



Crédit Mutuel Home Loan SFH

Investor Presentation

September 2023

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Crédit Mutuel Alliance Fédérale ("The Group") represents the Group members of the Caisse Fédérale de Crédit Mutuel and the consolidated data of its subsidiaries: the Caisses de Crédit Mutuel Nord Europe, Centre Est Europe, Sud-Est, Ile de France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique & Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Anjou, Massif Central, Antilles Guyanne and their common Caisse fédérale (CF de CM), and of the Banque Fédérative du Crédit Mutuel, its main subsidiaries: ACM, CIC, Targobank Germany, Targobank Spain, Cofidis, BECM, CIC Iberbanco, EI and others.

Changes in scope: exits of MTRL, Sérénis Assurance, Partners Assurances, ICM Life and ACM Courtage; entry of Crédit Mutuel Capital Privé (asset management), ACM Deutschland (ACM tier) and KCIOP (press); GACM España and Targo Spain classified under IFRS5

Restated results for the first semester of 2022: Starting from January 1, 2023, Crédit Mutuel Alliance Fédérale applies the IFRS 17 accounting standard for "insurance contracts" at the group level, as well as the IFRS 9 standard for "financial instruments" for its insurance entities. To have a consistent reference, the data for the first semester of 2022 has been restated.

Crédit Mutuel Home Loan SFH

Crédit Mutuel Home Loan SFH

Overview

Banque Fédérative du Crédit Mutuel (“BFCM” or the “Borrower”)

- Central financing entity of the Crédit Mutuel Alliance Fédérale
- Senior unsecured debt ratings of **Aa3 (stable) / A+ (stable) / AA- (stable)** by Moody's, S&P and Fitch Ratings respectively

Crédit Mutuel Network & CIC Network (the “Collateral Provider”)

- Third largest retail bank in France in terms of number of branches
- Third largest provider of home loans in France

Crédit Mutuel Home Loan SFH (the “Issuer”)

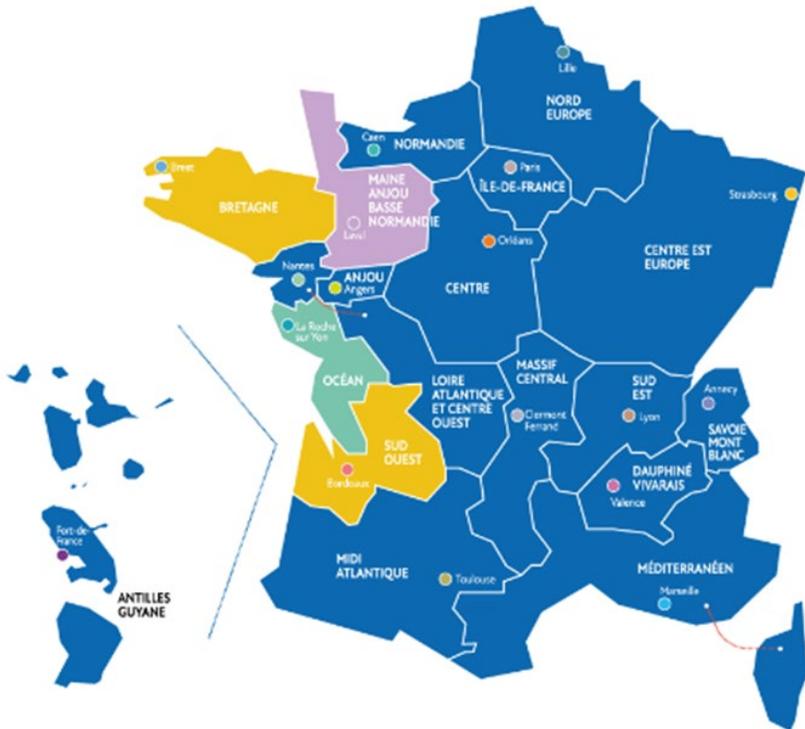
- Crédit Mutuel Home Loan SFH is a **specialised French credit institution** (établissement de crédit spécialisé) licensed and regulated by the regulator Autorité de Contrôle Prudentiel et de Résolution (ACPR)
- Full recourse obligation of the Issuer to BFCM
- **AAA / Aaa / AAA** expected ratings issuance with hard or soft bullet maturities
- **Standard covered bond features:** Asset Cover Test with **80% LTV cap** and **92.5% maximum asset percentage**
- **Comfortable level of over-collateralization** with an **effective asset percentage** of **74.9%**
- A bankruptcy of BFCM cannot result in insolvency proceedings being extended to Crédit Mutuel Home Loan SFH

In July 2022, Crédit Mutuel Home Loan SFH has been authorized by the ACPR to use the **high-quality European covered bond label**

The collateral Provider:
Crédit Mutuel Alliance Fédérale

Crédit Mutuel Group

Structure & Governance



- Caisse Interfédérale **Crédit Mutuel Arkéa**
- Caisse fédérale de **Crédit Mutuel Alliance Fédérale**
- Crédit Mutuel **Maine-Anjou, Basse-Normandie**
- Crédit Mutuel **Océan**

c.1,990
Crédit Mutuel Local Banks

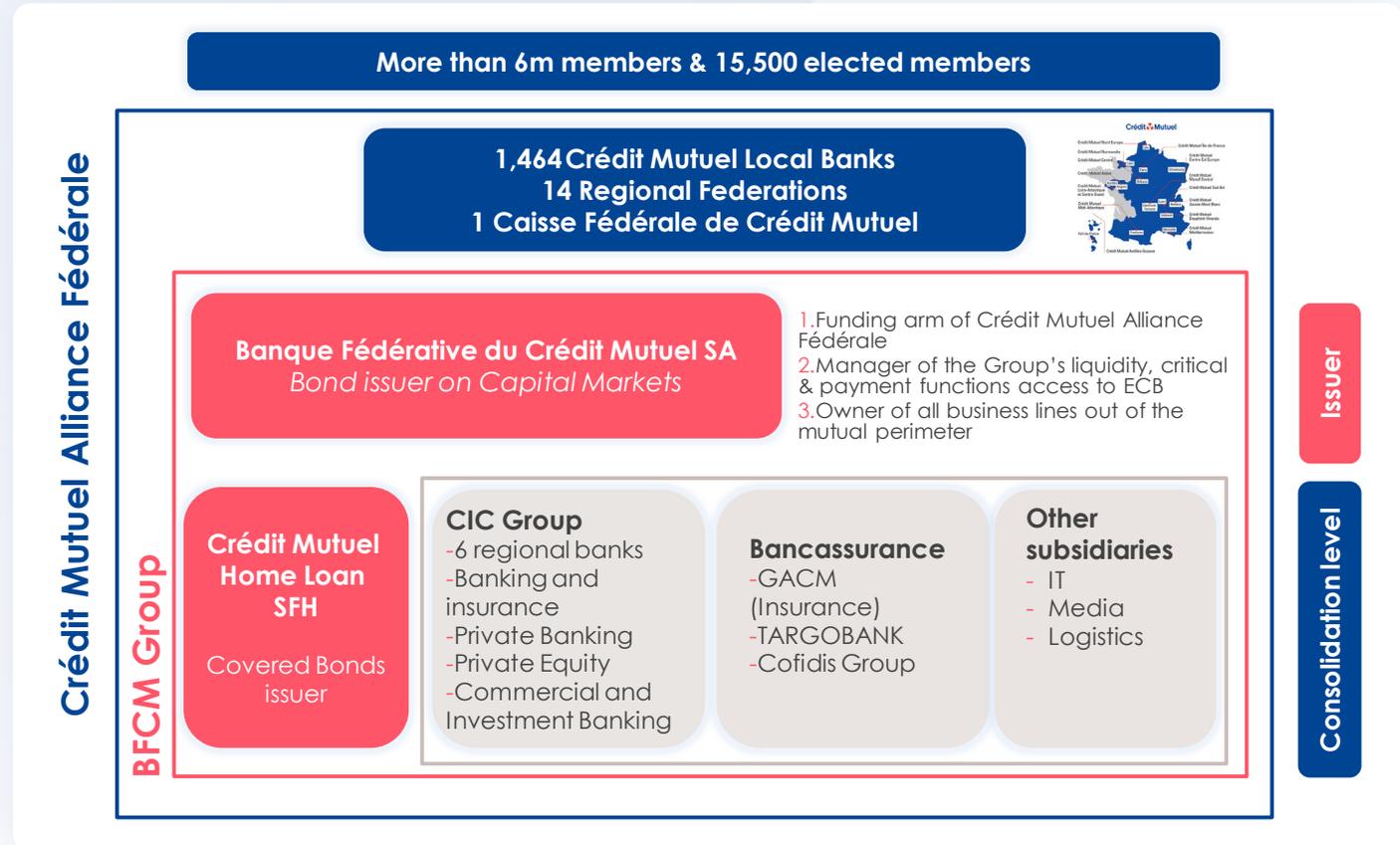
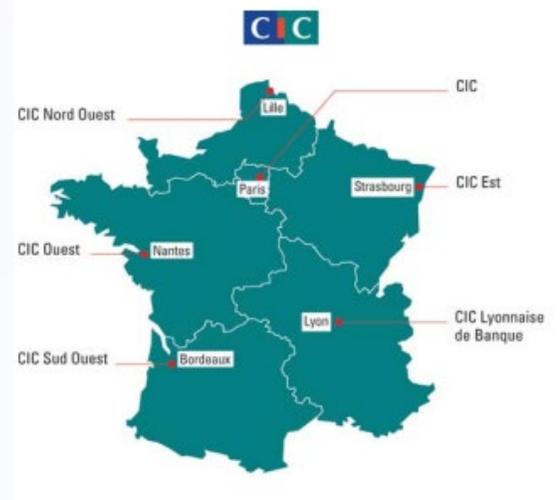
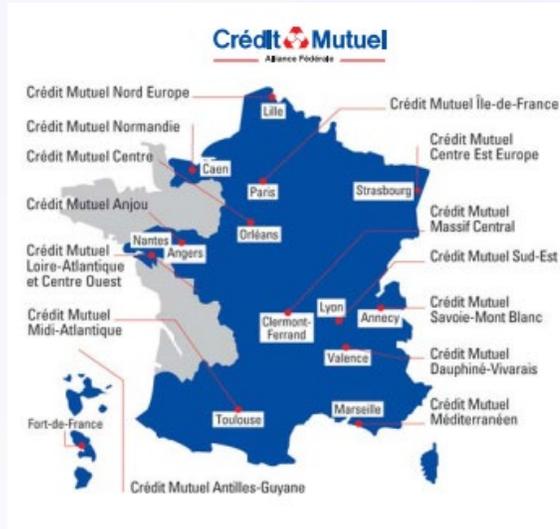
18
Regional Federations

