# Creditreform Bank Rating

Banque Fédérative du Crédit Mutuel SA (Group)

Creditreform Rating

**Long-Term Issuer Rating:** A+
Outlook: stable

Short-Term Rating: L2

Preferred Sen. Unsec. Debt: A+
Non-Preferred Sen. Unsec. Debt: A
Tier 2 Capital: BBB
AT1 Capital: BBB-

**15 December 2022**

## Rating Action:

## Creditreform Rating affirms Banque Fédérative du Crédit Mutuel SA's (Group) long-term issuer rating at 'A+' (Outlook: stable)

Creditreform Rating (CRA) has affirmed Banque Fédérative du Crédit Mutuel SA's long-term issuer rating at 'A+' and the short-term rating at 'L2'. The rating outlook is stable.
At the same time, we affirm Banque Fédérative du Crédit Mutuel SA's 'preferred senior unsecured' debt at 'A+', the non-preferred senior unsecured debt at 'A', the Tier 2 capital at 'BBB' and AT1 capital at 'BBB-'.

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

## Key Rating Driver

CRA has affirmed the rating of BFCM and its bank capital and debt instruments as a result of its periodic monitoring process for the following reasons:

- Groupe Crédit Mutuel one of the largest banking groups in France
- Significant increase in net profit in 2021, improvement of ROE, ROA and RORWA
- Notable improvement of its asset quality with a remarkable RWA ratio; reduction of Stage 3 and Stage 2 ratio, but still above average
- Excellent capitalization with an ongoing increase in all capital ratios
- High dependence on economic development in France

## Company Overview

The Groupe Crédit Mutuel can trace back its origins to 1882 with the creation of the first Caisse de Crédit Mutuel in Wantzenau. The group nowadays consists of 18 regional federations across France. The Crédit Mutuel Alliance Fédérale (hereinafter: CMAF) represents an alliance of fourteen of these regional federations, including well over a thousand cooperative banks, organized around the common federal bank Caisse Fédérale de Crédit Mutuel (hereinafter: CFCM). CMAF has more than five million members. Within this scope, Banque Fédérative du Crédit Mutuel (hereinafter: BFCM) is the central refinancing entity for 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).

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. However, CMAF is not a legal entity, but merely an alliance of currently 14 federations, 13 regional banks and over 1500 local banks. Therefore, qualitative and certain quantitative characteristics of the consolidated report of CMAF are also processed in the rating and mentioned accordingly in the report, but no separate report/long-

**Analysts**
Tobias Stroetges
t.stroetges@creditreform-rating.de
Lead-Analyst

Philipp J. Beckmann
p.beckmann@creditreform-rating.de
Senior Analyst

Christian Konieczny
c.konieczny@creditreform-rating.de
Person Approving Credit Ratings

Neuss, Germany

term issuer rating is prepared for CMAF. Previous ratings for CMAF have already been withdrawn and the remaining Long-Term Issuer Rating will also be withdrawn as part of this rating update in accordance to our new rating approach (see Institutional Support Assessment below).

Chart 1 illustrates the group organization of CMAF. On January 2020, Crédit Mutuel Antilles-Guyane and Crédit Mutuel Massif Central (formerly of Arkéa) joined CMAF, increasing the number of federations within the CMAF scope to 13. On January 2021, the third largest regional banking group of Crédit Mutuel, Crédit Mutuel Nord Europe (CMNE) announced its intention to join CMAF, which was ratified in a protocol of convergence in September 2021. Thus, CMNE joined CMAF on January 1, 2022. Only four federations, two under the umbrella of Arkéa (which itself seeks independence from the Crédit Mutuel Group as a whole), will thus remain separate from CMAF.

