

2018
REGISTRATION
DOCUMENT

ARKEA

REGISTRATION DOCUMENT 2018

Crédit Mutuel Arkéa

A variable capital limited liability credit cooperative and insurance brokerage

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Registered with the Trade and Companies Register of Brest under number 775 577 018

This is a free translation into English of the Registration Document and it is provided for the convenience of English speakers users. Only the French version of the Registration Document has been submitted to the AMF. It is therefore the only version that is binding in law.

This Registration Document also constitutes the Annual Management Report of the Board of Directors of Crédit Mutuel Arkéa to be presented to the Shareholders' General Meeting held to approve the financial statements for the year ending December 31, 2018.



This Registration Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers - AMF) on April 26, 2019 in accordance with Article 212-13 of its General Regulation. It may be used in support of a financial transaction if it is accompanied by a transaction memorandum certified by the AMF. This document was prepared by the issuer and is binding on its signatories.

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1

Presentation of the Arkéa group

1.1 Group profile

The Arkéa group comprises the Crédit Mutuel Arkéa, Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central networks as well as approximately 30 specialized subsidiaries which enable it to cover all business lines in the banking and financial arena.

As a cooperative company, Arkéa is not listed on the stock exchange. It is owned by its customer shareholders (members who are both shareholders and customers). The group, which combines a strong financial position and responsible growth, thereby puts **its performance to work financing the real economy, the regions and its stakeholders, and executing the projects of its 4.5 million customers.**

As a producer and distributor, Arkéa is able to offer its customers – whether individuals, sole proprietorships, companies or government bodies – a comprehensive line of banking, financial, asset management, insurance and other products and services. The group also stands apart through its **development of white-label banking services on behalf of other financial institutions and payments providers.**

This business-to-business strategy allows it to operate well beyond its long-standing regional networks and to significantly increase its market share.

Arkéa has made the choice to be a cooperative and collaborative bank that believes in sharing value with its customer shareholders, customers, employees, partners and regions..

As a player in the digital economy, Arkéa is known and recognized for its technological culture, in particular its online banking and insurance services as well as its payment tools. Building on this expertise, **the group has forged very close ties with players in the digital ecosystem** and is developing various forms of cooperation with them, whether technological, commercial or through

capital transactions. In a fast-changing environment, these partnerships with fintechs¹, insurtechs² and regtechs³ allow it to remain at the forefront of technology and consumer trends and to increase its agility.

Arkéa pursues an original development strategy, with the **goal of developing a cooperative and collaborative banking model**, that provides the best response to the aspirations and lifestyles of today and tomorrow.

As a regional group, Arkéa is committed to keeping its decision-making centers in the area and to drawing from local labor pools. This approach based on regional strongholds has now enabled the group to extend its reach throughout France and to serve customers across Europe:

- A network of 461 points of sale in Brittany, Southwestern France and the Massif Central region, including :
- 19 regional business centers for Arkéa Banque Entreprises et Institutionnels;
- 8 regional branches for Arkéa Investment Services
- 6 regional branches for Financo.
- A presence in Belgium with Keytrade Bank and ProCapital. Keytrade Bank is also present in Switzerland and Luxembourg.
- Leetchi and Mangopay are present in the United Kingdom, Germany, Spain and Luxembourg.
- At the end of 2018, the group acquired German bank PrivatBank 1891⁴.
- Activity throughout Europe through Monext, the subsidiary that specializes in electronic payments and provides services in 25 countries.

¹ Contraction of «finance» and «technology»: a fintech is a startup that uses information and communication technologies to deliver financial services.

² Contraction of «insurance» and «technology»: an insurtech is a startup that uses information and communication technologies to deliver insurance services.

³ Contraction of “regulatory” and “technology”: this neologism refers to the technologies that allow financial

⁴ Announced in December 2018, the acquisition of 100% of PrivatBank 1891 remains subject, in particular, to the approval of the banking and competition regulators in Germany.

LOCATION MAP



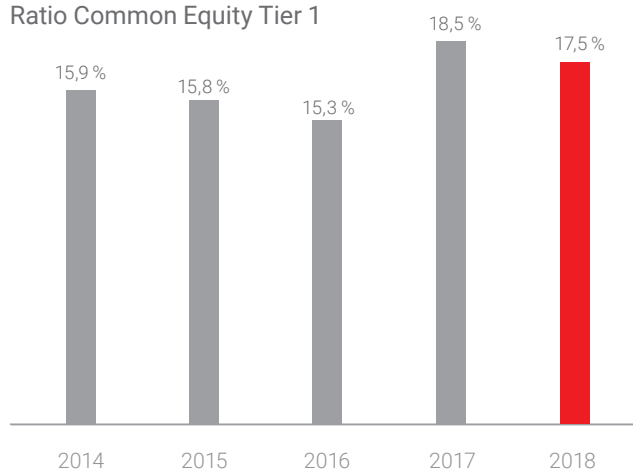
Key figures 2018

(in € thousands)

	2014	2015	2016	2017	2018
Net banking and insurance income	1,724	1,780	1,852	2,090	2,146
Gross operating income	531	545	570	662	632
Net income attributable to equity holders of the parent	269	296	336	428	437
Total assets	103,204	110,112	120,393	128,385	134,920
Shareholders' equity attributable to equity holders of the parent	5,463	5,774	6,070	6,449	6,704

Solvency and financial rating

Ratio Common Equity Tier 1



AS OF 12/31/2018	SHORT-TERM RATINGS
Standard & Poor's	A-1
Moody's	P-1
Fitch	F2
LONG-TERM RATINGS	
Standard & Poor's	A
Moody's	Aa3
Fitch	A-
OUTLOOK	
Standard & Poor's	Négative
Moody's	Négative
Fitch	Stable

1.2

The Arkéa group's history

Arkéa's history goes back more than 100 years in Brittany and continues today across all of France and elsewhere in Europe. The cooperative and collaborative group has successfully adopted bold strategic orientations at key points in its development.