4
« Caisse Fédérales »

NATIONAL BODY
Confédération Nationale du Crédit Mutuel

Crédit Mutuel Alliance Fédérale : the Collateral provider

Crédit Mutuel & CIC networks



– Crédit Mutuel Alliance Fédérale 2023 Half-Year Results - Key Takeaways⁽¹⁾

Net revenue

€7,9 bn / €7.6 bn⁽¹⁾ +€304 mn
+4%

Increase in net revenue due in particular to a solid performance by the specialized business lines

- Performance of specialized businesses accounted for almost ¾ in net revenues increase (Private banking +41.2%, Corporate finance +38.1%, market activities +63.3%)
- Steady net revenues for the networks side and mixed performance for the consumer finance subsidiaries
- Net insurance income under IFRS 17 rose by 13.0%

Operating expenses

€4.6 bn / €4.4 bn⁽¹⁾ +€291 mn
+6.7%

Rising general expenses

- Higher employee benefits expenses due to 2022 & January 1, 2023 wages policy, accounting for 53% of the total increase
- Impact of the increase in energy costs
- Lower supervisory costs and contribution to the Single Resolution Fund (-€87 mn or -24%)
- Recognition of the full sponsorship envelope (€79 mn) stemming from the Societal Dividend
- Increase of Cost/income ratio by 1.5 points to 58.2%, but still below the 61% target set in the 2019-23 strategic plan

Cost of risk

€679 mn / €470 mn⁽¹⁾ +€209 mn
+44.4%

Sharp rise in the overall cost of risk, weighing on operating income

- Proven cost of risk rose sharply (+86.4% or +€303 mn), partly due to the downgrading of a large corporate accounts
- Increase observed across all business lines reflecting the macro-economic environment
- Unproven cost of risk amounts to a -€26 mn; related to buckets transfert effects & Dec.2022 assumptions scenarios maintained

Other items

- €18 mn on net gains and losses on other assets and ECC, which consisted entirely of the equity consolidated companies net income shares.
- In HY-2022 (€46 mn), this item included the gain on the disposal of FLOA to BNP Paribas

Net income

€2 bn / €2.1 bn⁽¹⁾ -€155 mn
-7.3%

Net income down 7.3% to nearly €2 bn in a difficult economic environment

Financial strength

- **CET1 ratio** ⁽²⁾: 18.5% vs. 18.2% on Dec 2022
- **LCR ratio** (average): 164.4 % vs 153.3 % on Dec 2022
- **LDR ratio**: 110.8% vs. 109.9% on Dec 2022

Results of the 2023 EU-wide stress test
**Crédit Mutuel ranks best
among the French Universal Banks**

(1) Compared to IFRS17/9 proforma results as at June 30, 2022

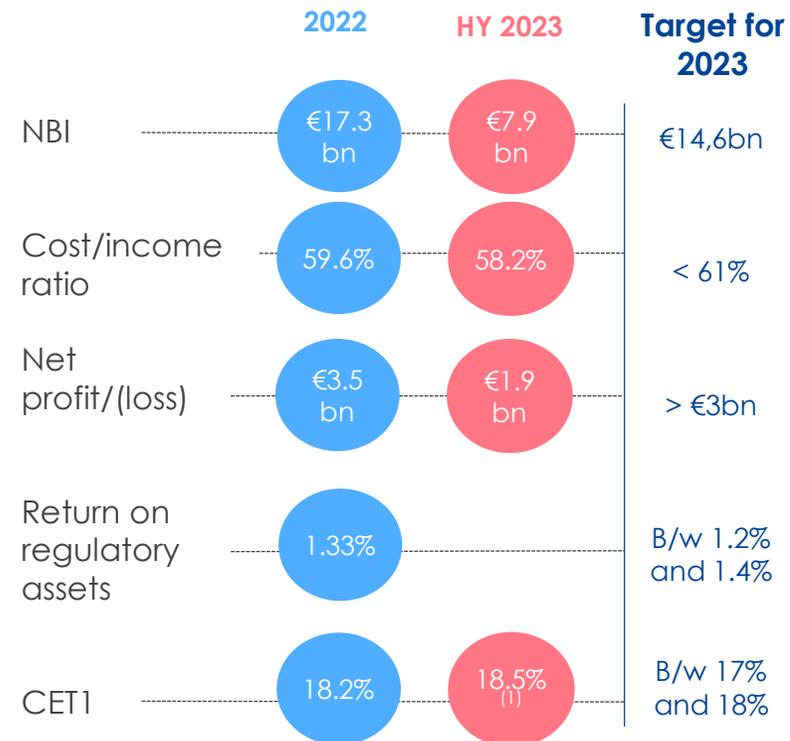
(2) The incorporation of the net income into the regulatory capital is subject to ECB approval.

2019-2023 Strategic Plan

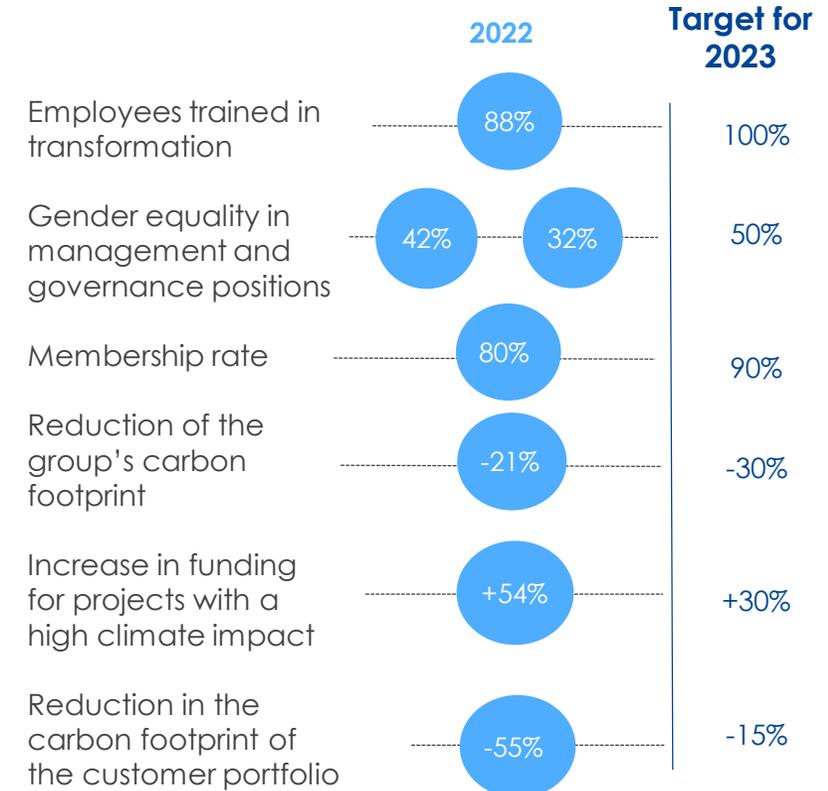
The 2019-2023 strategic plan, revised in 2020 in the context of the health crisis, is a major catalyst for development and transformation to achieve sustainable and responsible performance.



Financial objectives: 2022 performance above 2023 targets



Human and mutualist development ambitions on track



(1) The incorporation of the net income into the regulatory capital is subject to ECB approval.