Chart 1: Group organization chart Crédit Mutuel Alliance Fédérale, per 2021 | Source: Website of BFCM/CMAF and annual report 2021

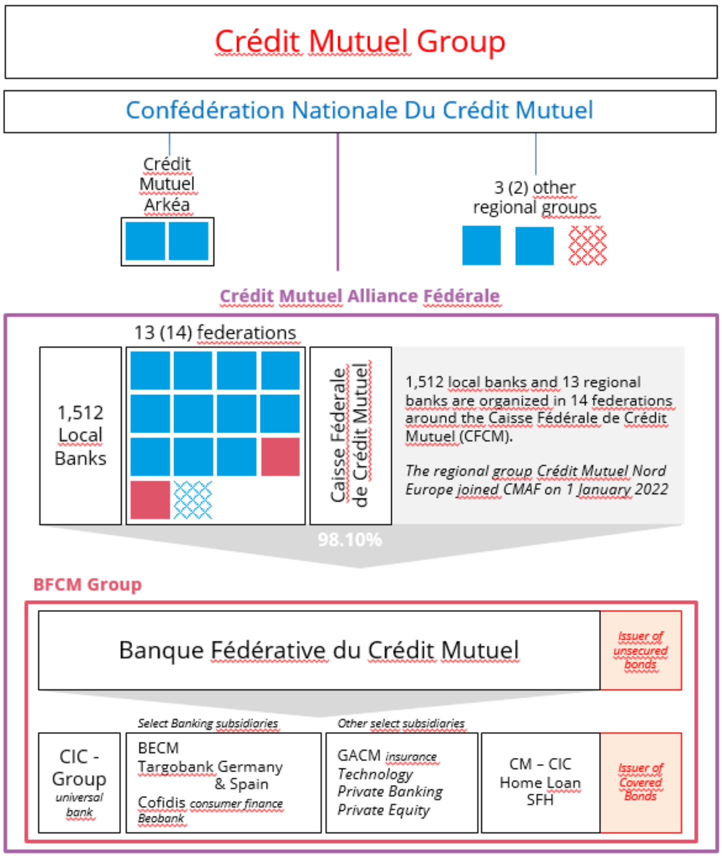
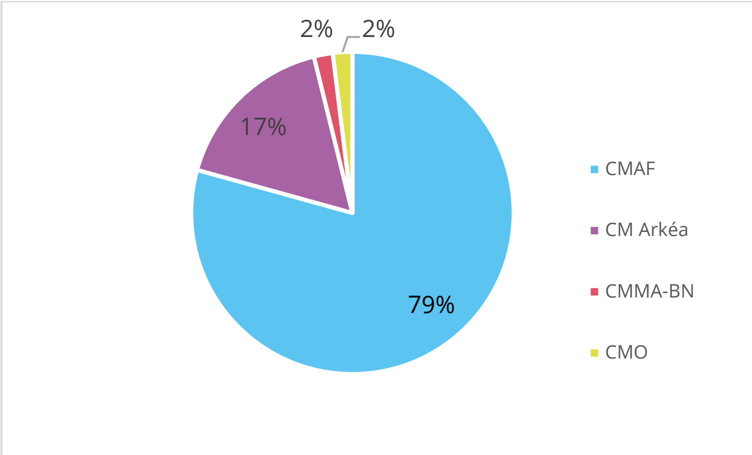



Chart 2 illustrates the difference in size of the regional groups and federations. CMAF is the single most important cooperative alliance within the Groupe Crédit Mutuel, representing more than two thirds of the Group's local banks and more than three fourths of the Group's total assets.

Chart 2: Share of the balance sheet of Groupe CM of the individual regional groups and federations | Source: eValueRate




BFCM is mainly active in France, with assets far in excess of EUR 500 billion or ca. 86% (mainly through CIC). Europe ex France accounts for a further 11%, where Germany (Targobank) accounts for the main portion. Business includes the segments Retail, accounting for 41% of total assets, Logistics and holding company services (26%), Insurance (19%), Financing/Markets, Private banks and Private Equity to a lesser degree.

The 2019-2023 strategic plan was updated at the end of 2020 to face the changed business reality due to the Corona virus crisis, mainly with the aim to recover 2019 levels of profitability and capitalization that is pre-Corona levels.

