

PRESS RELEASE

Half-year financial results

After an exceptional year 2022, Crédit Mutuel Arkéa demonstrates its robustness and solid performance

Brest, 6 September 2023 – The Board of Directors of Crédit Mutuel Arkéa has approved the financial statements for the first half of 2023. After a record performance in 2022 and under a new accounting standard framework (first-time application of IFRS 17 and IFRS 9 for insurance activities), net financial income fell to €203 million in the first half of 2023. Net financial income was impacted by an ongoing surge in interest rates, the base effect arising from the record H1 2022 performance in the private equity business and the negative impact of the change in TLTRO conditions decided by the ECB at the end of last year.

Despite these factors, which cloud the interpretation of H1 2023 financial performance, Crédit Mutuel Arkéa posted solid commercial momentum across all business lines, along with particularly strong solvency and liquidity ratios reflecting the robustness of its model.

Continued strong commercial momentum

In a context deeply marked by inflation, economic slowdown and rising rates, the Group posted robust sales activity reflecting **the commitment of its distribution networks and employees**.

The Group is particularly **committed, alongside its customers and members** and across all of its markets, to continuing to fund projects and encourage transitions that have become even more essential in the current economic climate. The 21% decline in Group home loan production in the first half contrasts with a much greater 40% decline recorded at national level (source: Banque de France).

- As at 30 June 2023, Crédit Mutuel Arkéa had **nearly 5.1 million members and customers** comprising individuals, professionals, corporates and institutions. **The customer portfolio grew 1.8%** like-for-like compared to the end of 2022, **representing 91,000 new customers**, mainly drawn by the Group's **online banking business** (Fortuneo in France and Keytrade Bank in Belgium). However, net new business in the first half of 2023 was impacted by **the termination of the "Aumax pour moi"** fintech business and the ensuing loss of 132,000 customers.
- **Gross outstanding loans** stood at €84.6 billion, up 3.4% compared with the end of 2022. Loan production amounted to €7.3 billion, down 25.8% compared to the H1 2022 record high of almost €10 billion. Loan production was hit by the rise in interest rates, which affected all categories of loan. **The quality of the loan portfolio remained high** with an NPL ratio of 1.9%.

- **Total outstanding savings** increased 3.4% from the end of 2022 to €160.3 billion. **Net inflows totalled a record €5.5 billion, over five times higher than in H1 2022**, mainly driven by bank savings, which were mainly boosted by the rise in regulated rates, as well as financial savings.
- **In property and personal insurance, earned premiums on existing policies were up 5.2%** compared with the first half of 2022 **at €246 million**. However, new business premiums fell 8.4% to €30 million. External networks accounted for 48% of new business premiums and 33% of earned premiums on existing policies.

Financial results impacted by non-recurring items

Despite strong sales activity, results were impacted by the following factors, which strongly disrupt the comparison with H1 2022:

- an exceptional negative impact arising from the sudden change in TLTRO conditions decided by the ECB at the end of 2022;
- the downward revaluation of the Group's private equity investments compared to all-time high valuations in the first half of 2022;
- the impact of the application of IFRS 17 and IFRS 9 for insurance activities, in force as of 1 January 2023. First-time application of these standards had a particularly pronounced effect on H1 2022 net income Group share, **which increased from a record high of €360 million to €437 million proforma, almost equal to full-year net income Group share**.

These factors had a knock-on effect on the first half 2023 income statement:

- **Total Group revenues¹** for the first half of 2023 came to €1.1 billion, down 15.7% from the record high in H1 2022.

The net interest margin fell €62 million or 15.4%. This includes the exceptional negative impact related to changes in monetary conditions decided by the ECB at the end of 2022, which led to a **€77 million reduction before tax due to changes in TLTRO conditions. Excluding this exceptional negative impact, the net interest margin (NIM) was stable versus H1 2022**.

Insurance income rose €16 million, up 5.7% driven by growth in life insurance savings.

Other income was down €134 million, due to the downward revaluation of private equity investments.