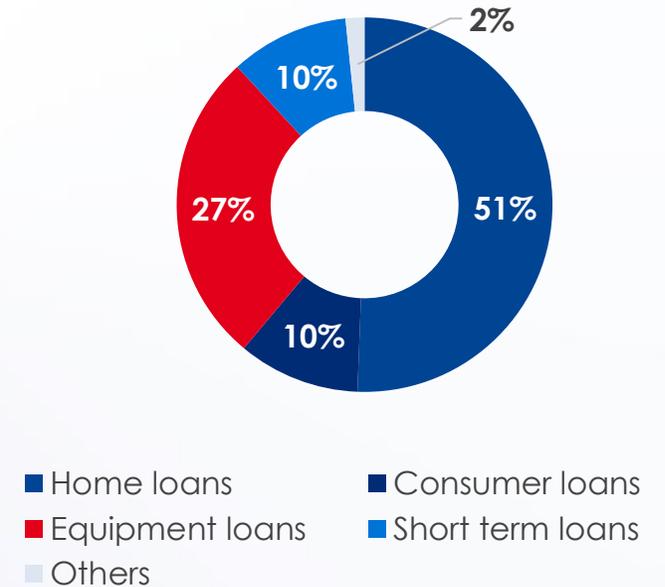
Customers Loans

A dynamic performance despite the rising interest rates environment

- Outstanding loans exceed €510 bn, **5.0% increase** y-o-y
 - Composed of **51% Home loans**, 27% Equipment loans, 10% Consumer loans, 10% Short term loans and 2% others
 - Despite interest rates hikes, favorable growth in most loan categories
 - + **4.1%** for home loans
 - + **9.6%** for consumer loans
 - + **8.3%** for equipment loans and leasing

€ bn	June 2023	June 2022	Change in %	Dec. 2022
Home loans	258.1	248.0	+4.1%	254.4
Consumer loans and leasing	53.5	48.8	+9.6%	51.0
Equipment loans	138.0	127.4	+8.3%	134.8
Short term loans	52.1	55.4	-5.9%	54.5
Others	8.3	6.4	+30.5%	7.4
Total outstanding	510.1	485.9	+5.0%	502.1

Loan portfolio breakdown by product



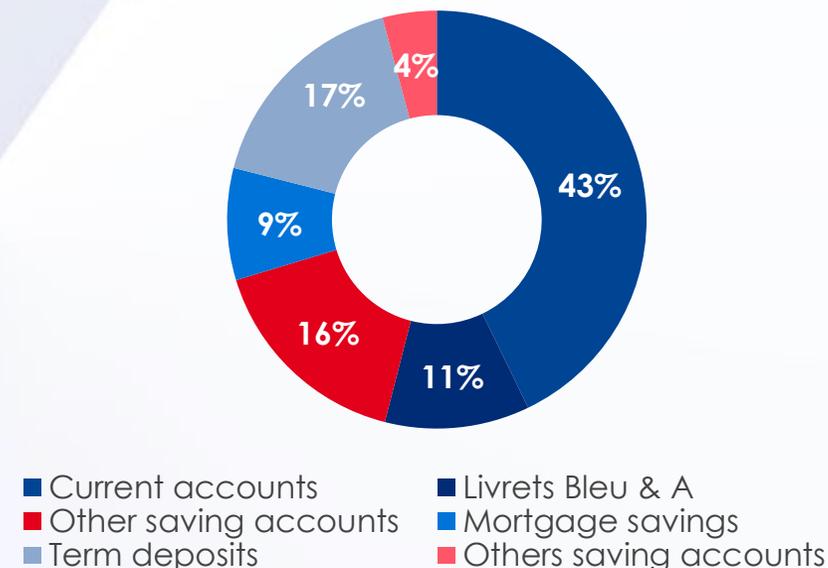
Customer deposit portfolio

Steady growth with reallocation between products

- **2.2% increase** in outstanding deposits y-o-y
 - Significant inflows in **Livrets Bleu & A (+14.4%)** and **Term deposits (+84.6%)** due to continued favorable measures for regulated savings, resulting in higher interest rates on savings accounts
 - Organic deposit increase driven by significant inflow in **regulated savings products (+ €48bn)** somewhat offset by current accounts outflows of - €10bn

€ bn	June 2023	June 2022	Change in %	Dec. 2022
Current accounts	197.2	231.8	-14.9%	221.7
Livrets Bleu & A	51.4	44.9	+14.4%	47.6
Other saving accounts	75.2	78.0	-3.6%	78.0
Mortgage savings	39.9	41.8	-4.6%	42.0
Term deposits	77.6	42.0	+84.6%	52.4
Others	19.2	12.2	+57.0%	15.3
Total outstanding	460.5	450.7	+2.2%	457.0

Breakdown by product



The issuer:
Crédit Mutel Home Loan SFH

Crédit Mutuel Home Loan SFH

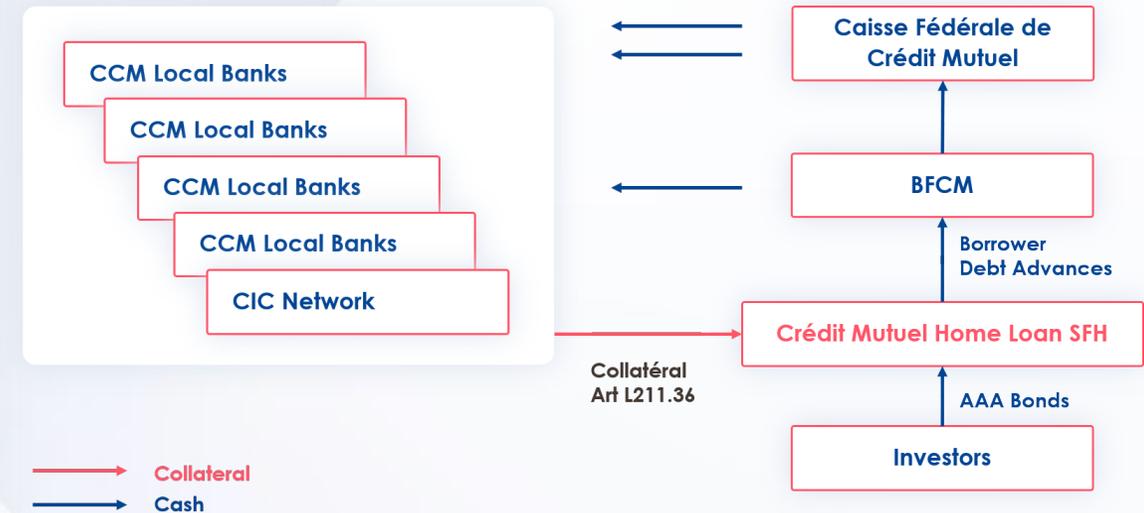
Program characteristics

Restrictive eligibility criteria

- **French Covered Bond Structure**
- No area, no securitization, or asset substitution
- Only loans originated by the group's networks are eligible with an **origination in every region of France**
- Prime residential mortgages and guaranteed home loans only
- **Monthly annuity max. 33%** of disposable income for guaranteed loans
- **Restrictive** eligibility criteria

Main characteristics of the program

- **Program size: €70 bn**
- **Ratings: Aaa** (Moody's), **AAA** (S&P), **AAA** (Fitch)
- **Risk weighting:** ECBC + CRR / CRD4 compliant
- **Maturity type:** hard or soft bullet
- **French law**

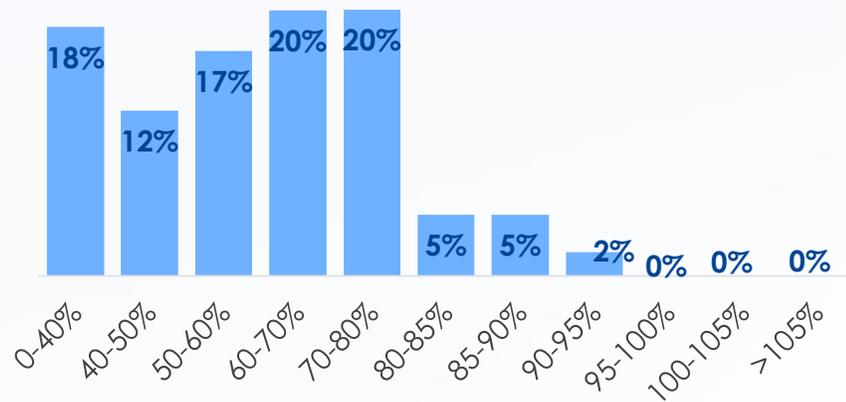


Crédit Mutuel Home Loan SFH

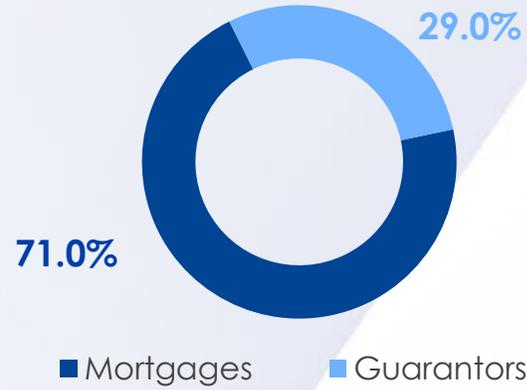
Cover Pool as at August 2023

- Total Loan Balance: **€43 bn**
- Number of loans: **412 k**
- Unindexed LTV: **68%**
- Indexed LTV (current value): **59%**