The Groupe Crédit Mutuel with its subsidiaries grouped under the "umbrella body" of Confedédération 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 concludes that in the case of BFCM's long-term issuer (LT issuer) rating, there is a strong connection to Groupe Crédit Mutuel's CNCM due to its mandated support required by law to ensure the liquidity and solvency of its affiliated banks and the network as a whole, which in turn enables additional notching. Crédit Mutuel's mutual support system is based on a set of rules and mechanisms put in place at the regional and federative levels. In the opinion of Creditreform Rating, a stand-alone rating of BFCM/CMAF is not appropriate due to its affiliation with Groupe Crédit Mutuel/CNCM. As the result of the Institutional Support Assessment, BFCM's rating benefits from additional notching of one rating grade due to its relationship with CNCM.

## Rating Considerations and Rationale

Banque Fédérative du Crédit Mutuel's credit rating affirmation was primarily driven by stable earnings over the last few years with a consistently high asset quality. The BFCM Group's cross-guarantee system also has a positive effect on the rating.

### Profitability

Banque Fédérative du Crédit Mutuel was able to increase its profitability significantly towards 2020 levels, recovering from the Corona crisis, as well as increasing its profitability to the ordinary fiscal year 2019 level. Meanwhile, operating income improved considerably from €10.8bn to €12.5bn in 2021, where net interest income as the major source of the operating income grew slightly due to a reduction of interest expenses. Furthermore, net fee & commission income rose noteworthy from €2.6bn to €2.9bn in 2021, mainly driven by an increase of commission income with respect to securities. Net insurance income grew significantly from €1.8bn to €2.2bn, whereas the strong increase of earned premiums and net income of investments were the key factors. However, operating expenses increased as well from €6.5bn to €7.7bn, largely due to salary measures and support the group's digital transformation. Nonetheless, because operating income outpaced operating expenses in absolut terms, BFCM realized a higher operating profit, which climbed from €4.3bn to €4.8bn. Additionally, due to significant reduction in impairment/cost of risk BFCM boosted its net profit dramatically from €1.5bn in 2020 to €2.8bn in 2021, which is even higher than its pre covid level. As a result, the bank improved its earnings ratios considerably with a ROE from 4.6% to 8.1%, a ROA from 0.2% to 0.4% and a RORWA from 0.8% to 1.5%. On the other hand, its CIR worsened slightly from 60.1% to 61.8% due to the increase in operating expenses.

In the scope of CMAF consolidation, operating profit increased significantly to €6.8bn due to a stronger increase in operating income than in operating expenses. As with BFCM, decreased impairment/cost of risk enhanced CMAF´s net profit increased heavily from €2.6bn to €3.5bn in 2021. With respect to its earnings ratios, ROE improved to 6.6%, ROA to 0.4% and RORWA to 1.4%. All three display roughly average ratios. CIR decreased moderately from 64.6% to 59.1%.

As of June 2022 BFCM raised its net interest income as the main source of income by 13.2% YOY mainly due to lower interest expenses on hedging derivatives, while net fee & commission income as the second main source of income rose by 8.6% YOY. Overall, operating income increased moderately by 4.4 % YOY due to a good performance in commercial banking. Furthermore, operating expenses increased by 5.4% YOY, which is attributable among other things to higher staff expenses. Overall, due to the additional fact that BFCM´s cost of risk/impairment fell moderately, net profits increased only by 1.1% YOY.

In the scope of CMAF consolidation, net interest income as the main source of income rose by 12.6% YOY mainly due to an increase of the loan exposure in all categories, while net fee &

commission income as the second main source of income enhanced significantly by 17.2%. Furthermore, operating income increased by 7.4 % YOY and operating expenses by 9.9% YOY, which is attributable among other things to higher staff expenses. Overall, due to the additional fact that CMAF´s cost of risk/impairment enhanced significantly due to a more difficult economic environment, net profits increased only by 2.2% YOY.