- **Operating expenses** rose 5.7% versus H1 2022 to €800 million due to the inflationary environment, capital expenditure and Group development expenses, which were marked in particular by the increase in personnel expenses resulting from the recruitment drive and measures taken to improve purchasing power.

The cost/income ratio was 71.4%, impacted by the decline in revenues¹

¹ Net banking & insurance income including gains and losses on disposal or dilution of companies accounted for by the equity method.

compared to the record performance of H1 2022. **The negative impact of changes in TLTRO conditions accounted for around 4 percentage points.**

Gross operating income was down 43.9% compared with H1 2022.

- **The cost of risk** rose moderately to €54 million compared to the first half of 2022 (+11.2%), with a slight increase in proven risk (particularly corporate loan applications), and a decrease in the statistical cost of risk on performing loans. As a percentage of customer outstandings on the balance sheet, the cost of risk remained stable versus H1 2022, i.e. an annualised level of 13 basis points per year, **one of the lowest in the market.**
- **Net income Group share** amounted to €203 million, down 53.6% from the first half 2022 record high. **Excluding the exceptional negative impact of the change in TLTRO conditions decided by the ECB at the end of 2022, net income Group share would be close to the H1 2021 level.**

Leading long-term solvency levels

In this unusual environment, solvency and liquidity ratios remained strong, reflecting the robustness of the model:

- **Total balance sheet assets** came to €184.4 billion, down 1.7% compared to 31 December 2022, with a gross loan-to-deposit ratio of 105%.
- **Equity attributable to owners of the parent** increased 3.2% compared with 31 December 2022 to €9.5 billion. This includes €2.9 billion in member shares, up 4.9%.
- **The Common Equity Tier One (CET1) solvency ratio increased by 0.36 percentage points** to 17.2% over the last six months. **The overall solvency ratio** was 20.5%. **Still well above regulatory requirements** (9.05% and 13.75% excluding P2G), these ratios testify to the Group's solid long-term solvency.
- **Liquidity ratios** were also **well above regulatory requirements**: LCR (one-month ratio) of 144% and NSFR (Net Stable Funding Ratio) of 112%.

SIMPLIFIED INCOME STATEMENT

Since 1 January 2023, the Group has applied IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" for its insurance activities with retroactive effect from 1 January 2022.

€M	H1 2023	H1 2022 IFRS 17/IFRS 9 restated	Change	%
Revenues*	1,120.0	1,328.0	-208	-15.7%
Operating expenses	799.5	756.4	+43	+5.7%
Cost/income ratio	71.4%	57.0%	+14.4 pps	
Gross operating income	320.5	571.6	-251	-43.9%
Cost of risk	54.4	49	-5	-11.2%
Operating income	266.1	522.7	-257	-49.1%
Net income Group share	202.6	436.5	-234	-53.6%

* Net banking & insurance income including gains and losses on disposal or dilution of companies accounted for by the equity method.

Continued deployment of the Transitions 2024 plan

Crédit Mutuel Arkéa adopted a **mission-driven company** status in 2022, solidifying the profound and sustainable transformation of its model in line with its mutualist values and marking a natural development for the Group. In 2019, the Group demonstrated its ambition of being a bank with a positive impact by becoming the first French bank to adopt a Raison d'être (Purpose). This Purpose was transcribed for practical purposes into the Transitions 2024 strategic plan, which positions the Group as the agile and innovative financial partner for the coming transitions, at the service of the regions and their stakeholders. **Crédit Mutuel Arkéa is also the first bank to present its full-year results in terms of global performance including both financial and non-financial aspects.**

A year after adopting this status, **last May the Group unveiled the roadmap drawn up by the Mission Committee.** Broken down into the five commitments that make up the Raison d'être, the roadmap presents 14 wide-ranging indicators - each with a quantitative objective - including the membership rate, the Group's direct carbon footprint, annual financing production and gross annual savings inflows in favour of the environmental transition, the percentage of employees with disabilities and redistribution through welfare initiatives. These indicators reflect the Group's desire to bring its actions ever closer to its commitments, the Group's main focus being on supporting all of its stakeholders and investing in the real economy.