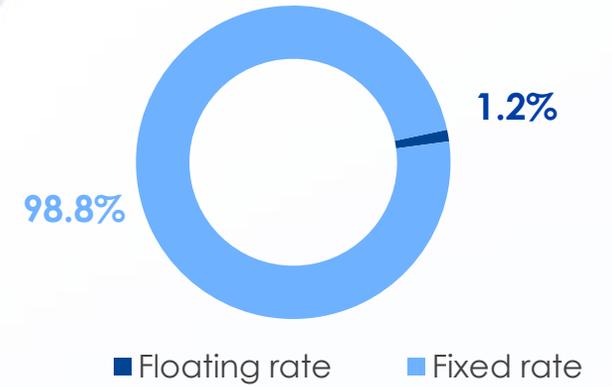
Indexed LTV



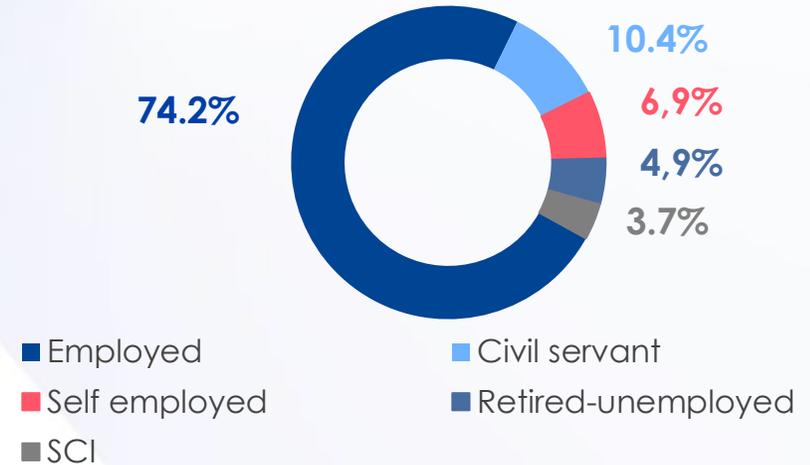
Collateralisation



Rate Type



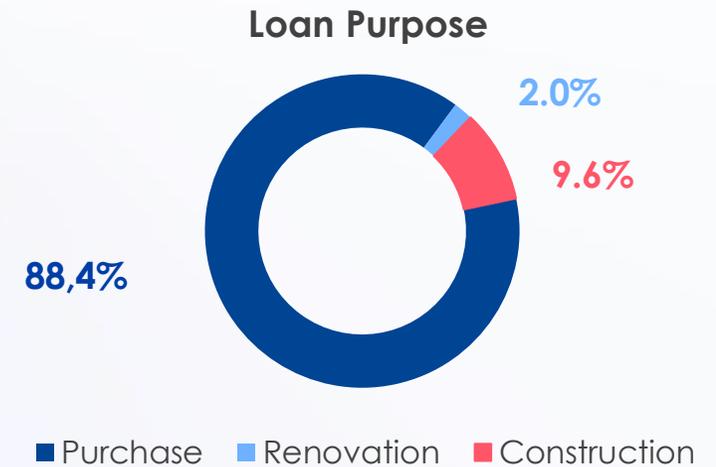
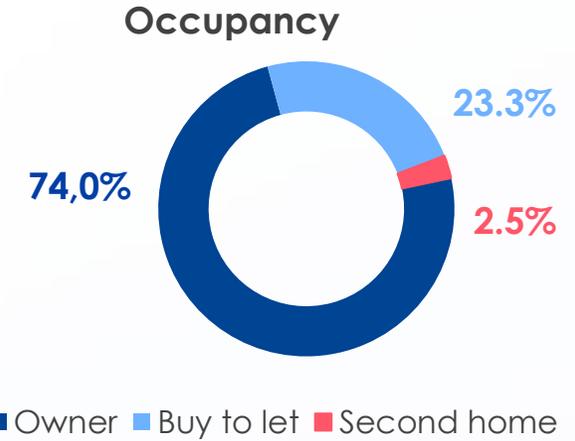
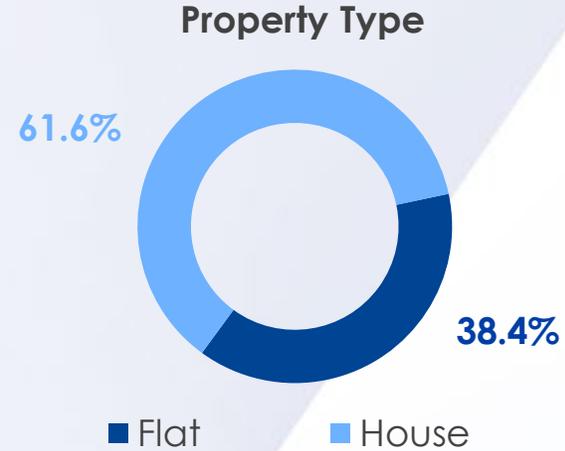
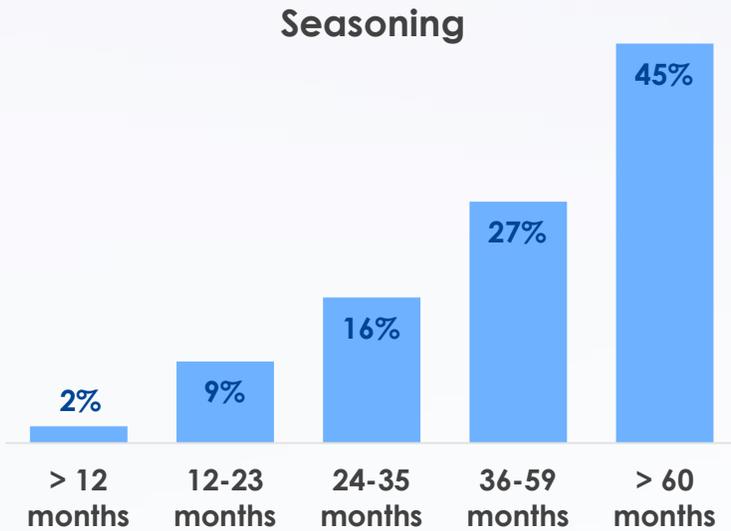
Employment Type



Crédit Mutuel Home Loan SFH

Cover Pool as at August 2023

• Average duration: **64 months**



Real Estate market

— Real estate market in France

Sound French housing market and cautious lending practices

Specific features of the French home loan market

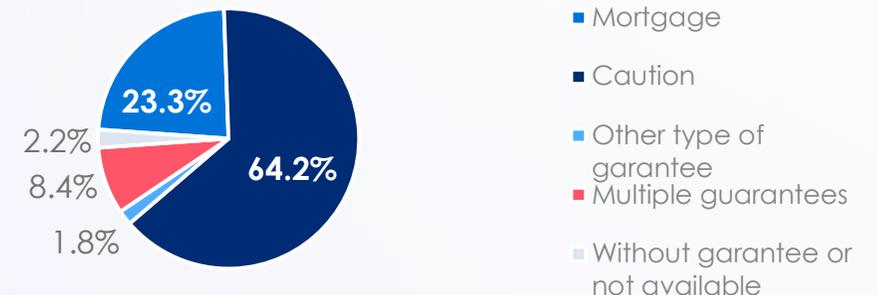
- Strong regulation by the **HCSF**⁽¹⁾ since January 2020
 - Monthly installment: **max. 35%** of income
 - Maximum maturity: **25 years**
- Lending policy is based on an assessment of the **borrower's creditworthiness** and not on the market value of the property being financed
- Obligation for the borrower to take out **creditor insurance**
- Almost all outstanding loans (96.8%) benefit from a **guarantee which limits the losses** in the event of a borrower default (see opposite)
- Almost all loans granted at **fixed rates** (99.2% of new loans in 2022 and 97.7% of outstandings at the end of 2022), thus limiting the risks of rising interest rates on borrower solvency
- **Significant personal contribution** is required during the granting process
- **Social welfare** that mitigate the risk of income loss
- Favorable **structural factors**
 - One of the lowest ownership in Europe
 - Inadequate growth in supply vis à vis structural demand



In France, all home loans are guaranteed by:

- 1/ **Mortgages** registered by notaries in the Land Registry.
 - The proportion of mortgages is a minority thus **reducing the risks of contagion** from borrowers creditworthiness to housing market prices
- 2/ **Cautions:**
 - **Crédit Logement:** the market leader in residential home loan guarantees
 - Owned by the major French banks: **Crédit Mutuel** as **5th** major shareholder (10%, as at December 2021)
 - Ratings: **Aa3 stable** (Moody's), **AA low stable** (DBRS)
 - **Internal caution** (owned by a banking group or an insurance company) **Cautionnement Mutuel de l'Habitat « CMH »** for Crédit Mutuel Alliance Fédérale

Breakdown of by type of guarantee*



(1) Haut Conseil de Stabilité Financière

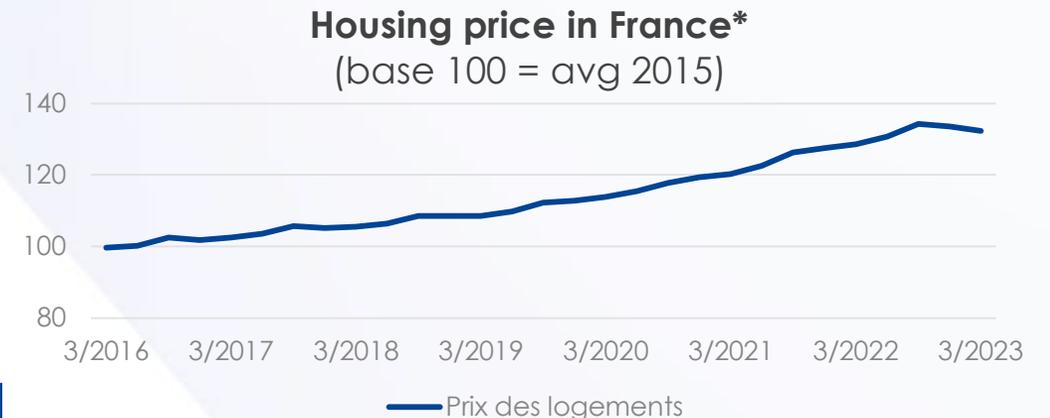
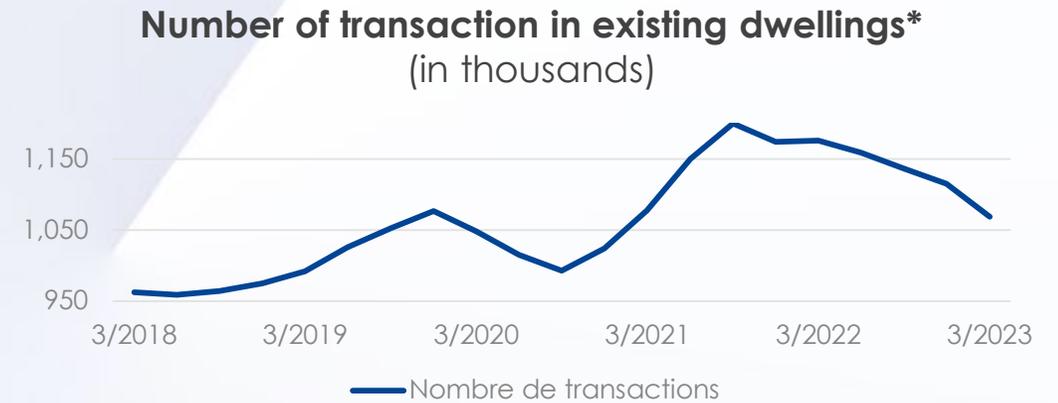
Real estate outlook in France

Activity and perspectives

- Housing market activity was strongly reduced from mid-March to mid-May 2020 due to the first lockdown
- In 2022, the number of annual transactions reached 1.1 mn, down 5.4% on the historic peak of 2021, but still slightly higher than the average for the last 3 years
- In the first quarter of 2023, in the context of economic slowdown, rising interest rates and declining household purchasing power, the property market continued to deteriorate
 - New housing starts and sales are at historically low levels. The rise in production costs and house prices remains high.
 - In the existing home market, the volume of transactions is continuing to fall and prices are beginning to decrease

Sound French home loan market :

- Potential demand remains strong with a lower rate of home ownership (c.64% of French households) compared to other European countries (70% in the EU)
- Structural housing deficit accentuated by the reduction of the supply of new dwellings



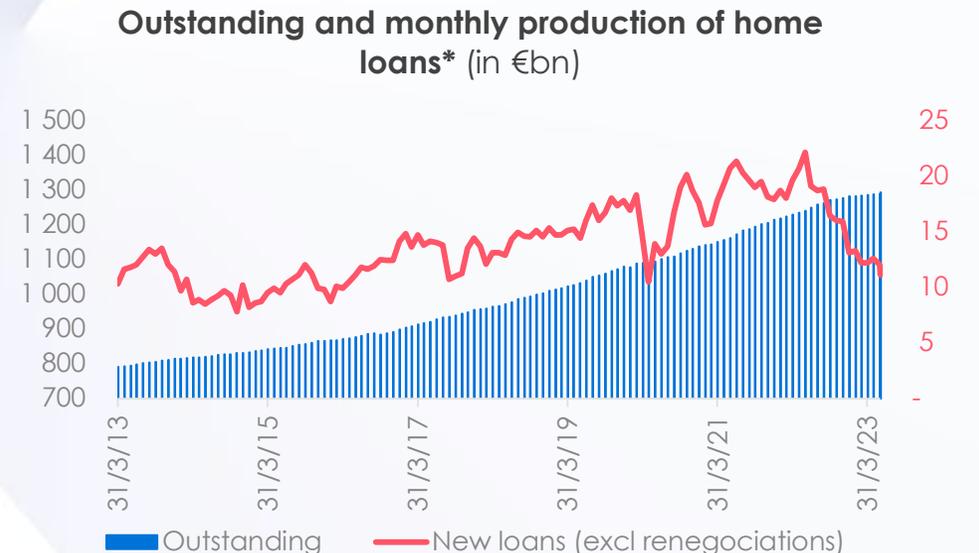
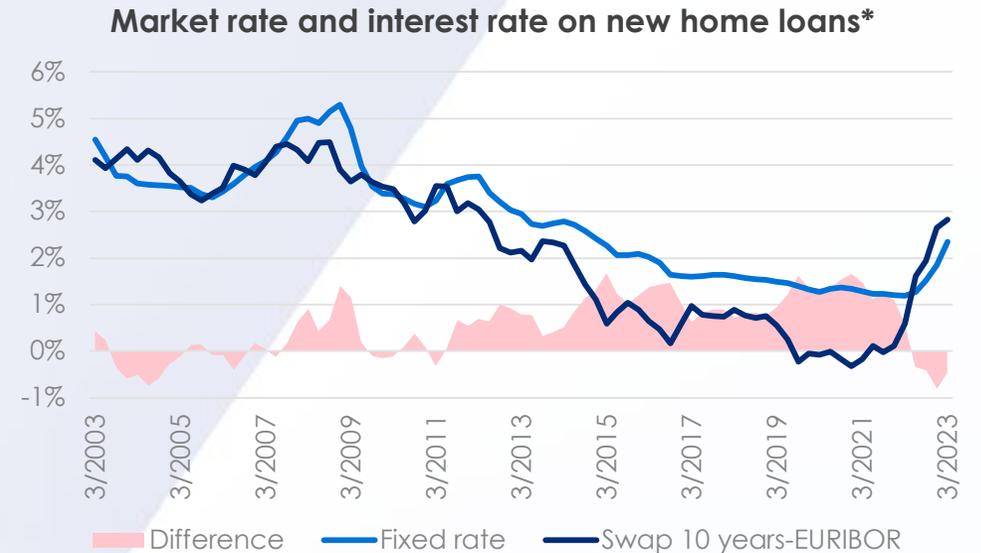
*Source : Statistical Data and Studies Department of the French Ministry of the ecological transition

Real estate outlook in France

New loan continues to decrease

- **Rise in market rates** partly passed on to home loan interest rates
 - **X2 in 2022** to reach 2.12%, their highest level since March 2016
 - Rates **lower in France** than in the other main eurozone markets
- **Lending margins** declared **negative** by banks since 2022
 - A rise in the **Internal Transfer Pricing (ITP)*** from 0.63% to 3.1% (+250 bp) between Q4 2021 and Q4 2023, when the rise in interest rates on **new loans** was more limited (+75 bp)
 - **Drivers of interest rate gap:** pressure from competitors, time lag between the loan offer and its actual implementation (3-4 months) and the legal limit with the "*taux d'usure*" (borrowing rate cap)
- **Sharp fall in new lending** from Q4 2022 (-18.9% compared with Q4 2021), which continues in Q1 2023, with new lending down by 33% compared with Q1 2022
 - Looking at these figures from a **longer historical perspective**, we can see that production in Q1 2023 is only slightly lower than the average quarterly production over 2013-2022 (-0.4%), so the trend largely **reflects a normalisation of the market**

(1) TCI is an analytical indicator determined by each bank which, while largely linked to the bank's refinancing conditions on the market, does not necessarily reflect the actual cost of refinancing loans.