### Asset Situation and Asset Quality

In a risk environment that is recovering slightly from the covid crisis on BFCM's markets, asset quality has generally improved. The bank's NPL ratio (stage 3 loans over net loans to customer) dropped from 3.9% to 3.4%, which is a slightly above average. Additionally, the potential problem loan ratio (stage 2 loans over net loans to customers) decreased moderately from 11.2% to 9.9 % while the ratio of Reserves over NPL increased to 79.3%. The latter is attributable to the stronger reduction of NPL than the reduction of Reserves. In addition, the ratio was even higher in 2021 than in the pre-covid year 2019 (71.2%). Moreover, with the onset of the economic recovery in France, which accounts for around 86% of BFCM's asset exposure, the bank was able to reduce its asset write-downs significantly, achieving an above average ratio and even better results compared to the ordinary fiscal year 2019.

In the scope of CMAF consolidation, stage 3 ratio improved slightly to 2.60%, which displays an above average ratio. Additionally, its stage 2 ratio decreased moderately from 9.7% to 8.8%. With respect to the RWA ratio and total assets, it can be stated that latter increases steadily since 2019 up to €844bn in 2021 and the RWA ratio decreased marginally to 29% due to the stronger enhancement of its total assets than the rise of CMAF´s total RWA. Overall, the RWA ratio, which exhibits a better result than in the 2019, is remarkable and above average.

As of June 2022 BFCM´s NPL and potential problem loan ratio decreased marginally to 3.2% and 9.4%, which is mainly attributable to the increase in BFCM´s loan exposure. Moreover, the RWA Ratio increased moderately to 31.4% due to a stronger increase in the RWA exposure.

In the scope of CMAF consolidation, the NPL and potential problem loan ratio declined to 8.5% and 2.5% due to the strong increase in CMAF´s loan exposure.

### Refinancing, Capital Quality and Liquidity

Regulatory capital ratios are only reported on CMAF Group level, but due to being the integral part of BFCM in CMAF, the ratios of CMAF serve as a proper proxy. As total equity of BFCM increased more than the assets as a whole, the total equity ratio increased marginally from 5.2% to 5.3%, which displays a below average score and is below its pre covid level. With respect to the CET1 ratio, it improved moderately from 17.8% to 18.8% due to a strenghtening oftCET1 capital. This was mainly driven by a rise of retained earnings, than the increase of its RWA. Coming from this, BFCM/CMAF holds in 2021 a CET1 buffer to its SREP minimum requirements of 11%, which is noteworthy. In addition, the bank exhibits a slight rise of its T1 ratio from 18% to 18.8% and its Total Capital ratio from 15.9% to 17.7%, where the T1 ratio equals its CET1 ratio as a consequence of marginal AT1 capital. The additional improvement of the Total Capital Ratio is also due to the new issuance of T2 capital in 2021 with a nominal amount of €0.75bn. Overall, BFCM´s/CMAF´s capital ratios are improving steadily since 2019 and are far above average. With regard to the liquidity situation, it remains stable with a liquidity coverage ratio significantly above the previous year's level with 181% and an average NSFR of 126%.

As of June 2022, the CET1 and T1 ratio decreased marginally to 18.2%, whereas the total capital ratio decreased to 20.9%. The declines are mainly driven by the enhancement of the RWA exposure. With a liquidity coverage ratio of 167% and a NSFR of 119%, BFCM´s liquidity position worsened, but stays stable.

## Environmental, Social and Governance (ESG) Score Card

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 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 the medium term, CRA expects no significant deterioration in profitability and asset quality, due to the war in Ukraine and rising consumer prices. In the short term, rising consumer prices may have an impact on BFCM's profitability. In the medium to long term, rising interest rates will lead to increasing profitability for the group's substantial lending business. Asset quality and capital ratios (due to RWAs) will strongly depend on the economic development in France.

### 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 an "AA" rating in the "best case" scenario and an "A" rating in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. 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 credit rating and its bank capital and debt instruments if we see that BFCM is able to increase its asset and capital quality. Furthermore, an orderly exit of Arkéa from GCM as well as further internal consolidation under the umbrella of CMAF would likely have a net positive impact on the rating.

By contrast, a downgrade of the Group's long-term issuer credit rating and its bank capital and debt instruments is likely if we see a lasting decline of BFCM's profitability and / or a reduction of the banks' capital ratios. In particular, we will observe the ongoing Corona pandemic impact on BFCM's asset quality and its business activities in general.