Arkéa has its roots in the Office Central des œuvres mutuelles agricoles du Finistère, created in 1911 on the initiative of several landowners who wanted to speed up the modernization of the Breton countryside. The Office Central served as the central purchasing agency for farmers, and was then able to unite all of the department's mutual, cooperative and social organizations. By 1930, it had brought together more than 460 farmers' unions and had some 38,400 members. The cooperative then sought to meet farmers' diverse needs for credit, insurance and vocational training. **The Office Central was responsible for the creation of several mutual groups including Triskalia, Groupama and, of course, Crédit Mutuel de Bretagne.**

The creation of the Fédération du Crédit Mutuel de Bretagne

After many years of often uneven growth from one town to the next, the local savings banks in Brittany formed a union in the 1970s and **in 1979 created a federation – Crédit Mutuel de Bretagne – covering the entire region.**

As from the 1980s, the range of banking and insurance needs of individuals, sole proprietorships and companies became more diverse. Crédit Mutuel de Bretagne provided a competitive solution by becoming both a producer and distributor of financial services. **Between 1984 and 2000, it thus created its first specialized subsidiaries: Suravenir** (life insurance and protection), **Suravenir Assurances and Novélia** (non-life insurance), **Federal Finance** (asset management), **Arkéa Banque Entreprises et Institutionnels** (formerly BCME, commercial banking) and **Financo** (consumer credit).

In Southwestern France, **the Fédération du Crédit Mutuel du Sud-Ouest**, officially incorporated in 1975, began as a banking cooperative created in 1963 by employees of the Ruelle foundry shops, in Charente, who had the idea of banding together to save their money and finance loans at a lower cost. **The history of Crédit Mutuel Massif Central** is closely intertwined with that of CMB as it was a director from Brittany who was tasked with creating Crédit Mutuel Massif Central in the 1980s.

In 2002, a solid and diversified group was formed around the three federations, Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest, and Crédit Mutuel Massif Central, and some 20 subsidiaries.

This step constituted the creation of the Arkéa group.

Another milestone was reached in Arkéa's development in 2008 with the adoption of the Horizons 2015 strategic business plan.

With this plan, the group confirmed its prominent role as a locally based banking and insurance company while developing its online activities and services, strengthening its position in the companies and institutions market and providing its expertise, particularly in the design of white-label banking products and services, to new partners: mass market retail chains, banks and payment institutions.

In October 2015, the group's Board of Directors adopted a new business plan: "Arkéa 2020." Like its predecessor Horizons 2015, this new strategic business plan was designed to strengthen the group's original purpose, namely to support and finance the real economy to serve the regions while taking full advantage of the group's openness and agility in response to the rapid and far-reaching changes in its environment.

These major strategic orientations led to the following developments:

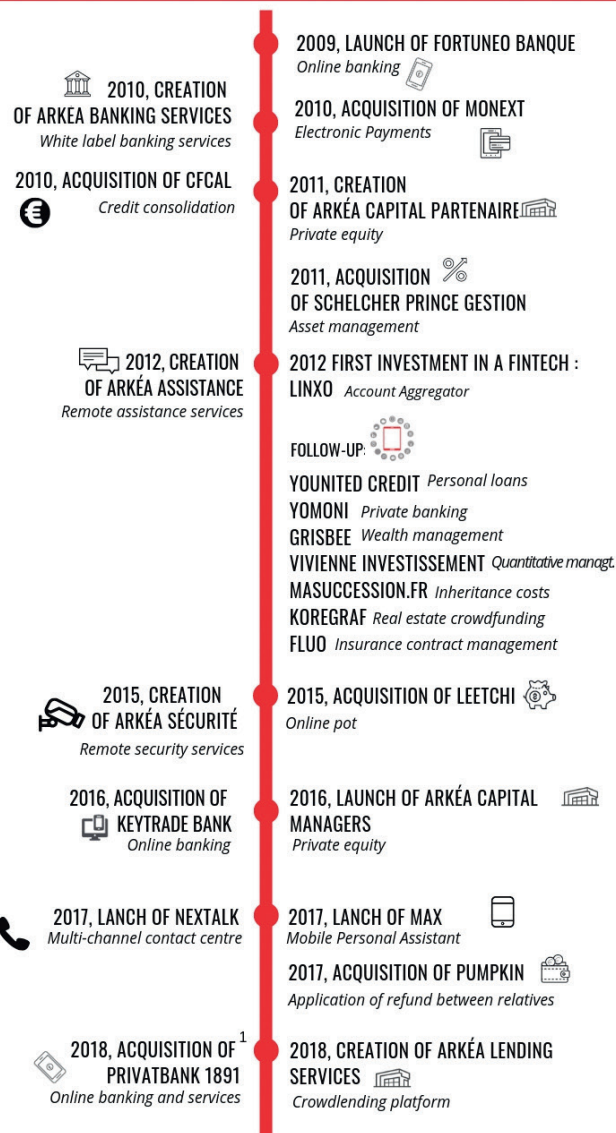
- the successful launch of the online bank **Fortuneo Banque** in 2009 and the acquisition of **Keytrade Bank** in 2016 ;
- the creation of new subsidiaries such as **Arkéa Banking Services** (white-label banking services), **Arkéa Capital Partenaire** and **Arkéa Capital Managers** (private equity), **Arkéa Assistance** (remote assistance) and **Arkéa Sécurité** (remote surveillance), **Nextalk** (multichannel contact center), **Arkéa Lending Services** (crowdfunding platform), **Nouvelle Vague** with its mobile personal assistant **Max**, and **AS2D**, a connected services joint venture, in partnership with the Delta Dore group;