*Source : Statistical Data and Studies Department of the French Ministry of the ecological transition and Banque de France

Real estate market environment in France

A market whose risk factors are under control

Changes in loan criteria over 2022

- Average amount: €210,000 (+8.9%)
- Average maturity: 22.2 years (+5.3 months)
- Average debt service-to-income ratio (DSTI): 29.9% (-0.2 pt)
- Average LTV: 83.1% (-0.2 pt)
- **Impact of the HCSF⁽¹⁾ decision on risk factors**
 - % of loans with maturity >25 years: -0.8 pt
 - % of loans with DSTI >35%: -5.3 pts
 - % of loans with LTV >100%: -1.7 pt

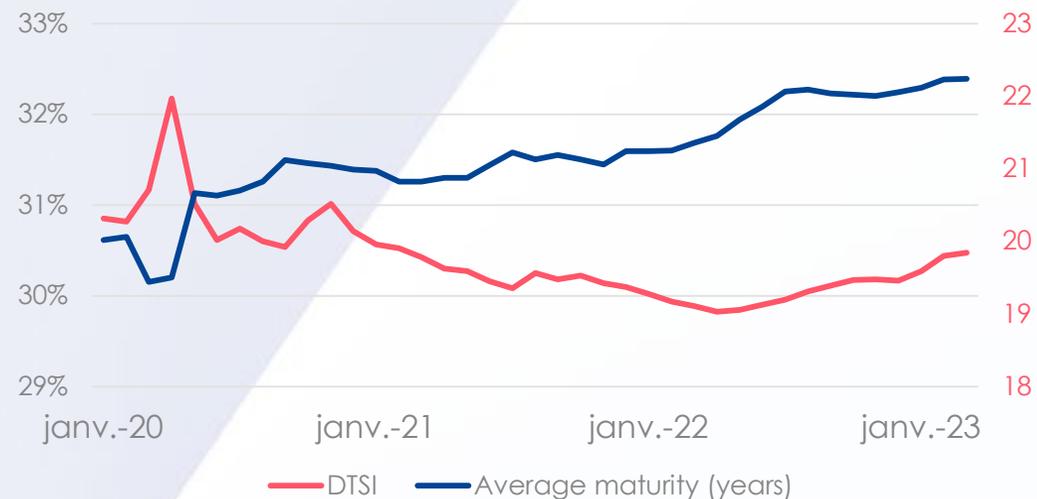
Low default, a sign of contained risks as at December 2022

- 12-month default rate of 0.40% of outstanding loans
- Non performing loan rate of 0.95% (-12bp compared with 2021)
- Cost of risk limited to 1bp in 2022, mitigating the risk of loss of income

Data as at August 2023

- Interest rate average : 3.80% (3.64%July)
- Average maturity: 20.10 years
- New business: -46.1% (June/August 2023vs2022)
- New business: -43.3% (Sept/August 2023vs2022)

DSTI and average maturity*



Non performing loans and cost of risk*



*Source : Banque de France

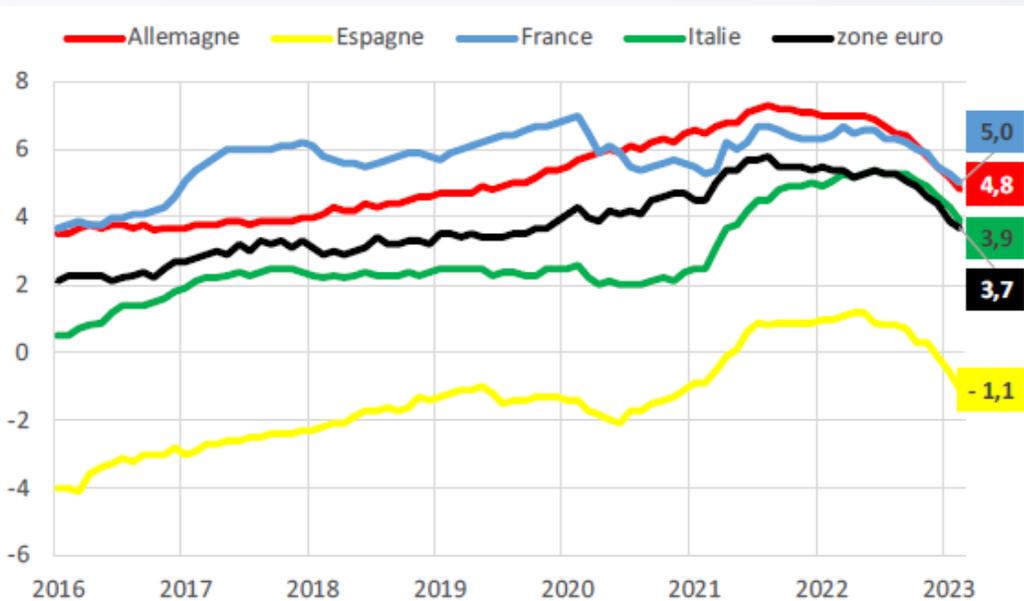
(1) The decision was implemented in January 2022, following a recommendation phase that began in January 2020. The changes concern the period 2021 and 2022.

French real estate market vs European market

Banque de France report as of April 2023

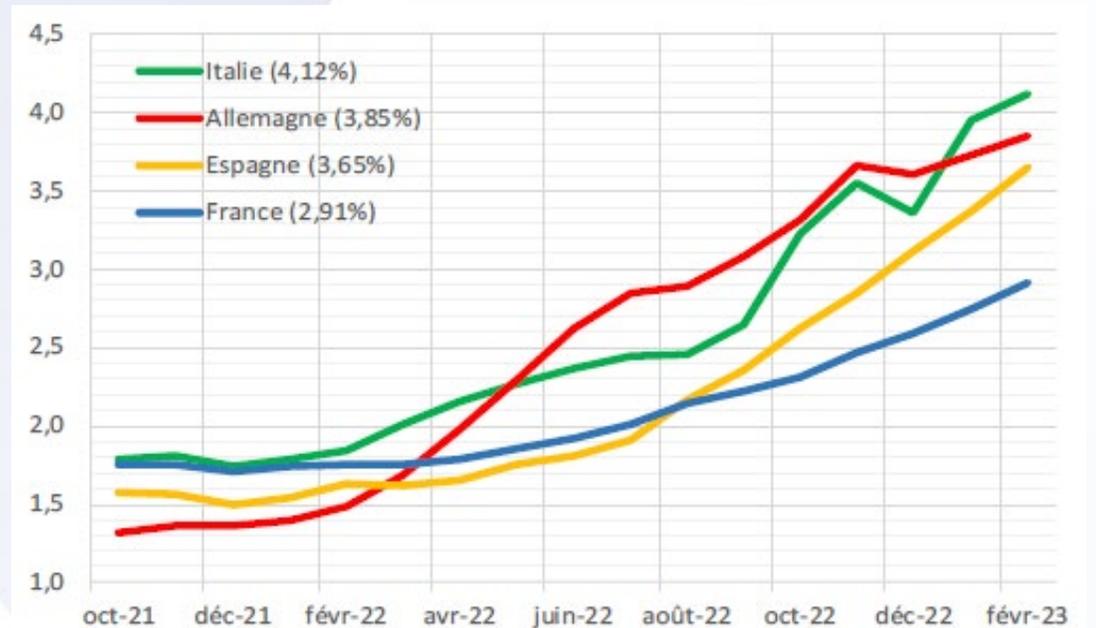
Home loans in France are still the most plentiful and cheapest in Europe

Euro zone: Annual growth rate of outstanding home loans (%)



Source: ECB
Last point displayed -February 2023

Euro zone: Interest rates on new housing loans (overall effective rate – all in %)



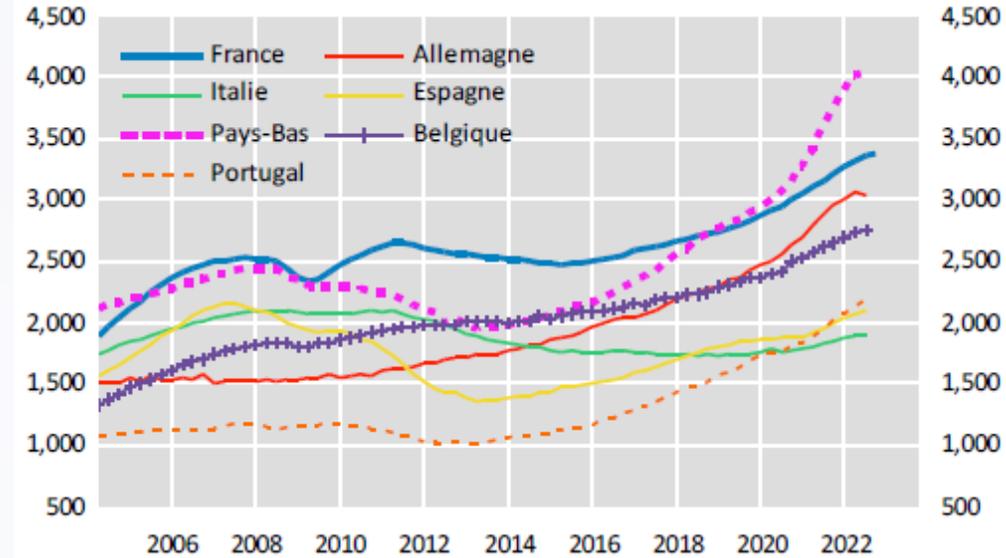
French real estate market vs European market