## CRA’s rating actions at a glance

Banque Fédérative du Crédit Mutuel SA (Group):

- Long-Term Issuer Rating affirmed at 'A+', stable outlook
- Short-term rating affirmed at ‘L2’
- Preferred senior unsecured debt debt and affirmed at ‘A+’
- Non-preferred senior unsecured debt affirmed at ‘A‘
- Tier 2 capital affirmed at 'BBB'
- AT1 capital affirmed at 'BBB-'

## Ratings Detail

### Bank ratings

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.

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

### Bank Capital and Debt Instruments Ratings

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 debt (PSU): | **A+** |
| Non-preferred senior unsecured debt (NPS): | **A** |
| Tier 2 (T2): | **BBB** |
| Additional Tier 1 (AT1): | **BBB-** |

### 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 |
| **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- |

## Appendix

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

| Income Statement (EUR m) | 2021 | % | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Net Interest Income | 5.585 | +1,1 | 5.522 | 5.147 | 4.783 |
| Net Fee & Commission Income | 2.920 | +12,4 | 2.597 | 2.588 | 2.598 |
| Net Insurance Income | 2.236 | +26,8 | 1.763 | 2.102 | 2.026 |
| Net Trading & Fair Value Income | 927 | > +100 | 62 | 805 | 769 |
| Equity Accounted Results | 62 | -57,2 | 145 | 74 | 130 |
| Dividends from Equity Instruments | 23 | > +100 | 8 | 10 | 8 |
| Other Income | 739 | -0,1 | 740 | 776 | 756 |
| **Operating Income** | **12.492** | **+15,3** | **10.837** | **11.502** | **11.070** |
| **Expense** | | | | | |
| Depreciation and Amortisation | 1.164 | > +100 | 330 | 280 | 193 |
| Personnel Expense | 3.401 | +3,1 | 3.300 | 3.333 | 3.256 |
| Tech & Communications Expense | - | - | - | - | - |
| Marketing and Promotion Expense | - | - | - | - | - |
| Other Provisions | - | - | - | - | - |
| Other Expense | 3.159 | +9,7 | 2.879 | 3.177 | 3.189 |
| **Operating Expense** | **7.724** | **+18,7** | **6.509** | **6.790** | **6.638** |
| **Operating Profit & Impairment** | | | | | |
| **Operating Profit** | **4.768** | **+10,2** | **4.328** | **4.712** | **4.432** |
| Cost of Risk / Impairment | 647 | -69,1 | 2.094 | 999 | 805 |
| **Net Income** | | | | | |
| Non-Recurring Income | 11 | -8,3 | 12 | 96 | 47 |
| Non-Recurring Expense | 19 | +11,8 | 17 | 22 | 10 |
| **Pre-tax Profit** | **4.113** | **+84,5** | **2.229** | **3.787** | **3.664** |
| Income Tax Expense | 1.280 | +77,5 | 721 | 1.124 | 1.224 |
| Discontinued Operations | 9 | - | - | - | - |
| **Net Profit** | **2.842** | **+88,5** | **1.508** | **2.663** | **2.440** |
| Attributable to minority interest (non-controlling interest) | 356 | +58,9 | 224 | 380 | 356 |
| Attributable to owners of the parent | 2.842 | > +100 | 1.284 | 2.282 | 2.084 |

