669**	**537.875**
Total Equity	**36.222**	**+3,1**	**35.127**	**32.575**	**32.072**
Total Liabilities and Equity	**689.563**	**+4,0**	**662.868**	**627.244**	**569.947**

Figure 13: Development of capital and liquidity ratios of BFCM | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	5,25	-0,05	5,30	5,19	5,63
Leverage Ratio[1]	6,60	-1,02	7,63	6,99	6,40
Common Equity Tier 1 Ratio (CET1)[1]	18,18	-0,59	18,77	17,82	17,28
Tier 1 Ratio (CET1 + AT1)[1]	18,19	-0,68	18,87	18,03	17,32
Total Capital Ratio (CET1 + AT1 + T2)[1]	20,56	-1,16	21,72	20,83	20,40
CET1 Minimum Capital Requirements[1]	7,84	+0,00	7,84	7,84	8,04
Net Stable Funding Ratio (NSFR)[1]	116,06	-9,50	125,56	n/a	n/a
Liquidity Coverage Ratio (LCR)[1]	153,30	-28,00	181,30	165,20	142,77

Change in %-Points
1 CMAF figure: Pillar 3 EU KM1

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following table clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	Yes
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the following methodologies and Rating Criteria and Definitions (v1.3):

- Bank ratings (v3.2)
- Rating of bank capital and unsecured debt instruments (v2.1)
- Institutional Protection Scheme Banks (v1.0)
- Environmental, Social and Governance Score for Banks (v1.0)

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 13 December 2023, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Banque Fédérative du Crédit Mutuel SA, and the preliminary rating report was made available to the bank. There was no change in the rating.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

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The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

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Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

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