Banque de France report as of April 2023

Residential real estate in Eurozone

Average residential property prices (€/m²)

Source: OCDE, HouseLev Database, Eurostat, Calculation of Banque de France DGSEI



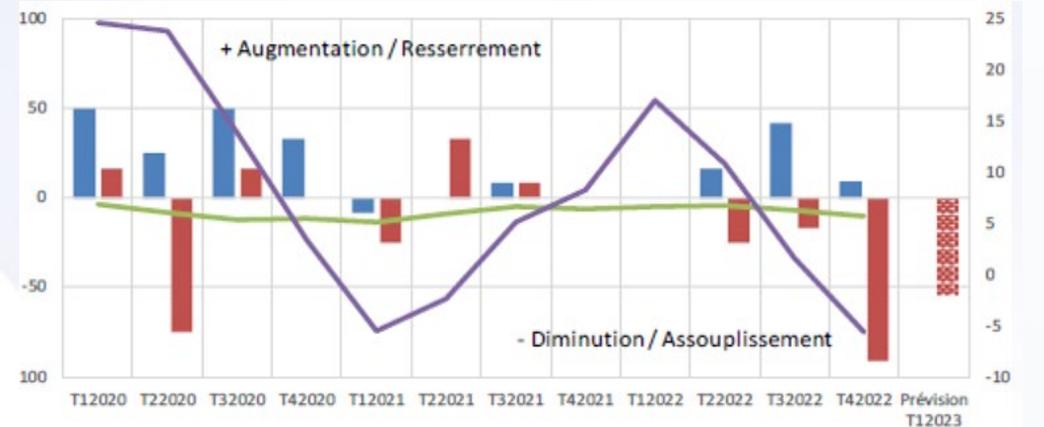
- In 2022, the rise in interest rates reduced purchasing power, which fell back to around 2008 levels
- In the 2023 Q1, « Banque de France » attributed entirely the decrease in production to the demand decrease and not to the tightening of lending criteria (unlike in other eurozone countries).

Fall in household demand (ECB survey of banks)

Supply and demand for home loans in the Eurozone



Trends in supply and demand for home loans in France



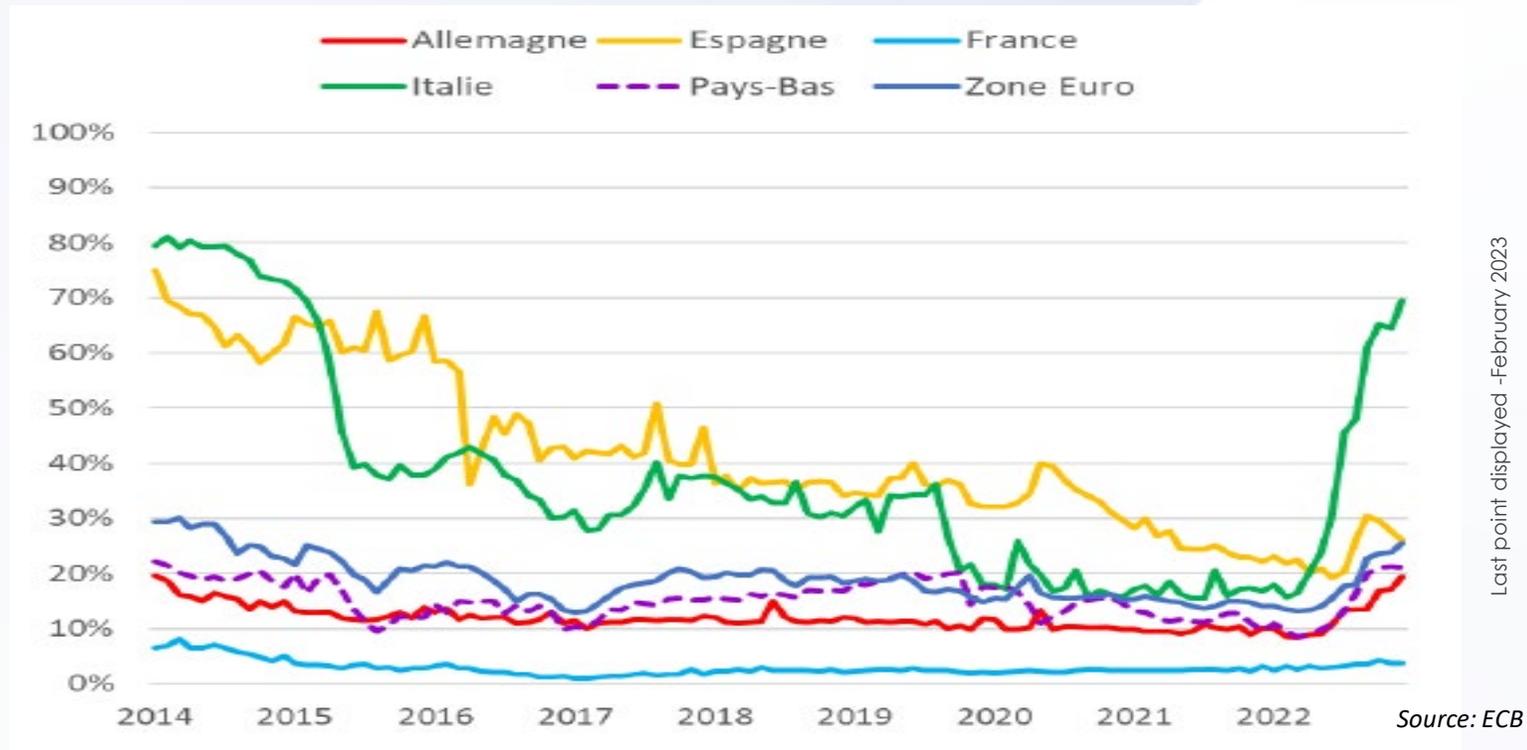
- Eligible housing loan criteria
- Housing loan demand
- Annual growth rate of housing loan outstandings (% right scale)
- Annual growth rate of housing loan production(% rightscale)

French real estate market vs European market

Banque de France report as of April 2023

Predominance of fixed rates in France : a resilience factor

Mortgages: share of variable-rate mortgages in new mortgages



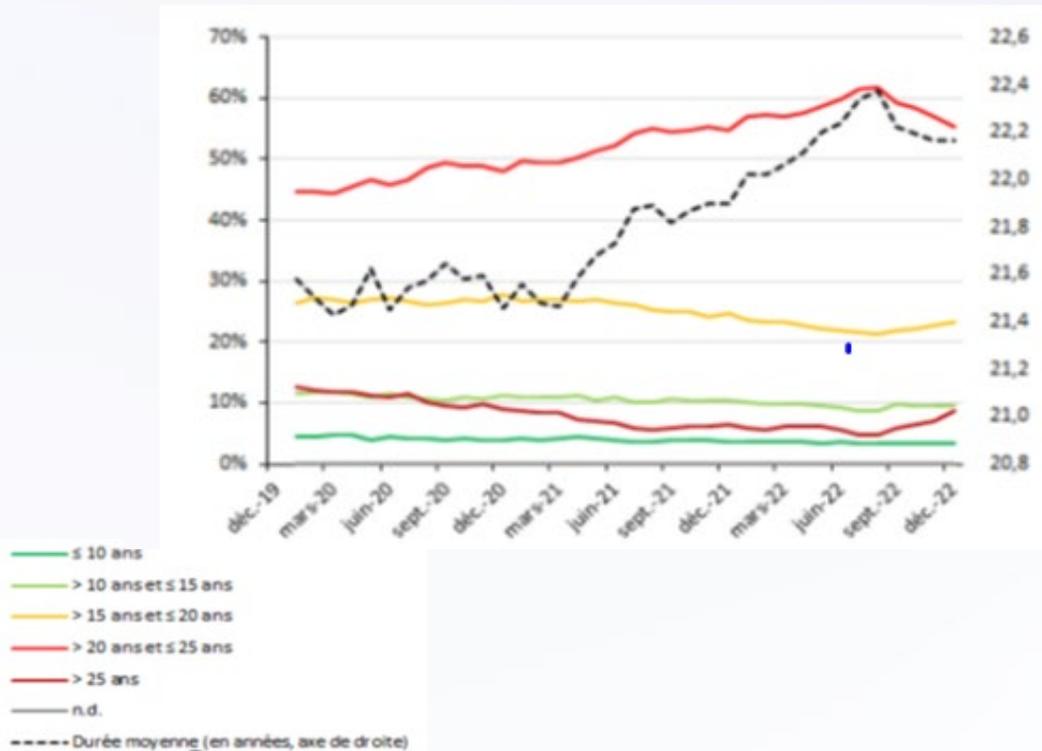
Fixed rates still dominate in France, accounting for more than **95% of total outstanding loans** at the end of 2023, compared with 75% in the eurozone.