Figure 3: Group key earnings figures| Source: eValueRate / CRA

| Income Ratios (%) | 2021 | % | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Cost Income Ratio (CIR) | 61,83 | +1,77 | 60,06 | 59,03 | 59,96 |
| Cost Income Ratio ex. Trading (CIRex) | 66,79 | +6,38 | 60,41 | 63,48 | 64,44 |
| Return on Assets (ROA) | 0,43 | +0,19 | 0,24 | 0,47 | 0,46 |
| Return on Equity (ROE) | 8,09 | +3,46 | 4,63 | 8,30 | 8,23 |
| Return on Assets before Taxes (ROAbT) | 0,62 | +0,27 | 0,36 | 0,66 | 0,68 |
| Return on Equity before Taxes (ROEbT) | 11,71 | +4,87 | 6,84 | 11,81 | 12,36 |
| Return on Risk-Weighted Assets (RORWA) | 1,48 | +0,66 | 0,82 | 1,49 | - |
| Return on Risk-Weighted Assets before Taxes (RORWAbT) | 2,14 | +0,93 | 1,21 | 2,12 | - |
| Net Financial Margin (NFM) | 1,24 | +0,11 | 1,13 | 1,37 | 1,36 |
| Pre-Impairment Operating Profit / Assets | 0,72 | +0,03 | 0,69 | 0,83 | 0,83 |
| Cost of Funds (COF) | 0,79 | -0,24 | 1,03 | 1,58 | 1,76 |
| 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) | 2021 | % | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Cash and Balances with Central Banks | 120.723 | +21,8 | 99.110 | 64.764 | 55.518 |
| Net Loans to Banks | 55.421 | +5,3 | 52.628 | 50.034 | 50.145 |
| Net Loans to Customers | 285.430 | +5,8 | 269.870 | 249.230 | 234.619 |
| Total Securities | 47.011 | -10,3 | 52.437 | 49.108 | 44.673 |
| Total Derivative Assets | 6.341 | -13,3 | 7.314 | 7.527 | 7.157 |
| Other Financial Assets | 9.511 | -21,6 | 12.127 | 15.304 | 16.924 |
| **Financial Assets** | **524.437** | **+6,3** | **493.486** | **435.967** | **409.036** |
| Equity Accounted Investments | 839 | -7,1 | 903 | 727 | 782 |
| Other Investments | 30 | -40,0 | 50 | 56 | 53 |
| Insurance Assets | 121.042 | +3,8 | 116.567 | 115.200 | 108.740 |
| Non-current Assets & Discontinued Ops | 107 | - | - | 726 | - |
| Tangible and Intangible Assets | 6.054 | -14,3 | 7.068 | 6.939 | 6.391 |
| Tax Assets | 2.165 | -5,7 | 2.296 | 2.183 | 2.243 |
| Total Other Assets | 8.194 | +19,2 | 6.874 | 8.149 | 7.867 |
| **Total Assets** | **662.868** | **+5,7** | **627.244** | **569.947** | **535.112** |

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

| Asset Ratios (%) | 2021 | % | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Net Loans/ Assets | 43,06 | +0,04 | 43,02 | 43,73 | 43,84 |
| Risk-weighted Assets/ Assets | 29,04 | -0,33 | 29,38 | 31,41 | 32,07 |
| NPLs*/ Net Loans to Customers | 3,41 | -0,46 | 3,87 | 3,90 | 3,80 |
| NPLs*/ Risk-weighted Assets | 5,43 | -0,06 | 5,49 | 5,30 | - |
| Potential Problem Loans**/ Net Loans to Customers | 9,89 | -1,33 | 11,22 | 6,02 | 5,43 |
| Reserves/ NPLs* | 79,31 | +1,64 | 77,67 | 71,22 | 72,06 |
| Reserves/ Net Loans | 2,71 | -0,30 | 3,01 | 2,89 | 2,91 |
| Cost of Risk/ Net Loans | 0,23 | -0,55 | 0,78 | 0,40 | 0,34 |
| Cost of Risk/ Risk-weighted Assets | 0,34 | -0,80 | 1,14 | 0,56 | - |
| Cost of Risk/ Total Assets | 0,10 | -0,24 | 0,33 | 0,18 | 0,15 |
| Change in %-Points | | | | | |

* NPLs are represented by Stage 3 Loans where available.
** Potential Problem Loans are Stage 2 Loans where available.