- the acquisition of **Monext** (electronic payments), **CFCAL Banque** (credit restructuring), **Schelcher Prince Gestion** (asset management) and, more recently, the German digital bank **PrivatBank 1891**¹; and the equity investment in **Primonial** (wealth management). These new areas of expertise all complement and round out the group's other products and services and enable it to serve new customers;
- the acquisition of **Leetchi** (online money pot) and **Pumpkin** (peer-to-peer payment application) and of stakes in several fintechs: **Linxo** (account aggregation), **Younited Credit** (personal loans), **Yomoni** (private management), **Grisbee** (wealth management), **Vivienne Investissement** (quantitative management), **Masuccession.fr** (estate tax calculator), **Koregraf** (crowdfunding immobilier) et **Fluo** (real estate crowdfunding) and **Fluo** (insurance policy management application). These investments enable the group to monitor changes in consumer preferences and improve its agility in a rapidly changing banking environment and an increasingly connected world.

In January 2018, the group's Board of Directors authorized management to take any action that would allow it to become an inde-

pendent banking group, entirely separate from the rest of Crédit Mutuel, with due regard for its cooperative and mutual identity. **This proposed independence plan was approved by 94.5% of the local savings banks in a vote held in April 2018.** At the end of June 2018, the group's Board of Directors approved the general framework for its target organizational structure. The Arkéa group has now begun the operational implementation of its independence and, in conjunction with the regulators, is defining the detailed and practical arrangements for its future structure. This structure will then be put to the local savings banks for a vote (also see section 1.6). At the end of June 2018, the group's Board of Directors approved the general framework for its target organizational structure. The Arkéa group has now begun the operational implementation of its independence and, in conjunction with the regulators, is defining the detailed and practical arrangements for its future structure. This structure will then be put to the local savings banks for a vote (also see section 1.6).

MAIN CREATIONS, ACQUISITIONS AND INVESTMENTS SINCE 2009



¹ Announced in December 2018, the acquisition of 100% of PrivatBank 1891 remains subject, in particular, to the approval of the banking and competition regulators in Germany.

1.3

The Arkéa group's business lines

As a producer and distributor, and backed by the expertise of its specialized subsidiaries and central departments, Arkéa offers a comprehensive and competitive line of products and services.

In a constantly changing environment, due in particular to the digital transformation and shifting consumer trends, Arkéa remains particularly attentive to the emergence of new business lines and activities. Currently active in a number of segments and cognizant of existing complementarities, Arkéa would like to make its cooperative and collaborative banking model the best response to the aspirations and lifestyles of today and tomorrow.

The banking business lines

Retail banking for individuals and sole proprietorships

As the historical business line of Arkéa, retail banking for individuals and sole proprietorships (farmers, skilled tradesmen, merchants, and independent professionals) remains the group's core activity. It revolves primarily around the **Crédit Mutuel de Bretagne**, **Crédit Mutuel du Sud-Ouest** and **Crédit Mutuel Massif Central networks**. These three federations, which have more than 4,000 employees, embody the group's local and regional roots. With their dense point of sale network, these federations continue to be the direct and natural link with their 2.3 million customer shareholders and customers.

The implementation of a new local savings bank format clearly demonstrates the group's commitment to maintaining strong local banking ties with customer shareholders and customers. These new bank branches underpin the essential role of the branch as a place of expertise and exchanges between customers and their dedicated branch advisor, while introducing the latest in technology such as self-service touch-screen tablets, video-conferencing, etc.

In addition, with **Arkéa Banque Privée**, the group has an entity that specializes in wealth management for customers located in the Brittany, Southwestern France and Massif Central regions.

A pioneer in multi-channel banking, Arkéa uses the internet and mobile banking as the main drivers of its market penetration strategy alongside its traditional physical banking channels.

The continuous development of new online services, the digitization of procedures and applications, banking apps for connected objects and new payment methods are just some examples of this approach. The success of **Fortuneo** is yet another example, as it ranks among the leaders in the French market. The 2016 acquisition of **Keytrade Bank**, a key player in online banking

in Belgium, enables the Arkéa group to strengthen its presence in Europe. Fortuneo Banque and Keytrade Bank are Arkéa Direct Bank's two brand names and already have more than 700,000 customers in France, Belgium, Switzerland and Luxembourg.

Leetchi, which designs online payment solutions for individuals and companies, further cements the Arkéa group's presence in the digital and online finance universe. With more than 10 million customers, leetchi.com is the leader in online money pots in Europe. **Mangopay**, its other activity, is one of the leading payment solutions for the sharing economy and marketplaces, with more than 2,000 customer platforms. In 2017, the group acquired the **Pumpkin** startup, which has developed a mobile application to facilitate peer-to-peer payments. Arkéa has also launched its own fintech, named « **Max** », which is a mobile personal assistant that aims to provide a simple and effective response to consumers' day-to-day needs. The "Max" application already offers a wide range of banking and insurance, concierge, and personalized advice services. With Leetchi, Pumpkin and Max, Arkéa continues the successful transformation of its business lines, in the belief that collaboration between traditional players and fintechs creates added value.

The group also teamed up with Le Télégramme to launch **Kengo**, a crowdfunding platform designed to support projects involving Brittany and its people. Since its founding in 2015, Kengo has helped fund 315 projects and €1 million has been collected from 21,000 donors.

The group also has solid expertise in both point-of-sale consumer credit (**Financo**) and credit restructuring and debt consolidation (**CFCAL** : Crédit Foncier et Communal d'Alsace et de Lorraine). With more than 3,900 partners and 470,000 customers, Financo is among the leaders in financing on the automotive, motorcycle and recreational vehicle markets, as well as on the household goods and appliances market. In 2018, Financo acquired the auto financing activity of My Money Bank in mainland France. CFCAL operates across the country through a network of banking operation intermediaries, with nearly 2,000 points of sale.