A Group committed to its stakeholders

Crédit Mutuel Arkéa is pursuing its recruitment drive: in H1 2023, **nearly 600 new permanent employees joined the Group, which now has over 11,300 employees (on permanent and fixed-term contracts), including over 8,000 in Brittany and Nouvelle-Aquitaine.** As a leading employer in its regions, during the first half the Group continued the initiatives undertaken in 2022 to help **preserve employee purchasing power** and recognise individual commitment, promote fairness and loyalty among employees.

Against a backdrop of persistently high inflation and marked economic slowdown, Crédit Mutuel Arkéa's employees and directors are committed to **supporting the Group's over five million members and customers** and best responding to their individual concerns. **The most vulnerable among them benefit from solidarity schemes, to which €12 million is allocated each year.** The local initiatives led by the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations last year benefited **over 6,600 individuals, professionals, companies and associations and supported over 1,700 jobs.**



"Due to a significant base effect linked to an unprecedented first half in 2022, almost reaching full-year earnings levels, the results for the first six months of 2023 are difficult to compare. My main takeaway is that throughout the first half and despite the economic and monetary context that weighed on our results, Crédit Mutuel Arkéa fully played its role as a provider of funds for the real economy, offering pragmatic and unwavering support to its customers and members. The solid commercial momentum driven by our Crédit Mutuel de Bretagne and Sud-Ouest federations, along with the Fortuneo and Keytrade online banks, should be commended. These observations are testimony to our robustness and the relevance of our diversified model."

– **Julien Carmona**, Chairman of Crédit Mutuel Arkéa –

"Unsurprisingly, financial indicators for the first half of the year reflect the impact of the economic environment as well as changes in accounting and monetary policies. These uncertainties cause a certain volatility in the results, a factor with which we must contend. In this context, Crédit Mutuel Arkéa is successfully pursuing its Transitions 2024 strategic plan, in line with the commitments made as part of its Raison d'être, now bolstered by its status as a mission-driven company."

– **Hélène Bernicot**, Chief Executive Officer of Crédit Mutuel Arkéa –

"Despite an adverse environment, we posted solid fundamentals, testifying to a particularly resilient model, strong business indicators and a continuing recruitment drive. As such, while our reported financial results are unrepresentative due to non-recurring items, our first half performance is in line with our objectives."

– **Anne Le Goff**, Deputy Chief Executive Officer of Crédit Mutuel Arkéa –

About Crédit Mutuel Arkéa

The Crédit Mutuel Arkéa cooperative group is made up of the Crédit Mutuel de Bretagne and Sud-Ouest federations and their member local banks, as well as some forty specialised subsidiaries (Fortuneo, Monext, Arkéa Banque Entreprises et Institutionnels, Arkéa Investment Services, Suravenir, etc.). Crédit Mutuel Arkéa employs more than 11,000 people, counts 2,600 directors and has a total of nearly 5.1 million customers. The bank has €184.4 billion in total balance sheet assets.

The first banking group to adopt a "Raison d'être" (Purpose) in 2019, Crédit Mutuel Arkéa became an "Entreprise à mission" (mission-driven company) in 2022 and is committed, through its strategic plan "Transitions 2024", to practising finance at the service of the territories and their stakeholders in order to position itself as the agile and innovative financial partner for the coming transitions.

With a nationwide presence, Crédit Mutuel Arkéa has chosen to keep its decision-making centres in the regions. It is a major player in job creation in its regions and relies on a continuous recruitment drive. The Group is convinced that local development can only be achieved by combining financial and non-financial aspects. This is why Crédit Mutuel Arkéa is the first French bank to have developed a unique method for calculating overall performance. This enables it to take into account all the financial, social, societal and environmental impacts of its activities and those of its stakeholders.

A detailed presentation for the first half of 2023 is available on the Group's website at the following address: https://www.cm-arkea.com/banque/assurance/credit/mutuel/ecb_5037/en/investor-presentations

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