French real estate market vs European market

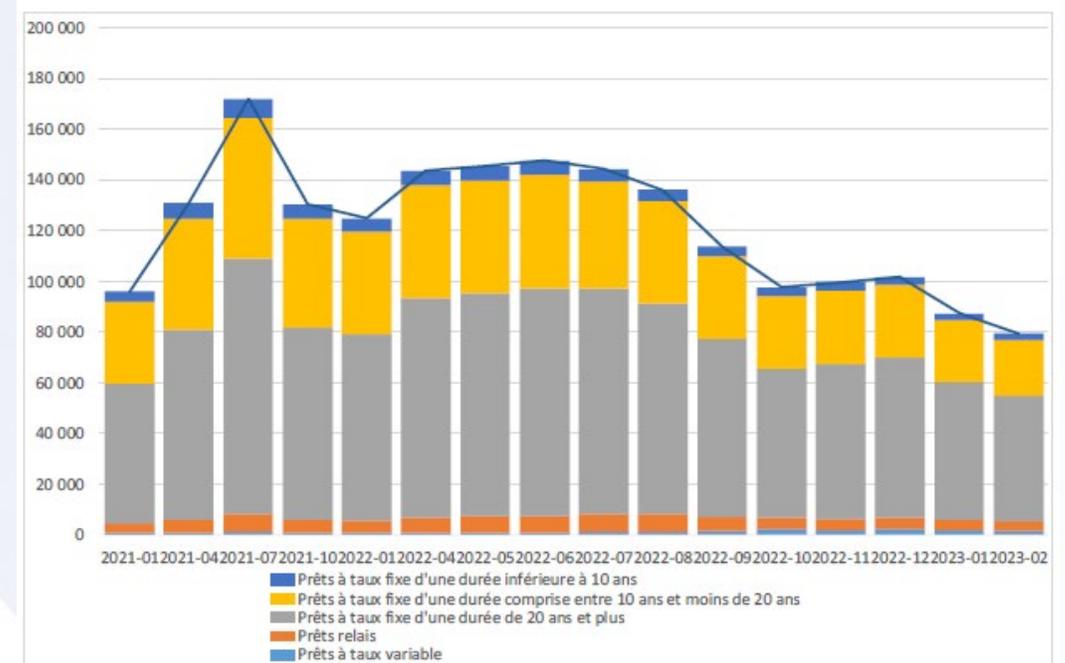
Banque de France report as of April 2023

Risk factor (1/2) duration

Initial term (average and per tranche)



Breakdown of new loans by maturity in France (in number of loans)



Collection M.Contran (number of loan lines, including renegotiations)

Source: Banque de France

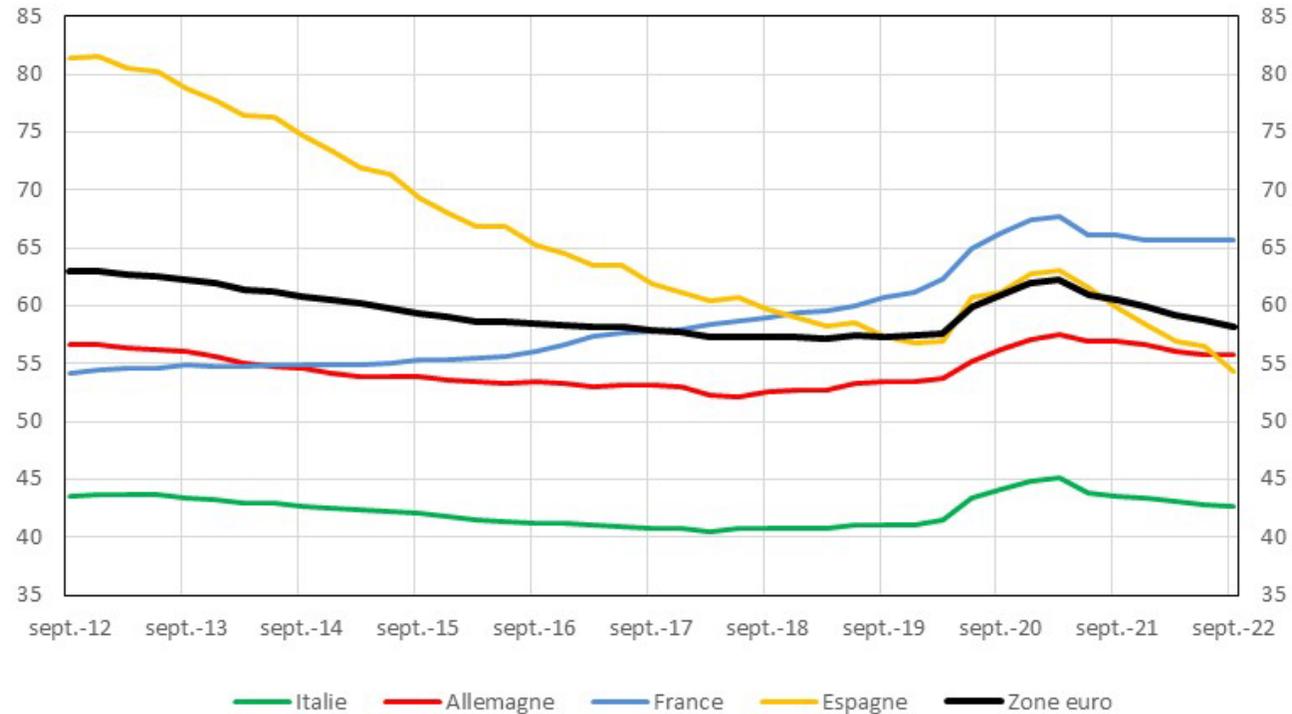
- The **average term** has risen sharply since 2020, although it is beginning to stabilize
- **Loans with minimum 20-year term** have accounted for more than **60% of new home loan production** (in terms of number of loans) since the end of 2020, and even more than two-thirds in recent months. **Loans with a term of less than 10 years** are marginal (less than 5%).

French real estate market vs European market

Banque de France report as of April 2023

Risk factor (2/2) Debt level

Household debt (as % of GDP)



Source: Banque de France

Household debt in France is not falling and remains significantly higher (**66% of GDP**) than in the eurozone (**58% of GDP**) and the other major European countries.

Funding program 2023

c.€20 bn MLT to be raised

- NPS/T2 : c.€4 bn target (achieved)
- Green / Social / Sustainability bonds
- Senior and SFH public & private issues (EMTN, US 144A, Samurai)

As of 11 September 2023, €19.2 bn has been raised in MLT issues

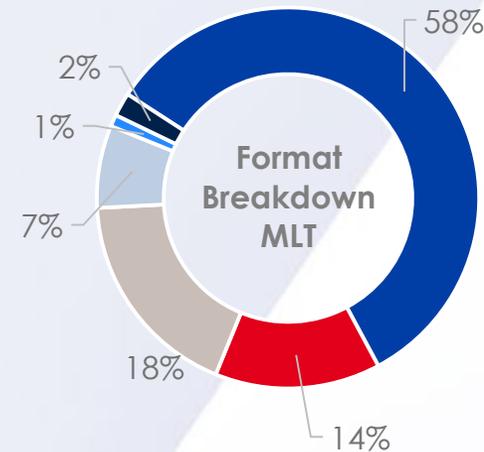
(i.e. 96% of target achieved)

with an average maturity of 5.7 years

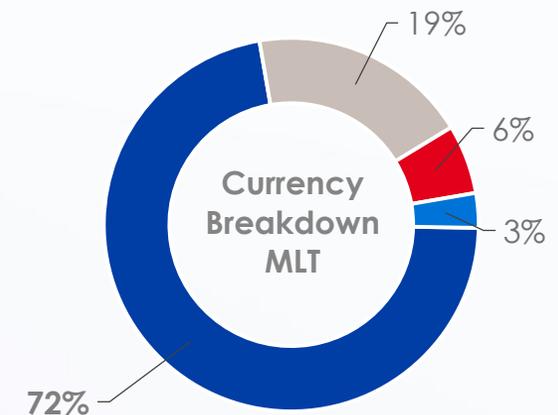
- 19 public issues for €16.6 bn
- 10% of private issues

Format of 2023 public issues:

- €3.5 bn of Covered bonds – average spread of 0.302%
- €9.0 bn of Senior Preferred - average spread of 1.077%
 - of which **€750 mn of social bonds**
- €2.75 bn of Senior Non Preferred (SNP) – average spread of 1.408%
- €1.25 bn of Tier 2 – average spread of 2.190%



- Senior preferred
- Covered Bonds
- Senior-NEU MTN
- NPS
- T2
- CRH



- EUR
- USD
- GBP
- CHF