RETAIL BANKING FOR INDIVIDUALS AND SOLE PROPRIETORSHIPS

- Three Crédit Mutuel networks in Brittany, Southwestern France and the Massif Central region. These networks are supported by specialized teams for the agricultural and wine-producing sectors
- Two online bank brands: Fortuneo and Keytrade Bank.
- A developer of online payment solutions (Leetchi) and a peer-to-peer payment application (Pumpkin)
- A mobile personal assistant (Max).
- A crowdfunding platform: Kengo
- A consumer credit specialist (Financo) and a credit restructuring specialist (CFCAL)

Retail banking for companies and institutions

Already a leader in retail banking for individuals, Arkéa also provides support to all of the market participants that drive local and regional economic development: companies, local authorities, healthcare organizations, real estate developers, public housing and social welfare agencies, etc.

The Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central networks have specific teams and departments to support companies that generate less than €10 million in revenue.

Arkéa also relies on a division built around a commercial bank (**Arkéa Banque Entreprises et Institutionnels**), which combines all of the expertise dedicated to this clientele. A broad range of services is offered to companies and local authorities: financing, cash management and investment, leasing with **Arkéa Crédit-Bail**, factoring under the **Arkéa Factoring**, brand, wealth management for business owners, etc.

Arkéa Banque E&I works with more than 10,000 customers (companies and local authorities) and supports the public sector across the country. Priority is placed on supporting public policies that promote housing, economic development, health and the environment by directly financing local authorities as well as their partner agencies that deliver local services to the public (public housing landlords, semi-public companies, public institutions, public companies, etc.). This involves the group in dealings with 18 of France's 22 metropolitan areas, 70 departments and 9 regions.

In social housing, Arkéa Banque E&I is the partner of choice for the major groups that alone account for more than half of social housing units: Action Logement, CDC Habitat, Habitat en région, Arcade, ICF, Polylogis, Paris Habitat, etc. Lastly, the group has acquired stakes in 35 public housing companies.

The group also has a large presence in healthcare: hospitals, not-for-profit private healthcare facilities, and medical/social associations that assist the vulnerable (the elderly, people with disabilities, etc.) as well as mutual health insurance companies, Urssaf (the French social welfare collection agencies), etc. Arkéa Banque E&I has participated in the financing of two out of every three university hospitals and about 100 hospital centers.

The innovative Arkéa Banque Entreprises et Institutionnels launched **Arkéa Lending Services** in 2018. Based on a crowdlending model, this digital platform enables public sector players (local authorities, social housing stakeholders, hospitals, etc.) and companies to obtain financing directly from institutional investors seeking to direct their investments toward regional economic development.

The group is also a major player in private equity in France, with €1 billion dedicated to financing and developing companies.

Arkéa, which has grouped all its private equity activities under the **Arkéa Capital** brand since 2016, is able to support executives at all stages of their company's development, from start-up to ETI. Arkéa Capital has 6 offices covering the entire country. **Arkéa Capital Partenaire** a private equity firm founded in 2011, provides long-term equity financing to large unlisted companies. It embodies the strength and conviction of the Arkéa group's long-term commitment, and as such directly contributes to the maintenance of economic decision-making centers in the regions as well as job creation in promising industrial sectors in its home markets. With €400 million in

Arkéa Capital Partenaire embodies the strength and conviction of the Arkéa group's long-term commitment.

investment capacity, **Arkéa Capital Partenaire** supports the owners of promising medium-sized companies with their development projects and succession plans. The subsidiary has already carried out six major transactions on behalf of Le Graët (agribusiness), Paprec (materials recycling), Armor (ink chemistry and printing technologies), Sermeta (manufacture of heat exchangers), Vivalto Santé (private clinics) and Groupe Legris Industries (developer of mid-size industrial companies).

Meanwhile, **Arkéa Capital Investissement** invests in growth capital and buyout capital transactions involving family-owned and independent companies, with investment amounts ranging from €1 million to €10 million. Since 1982, Arkéa Capital Investissement has supported more than 400 small and medium-sized companies through investments in equity or quasi-equity.

In 2016, Arkéa launched a new investment vehicle to meet the specific needs of executives of medium-sized companies **Arkéa Capital Managers**. The aim of this fund is to help management teams, over the long term, with their plans to grow or take control of their company. It provides equity financing in the form of investments of at least €10 million to acquire minority interests. Arkéa Capital Managers completed its first transaction in 2018 with an investment in the Malherbe group, a leading French general freight transport company.

Arkéa also owns stakes in **Koregraf**, a real estate crowdfunding specialist, and **Clearwater International France**, an investment bank that specializes in advising companies on mergers and acquisitions.



RETAIL BANKING FOR COMPANIES AND INSTITUTIONS

- A commercial bank: Arkéa Banque Entreprises et Institutionnels
- An equipment and real estate leasing subsidiary: Arkéa Crédit Bail
- Three private equity subsidiaries: Arkéa Capital Partenaire, Arkéa Capital Investissement and Arkéa Capital Managers
- A lending platform: Arkéa Lending Services

Specialized subsidiaries in the business-to-business (B-to-B) market

Arkéa also develops commercial, technical and even joint venture partnerships with other financial institutions, mass market retail companies, etc..

This white-label banking services business has grown sharply within the group. For the client company, the outsourcing of business processes deemed non-strategic not only helps to significantly lower that company's costs but also serves to enhance its competitiveness by allowing it to focus on its core business while at the same time benefiting from the latest regulatory-compliant products and services. These partnerships enable the Arkéa group to optimize the use of its know-how and technological expertise and support its development both in France and the rest of Europe. For example, the group processes payments for Amazon in France and provides Allianz Banque's banking services. It is also the service provider for major industrial and commercial players such as Système U, RCI Bank and Services, Banque PSA Finance, etc.