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

| Liabilities (EUR m) | 2021 | % | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total Deposits from Banks | 31.207 | +22,2 | 25.547 | 27.463 | 33.740 |
| Total Deposits from Customers | 274.159 | +2,1 | 268.617 | 217.099 | 191.435 |
| Total Debt | 130.141 | -3,7 | 135.118 | 133.845 | 127.479 |
| Derivative Liabilities | 5.649 | +17,3 | 4.816 | 5.071 | 5.534 |
| Securities Sold, not yet Purchased | - | - | - | - | - |
| Other Financial Liabilities | 54.733 | +66,5 | 32.878 | 29.244 | 32.063 |
| **Total Financial Liabilities** | **495.889** | **+6,2** | **466.976** | **412.722** | **390.251** |
| Insurance Liabilities | 117.520 | +4,4 | 112.568 | 111.192 | 102.868 |
| Non-current Liabilities & Discontinued Ops | - | - | - | 725 | - |
| Tax Liabilities | 1.608 | +1,7 | 1.581 | 1.765 | 1.331 |
| Provisions | 2.993 | +0,8 | 2.968 | 2.699 | 2.601 |
| Total Other Liabilities | 9.731 | -8,0 | 10.576 | 8.772 | 8.406 |
| **Total Liabilities** | **627.741** | **+5,6** | **594.669** | **537.875** | **505.457** |
| **Total Equity** | **35.127** | **+7,8** | **32.575** | **32.072** | **29.655** |
| **Total Liabilities and Equity** | **662.868** | **+5,7** | **627.244** | **569.947** | **535.112** |

Figure 7: Development of capital ratios | Source: eValueRate / CRA

| Capital Ratios and Liquidity (%) | 2021 | % | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total Equity/ Total Assets | 5,30 | +0,11 | 5,19 | 5,63 | 5,54 |
| Leverage Ratio | 7,60 | +0,60 | 7,00 | 6,50 | 6,40 |
| Common Equity Tier 1 Ratio (CET1)* | 18,80 | +1,00 | 17,80 | 17,30 | 16,57 |
| Tier 1 Ratio (CET1 + AT1)* | 18,80 | +0,80 | 18,00 | 17,30 | 16,61 |
| Total Capital Ratio (CET1 + AT1 + T2)* | 21,70 | +0,90 | 20,80 | 20,40 | 19,74 |
| SREP/ CET1 Minimum Capital Requirements | 7,80 | +0,00 | 7,80 | 8,70 | - |
| MREL / TLAC Ratio | - | - | - | - | - |
| Net Loans/ Deposits (LTD) | 104,11 | +3,64 | 100,47 | 114,80 | 122,56 |
| Net Stable Funding Ratio (NSFR) | 125,60 | - | - | - | - |
| Liquidity Coverage Ratio (LCR) | 181,30 | +16,10 | 165,20 | 153,70 | 125,80 |
| Change in %- Points | | | | | |

* Fully- loaded where available

### 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 scheme clarifies the level of participation of the rated entity (rating object):

| Unsolicited Credit Rating | |
|---|---|
| With Rated Entity or Related Third Party Participation | No |
| 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 rating methodology for bank ratings (v3.1), the methodology for the rating of bank capital and unsecured debt instruments (v2.1), the methodology for the rating of Government-Related Banks (v2.0) the methodology for the rating of Institutional Protection Scheme Banks (v1.0) as well as the rating methodology for Environmental, Social and Governance Score for Banks (v1.0) in conjunction with Creditreform's basic document Rating Criteria and Definitions (v1.3).

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions (v1.3) are published on our homepage:

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

On 15 December 2022, 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 (Group), and the preliminary rating report was made available to the bank. There was no change in the rating score.

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.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. Rating Endorsement Status:

The rating of Banque Fédérative du Crédit Mutuel SA (Group) was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation**.**

### Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

### Rules on the Presentation of Credit Ratings and Rating Outlooks

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

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

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.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report or in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available in the rating report or the „Basic data" information card.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

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Creditreform Rating AG

## Contact information

Creditreform Rating AG
Europadamm 2-6
D-41460 Neuss

Phone +49 (0) 2131 / 109-626
Fax +49 (0) 2131 / 109-627

E-Mail info@creditreform-rating.de
www.creditreform-rating.de

CEO: Dr. Michael Munsch

Chairman of the Board: Michael Bruns
HR Neuss B 10522