The Arkéa Banking Services subsidiary, a full-service bank authorized by the Banque de France, offers a comprehensive range of white-label banking services. The successful partnerships with RCI Bank and Services, Banque PSA Finance, Allianz Banque, La Banque Postale, Adyen, Brink's France and Système U are good examples of this. Arkéa Banking Services also collaborates with several fintechs, including Currencycloud, Railsbank, Slimpay, Bankable and, since 2018, Morning, a subsidiary of the Edel bank.

ProCapital, Monext and Mangopay also use a partnership-based approach. ProCapital provides securities services to financial institutions and asset management firms looking for a scalable product and service line, covering account-keeping, customer order execution and even the creation of transactional web sites.

A leader in its market, Monext specializes in electronic transactions combining technology and payment services. It supports more than 7,500 merchants and processes nearly 40% of e-commerce transactions in France (Amazon, Française des Jeux, Le Mouvement Leclerc, Rue du Commerce, Voyage Privé, Veepee, PMU, Carrefour, Intermarché, etc.). In 2018, Monext also developed a wallet for the U stores (U Paiement).

Monext processes nearly 40% of e-commerce transactions in France..

Mangopay, a Leetchi subsidiary, develops turnkey payment solutions for marketplaces, collaborative consumption and crowdfunding platforms, and fintechs. More than 2,000 platforms use its white-label API (application programming interface).

In July 2017, the group created a new subsidiary, **Nextalk**, a multi-channel contact center for banking players. Based in Aix-en-

Provence and Manosque, Nextalk is an offshoot of Monext and provides a first level of customer relations and assistance with banking operations 24/7. This white-label service helps maintain human contact and build customers' loyalty to traditional, digital and mobile banks.

In addition to these specialized B-to-B companies, other subsidiaries carry out B-to-B activities by distributing their products through external networks (Suravenir, Suravenir Assurances, etc.).



SPECIALIZED SUBSIDIARIES FOR THE B-TO-B MARKET

- A white-label banking services subsidiary: Arkéa Banking Services
- A securities services provider: ProCapital
- Two electronic payments specialists: Monext and Mangopay
- Nextalk: a multi-channel contact center

Insurance and asset management business lines

The Arkéa group began to create insurance and asset management subsidiaries starting in the 1980s. In their respective business areas, Suravenir, Suravenir Assurances, Novélie, Arkéa Investment Services (the brand that brings together the expertise of Federal Finance Gestion and Schelcher Prince Gestion) and Arkéa Capital allow the Arkéa networks to offer a full range of competitive services. Their products are also marketed through non-group networks and online.

Life insurance and protection insurance

Suravenir is among the leading French providers of life insurance and protection insurance. Suravenir specializes in the design, production and management of life insurance policies (individual and group life insurance), protection insurance (borrower's insurance, temporary death benefits) and company retirement savings. Its policies are marketed by many distribution partners: bank networks, online intermediaries, independent wealth management advisors, brokers, etc. In 2018, Suravenir had more than €41 billion in life insurance assets under management due to an increase in gross inflows to more than €4.5 billion. Its revenue stood at €4.7 billion.

Non-life insurance

Suravenir Assurances covers all the non-life insurance needs of individuals: home and accidental death and disability, auto, motorcycle, healthcare, home care, etc. It manages more than 2.2 million policies for more than 700,000 customers. In early 2019, it partnered with Arkéa On Life to roll out a new "Assur&Detect" policy, which combines comprehensive homeowners insurance with a remote home surveillance system.

A wholesale insurance broker, **Novélia** provides business risk coverage and designs insurance products for mass market and major business accounts. Its products are distributed by nearly 4,000 insurance brokers and general agents throughout France. At the end of 2018, in conjunction with the Digital Insure insurtech, Novélia launched a new borrower's insurance comparison website for its network of agents and brokers. This online tool can compare up to five offers in one minute.

Asset and wealth management

Federal Finance¹ spearheads all the specialist asset management companies in which the group holds shares. It brings together the expertise of several management companies **Federal Finance Gestion, Schelcher Prince Gestion** and **Swen Capital Partners**. Federal Finance Gestion offers a wide range of mutual funds, discretionary management services and employee savings plans. Its solutions are distributed by the Arkéa networks and directly to institutional investors, major accounts, private banks, fund managers and independent wealth management advisors. Federal Finance Gestion is also seen as a pioneer in socially responsible investing (SRI).

A subsidiary of the group since 2011, Schelcher Prince Gestion offers mutual funds, unit trusts and special funds and mandates and is recognized for its expertise in convertible bonds, credit (Investment Grade and High-Yield), multi-strategy bond funds and funds of loans to the economy. Swen Capital Partners, created in partnership with the OFI group, is a specialist in unlisted responsible multi-management. In 2016, Arkéa acquired a stake in **Vivienne Investissement**, a quantitative management company that employs a scientific investment process based on a big data approach to the markets.

Arkéa is also a shareholder of **Primonial**, a leading wealth management firm for individuals in France. Primonial selects and designs open architecture wealth management solutions. Lastly, in 2017, the group acquired a stake in **Mandarine Gestion**, an independent company specializing in equity fund management and asset allocation.

Arkéa Capital rounds out the asset management activities. Working with Arkéa Capital Investissement, it manages FCPR (venture capital) funds and FPCI (private equity) funds, i.e., alternative investment funds (AIFs) at least 50%-invested in unlisted shares. Arkéa Capital also manages the West Web Valley 1 and We Positive Invest funds. With €30 million, **West Web Valley 1** seeks to support startups and companies in the digital transition phase.

We Positive Invest Invest is a €20 million investment fund that supports entrepreneurs involved in the energy transition, the circular economy and societal

We Positive Invest is a €20 million investment fund that supports entrepreneurs involved in the energy transition, the circular economy and societal entrepreneurship.

entrepreneurship. We Positive Invest has already invested in six companies: Cozynergy, one of the leaders in energy retrofits in France; Algo Paint, which has developed a range of algae-based paints; Osmia, a company focused on rearing pollinator insects; IQspot, which specializes in measuring the energy efficiency of commercial buildings; Newcy, which provides corporate cafés with a reusable cup service; and Phenix, which recycles waste and unsold items.



INSURANCE AND ASSET MANAGEMENT SUBSIDIARIES

- A life insurance and protection insurance subsidiary: Suravenir
- A non-life insurance subsidiary: Suravenir Assurances
- An insurance solutions product development and brokerage subsidiary: Novélia
- Three asset management companies affiliated with Federal Finance (Arkéa Investment Services brand): Federal Finance Gestion, Schelcher Prince Gestion and Swen Capital Partners.
- A wealth management company: Primonial
- A private equity management company: Arkéa Capital

¹ Under the Arkéa Investment Services brand

Non-banking activities

The Arkéa group offers its customers innovative solutions in areas not strictly within the banking sector through its connected services subsidiaries: **Arkéa Assistance**, which specializes in remote assistance services for individuals, and **Arkéa Sécurité** for remote home surveillance. Their services are sold under the **Arkéa On Life** brand. Some 22,000 individuals have subscribed to these services. These connected activities also allow the group to broaden its geographic reach. For example, Arkéa On Life signed a distribution agreement with German company Libify at the end of 2018..

In an entirely different field, **Arkéa Immobilier Conseil**, selects real estate new construction and renovation products and programs throughout France on behalf of the networks of the three federations. These products and programs are eligible for the main preferential tax treatment provisions. Arkéa also acquired a majority stake in **Izimmo**, an expert in the valuation and marketing of real estate investment and acquisition products.

Lastly **Armorique Habitat**, a public housing company, manages an inventory of more than 6,000 units that it owns in Brittany.



NON-BANKING ACTIVITIES

- A remote assistance subsidiary: Arkéa Assistance
- A remote surveillance subsidiary: Arkéa Sécurité
- A real estate investment intermediary subsidiary: Arkéa Immobilier Conseil.
- A real estate development and consultancy company: Groupe Izimmo
- A public housing company: Armorique Habitat.

1.4

The Arkéa group's strategy

Arkéa operates in a highly demanding market environment and must cope with rapid and far-reaching changes that are disrupting established growth models. These changes result primarily from a combination of three trends:

- an economic and regulatory environment that is negatively affecting institutions' profitability;
- the consumer's renewed power in a highly connected world;
- the emergence of agile and innovative new players (fintechs and insurtechs) that are focused on one link in the value chain and excel at customer relations.

In light of this paradigm shift **Arkéa promotes an innovative approach, with the goal of imposing its cooperative and collaborative banking model to expand the realm of possibility for its customers and create value for all its stakeholders.** The aim of this approach, with its technological and relational dimensions, is to develop a financial and non-financial services hub by selecting the best products and expertise so it can offer its customers a broad-based experience that corresponds to their life trajectory.

Un réseau ouvert, collaboratif, où chacun capte de la valeur en créant des interactions avec son écosystème

This growth strategy is driven by three traditional strengths:

- **Local and regional roots**, due mainly to the networks of the three Crédit Mutuel federations in Brittany, Southwestern France and the Massif Central region, as well as its policy of dynamic investment in regional companies.
- **A culture of innovation** which enables the group to transcend its traditional borders and broaden its reach across the entire country and beyond. The group has thus become one of the leaders in online banking in Europe with Fortuneo Banque and Keytrade Bank. **The provision of white-label banking services** also enables it to stay current with the market and maintain the highest standards of service.
- **Its intermediate size**, in a consolidating sector, gives it the necessary agility, local presence and responsiveness.

Lastly, **responsible development (i.e., corporate social responsibility) lies at the heart of the strategic business plan**, with an action plan that seeks to strengthen the group's presence in innovative sectors that foreshadow the economy of tomorrow: energy transition, circular economy, sharing economy and societal entrepreneurship.

An active participant in a world that is constructed over the long term and takes into account the major societal and environmental challenges for future generations.

ARKÉA: A KEY PARTNER IN THE DIGITAL ECOSYSTEM

To explore new growth opportunities, the Arkéa group forged ties very early on with the digital ecosystem, with which it is developing various forms of cooperation. The group has thus invested more than €103 million in the digital economy.

The launch in July 2018 of **Bressst** is a recent example. Bressst, which stands for "Smart, Sciences & Startups," is a center of excellence project dedicated to developing and supporting fintechs in France and abroad.

The group is also a shareholder of **Younited Credit**, the leading provider of financing between individuals, and **Linxo**, a bank account aggregator. In 2015, the group acquired, **Leetchi**, whose payment services for individuals and professionals complement its own, and invested in **Yomoni**, a private wealth management specialist. The group made additional investments in 2016, acquiring stakes in **Grisbee**, a wealth management platform, and **Vivienne Investissement**, a quantitative management company. In 2017, Arkéa bought **Pumpkin** which is developing a mobile application to facilitate peer-to-peer payments. It acquired stakes in **Masuccession.fr**, an online estate tax optimization and calculation platform for individuals, **Koregraf**, a real estate crowdfunding platform, and **Fluo** which has developed a simple and seamless solution for optimizing the selection and management of various insurance policies.

The group's subsidiaries apply the same strategy. Suravenir, for example, works with startups that offer alternative lower-cost investment models (**wesave.fr**, **Marie Quantier**) and also collaborates with Yomoni and Grisbee. Financo formed a commercial partnership with **Yelloan** which is developing a type of crowdfunding money pot that serves as a guarantee to help people obtain loans, and which in 2017 developed the first chatbot for consumer loans. Novélia has developed, with **Digital Insure** a borrower's insurance comparison site, while ABS manages the banking flows of more than 10 fintechs.

The group is also a shareholder of **ISAI**, the investment fund for internet entrepreneurs, backs **France Digitale**, the leading association for the digital ecosystem in France, and supports **RAISE**, the investment fund that promotes growth in SMEs and mid-market companies. Arkéa also participated in the closing of the « **Hardware Club Fund I** » fund, which aims to develop the next generation of startups working on connected objects, and supports the **ShareIT.io** accelerator, which brings together the most innovative social entrepreneurs and tech talent to build solutions to address major societal challenges.

A hotbed of innovation and a transformative force, these fintechs allow the Arkéa group to maintain its agility, expand its range of services and remain at the forefront of technology and consumer trends.

1.5 2018 highlights

JANUARY

The Board of Directors of the Arkéa group authorized management to take any action that would allow it **to become an independent banking group**, entirely separate from the rest of Crédit Mutuel and with due regard for its mutual and cooperative identity. The three federations (Bretagne, Sud-Ouest and Massif Central) were also asked to launch a consultation process among their local savings banks so the latter could express their views freely on the proposed independence plan.

Fortuneo, the group's online bank, opened the doors of its new offices in Brest-Guipavas to 300 employees. This investment demonstrates the Arkéa group's ability to pursue its growth and that of its subsidiaries while keeping jobs and decision-making centers in the region.

Suravenir launched NaviG'Options, a new mass market life insurance policy. This vehicle allows investors to benefit from delegated management and self-management within the same policy. The coexistence of these two types of management is a first for a mass market life insurance policy.

FEBRUARY

Arkéa Banque Entreprises et Institutionnels committed **€100 million in interest-free loans to fund public works companies' CSR investments**. This will help support the sector's ecological transition by encouraging responsible and sustainable investments and the emergence of new practices.

Arkéa, a partner of the Paprec group, is supporting skipper Sébastien Simon's Vendée Globe project. The race is set for November 2020. The sailor, who learned the ropes under the Bretagne-CMB voile program, will also benefit from the experience and expertise of Vincent Riou, the project's technical director, as well as from a completely new boat to be launched in 2019.

Arkéa Investment Services acquired a stake in IZNES, an international blockchain-based platform for buying and selling European mutual funds. It was launched by SETL and a group of five management companies. The use of blockchain technology facilitates customers' access to the funds, reduces transaction

costs and gives investors and management companies an optimum level of security.

Monext's performance improved sharply in 2017. This specialized payment system subsidiary processed more than 2.5 billion transactions (+25%), for an amount of €122 billion. **Monext has a nearly 40% share of the online payment market (in France)** and serves 7,500 merchant customers.

MARCH

The Arkéa group reported record 2017 results, including a 27.3% increase in net income to more than €428 million. These very strong commercial and financial performances confirmed **the intrinsic soundness and agility of a group** that has built a model of original development and which has, alongside its traditional retail banking businesses, found growth drivers in digital services and business-to-business activities

The Morning startup, a 79%-owned subsidiary of Banque Edet, **chose Arkéa Banking Services to manage its interbank transactions** Arkéa Banking Services was already providing this service for about 30 payment institutions and fintechs.

Arkéa became the first French bank to enable customers in its networks that have a MasterCard card to pay for their purchases using **compatible connected watches**. This card-free contactless means of payment is more convenient for consumers on the go.

APRIL

A very large majority of Arkéa's local savings banks voted for the group's independence. **It passed with 94.5% of the vote**. In Brittany, independence garnered 97.7% of the vote, or 216 local savings banks. In Southwestern France, 85% of boards of directors, or 68 local savings banks, voted in favor of the proposed independence plan. In the Massif Central network, the six savings banks (Rodez, Montferrand, Saint Affrique, Millau, Cébazat and Yzeure) that participated in the consultation all approved the proposal. The 92% participation rate, far exceeding the quorum, showed that this was a high-stakes vote, as it would irreversibly set in motion the Arkéa group's departure from Crédit Mutuel.

Arkéa expanded its range of white-label banking services with the launch of a new subsidiary, Nextalk. This contact center, which brings together some 200 advisors, targets financial institutions and e-commerce and insurance players that would like to delegate this activity to optimize their costs and dedicate themselves to developing their core business. Société Générale, Boursorama, Crédit du Nord, Crédit Social des Fonctionnaires and RCI Banque were among its first customers.

Arkéa Capital Partenaire, the long-term private equity subsidiary, made an **additional investment in the Armor group** (Loire-Atlantique), the global leader in the manufacture and sale of printing supplies. With this transaction, which enabled the management team to accelerate its diversification strategy, Arkéa reconfirmed its positioning as a patient investor firmly committed to providing long-term support for high-potential regional companies. This approach is fully consistent with its model of a regional bank that supports the real economy and employment.

Arkéa Capital, the private equity subsidiary, and the regional **Pays de la Loire Croissance fund invested a total of €2 million in Orinox** (Loire-Atlantique). This company is known worldwide for its engineering and digital services solutions for industry. Arkéa Capital also finalized a €2 million investment in the Lumiplan group (Loire-Atlantique), which specializes in dynamic information solutions.

MAY

On May 17, more than 6,000 people, including employees, directors, supporters, elected officials and representatives from the business world, marched in Paris **to support the Arkéa group's proposed independence plan.**

Financo acquired the auto financing activity of My Money Bank in mainland France. Financo has set a target of exceeding €1.2 billion in new lending by 2020, of which €600 million in auto financing, one of its traditional markets. The integration of the My Money Bank activity allowed the Arkéa group subsidiary to increase its customer portfolio by 11% (nearly 470,000 customers in total) and brought its number of partners to 3,900, including 1,200 car dealers (+22%). The new group thus had a total of €2.5 billion in loans outstanding across all markets.

JUNE

Arkéa Banking Services rolled out its platform for connecting to the new RT1 interbank payment system dedicated to **instant payment**. Instant payment will enable individuals and companies to transfer funds in less than 10 seconds across the entire SEPA region (34 countries) 24 hours a day, 365 days a year.

Arkéa signed a five-year agreement to become a major partner in the **Union Bordeaux Bègles rugby** club, which is one of the elite Top 14. The Arkéa brand is on the jersey of the UBB's teams. This sponsorship initiative increases Arkéa's visibility in Nouvelle-Aquitaine, a region where it already has a strong presence among individuals and regional development actors.

JULY-AUGUST

Arkéa enabled customers of its fintech **Max**, that have a MasterCard card to pay for their purchases using the **Samsung Pay** mobile payment solution. The contactless payment is made using a cell phone with no need to present a bank card. This new free service will subsequently be rolled out to other group networks..

Arkéa is launching a center of excellence project in Brest dedicated to developing and supporting fintechs (finance startups). **Known as Bressst, which stands for "Smart, Sciences & Startups,"** this project is an opportunity for Arkéa to demonstrate that great business ventures with a real international dimension can be built at the regional level. Project initiators will benefit from business and strategic expertise, via a unique ecosystem dedicated to fintechs; project delivery capability with access to the technologies of the future (artificial intelligence, blockchain, internet of things, etc.); and the availability of Arkéa's industrial know-how and its products and services.

SEPTEMBER

Bpifrance and Arkéa joined forces to **promote the international development of French SMEs and mid-market companies.** Bpifrance will share project analyses with Arkéa and offer financing solutions, such as the International Growth Loan, Export Credit, guarantees on medium- and long-term financing granted by Arkéa, networking and alliances with foreign companies. Arkéa and Bpifrance also plan to organize joint actions so they can present their product lines together, to better meet the needs of client companies abroad.

Through its societal innovation fund **We Positive Invest, invests in two startups: Newcy and iQSpot**. Founded in Rennes in 2016, Newcy has developed an innovative habit-changing concept: a reusable cup service for coffee breaks. This fund-raising will allow it to make the investments needed to achieve its growth target of covering all of France by 2020. iQSpot, a Bordeaux-based startup, specializes in the energy efficiency of commercial buildings.

Arkéa Banque Entreprises et Institutionnels committed €20 million in discounted-rate loans to **fund CSR investments by agribusiness companies in Brittany**. This mechanism falls under the agreement signed with the Association Bretonne des Entreprises Agroalimentaires (ABEA, Breton association of agribusiness companies).

Arkéa inaugurated the headquarters of its Entreprises et Institutionnels division in Rennes, confirming its commitment to the region. Arkéa's Entreprises et Institutionnels division brings together the activities dedicated to companies, real estate and institutions. It has grown significantly in eight years (net banking income up 23%).

Sébastien Musset, age 39, joined the Arkéa group as Deputy General Manager. He is a member of the Executive Committee and supervises the "Retail Customers" division, which comprises the activities of the Bretagne, Sud-Ouest and Massif Central local savings bank networks and of Fortuneo, Keytrade Bank and Max, as well as the customer and advisor Marketing and Operations support departments.

Monext and the U stores premiered the "UPaiement" application » which enables customers to pay for their purchases in a single step using an app-generated QR code. Customers are identified by scanning their loyalty card and add their means of payment to the card. During checkout, the application retrieves all the information on their purchases, as well as the loyalty benefits, and customers merely have to approve the payment on their smartphone.

Arkéa won the Corbeille d'Or awarded by the magazine Mieux Vivre Votre Argent, for the performance of its range of investment funds over one year, in the "funds of banks and banking subsidiaries of insurance companies." Arkéa won the Corbeille d'or in 2017 as well. The group also won the award for best range of unit trusts eligible for PEAs (equity savings plans) over five years.

OCTOBER

Arkéa and the **Arena de Bordeaux** performance venue announced that they had entered into a naming contract for a 10-year term. This venue is the only one in the Nouvelle Aquitaine region able to accommodate the largest music and sports events. It welcomed more than 410,000 spectators in 2018, the highest attendance for a performance venue outside of Paris.

The Arkéa group launched a new subsidiary **Arkéa Lending Services**. This fintech is a B-to-B financing platform that seeks to facilitate the provision of financing to regional development players such as state-owned enterprises, mid-market companies and SMEs. The launch of this platform is another example of Arkéa's positioning and of its financial services hub model. Arkéa Lending Services has already completed its first transaction, a €10 million loan to the town of Aulnay-sous-Bois.

Fortuneo became the first online bank in France to offer its customers **Green et Gold d'American Express** cards. Fortuneo's customers enjoy all the benefits and premium services provided by American Express: early access to exclusive events, a generous loyalty program, etc. This partnership reflects the alliance between two strong brands, recognized for their high level of service and their capacity for innovation.

NOVEMBER

Arkéa entered into exclusive negotiations with NBB Lease to sell Leasecom and its Leasecom Car subsidiary. **Leasecom** specializes in lease financing of equipment for companies and professionals. With a presence across the country, Leasecom relies on nine sales offices and a network of 3,000 manufacturer, retailer and developer partners.

Arkéa took home the top prize in the **"Quality of Life at Work"** category at the Human Capital awards. Arkéa was the only banking group to be honored at the fifth annual awards ceremony. This award recognizes the actions taken over the course of several years to promote the well-being of the group's 10,000 employees.

On January 1, 2019, the professional cycling team Fortuneo Samsic, which competes at the Professional Continental level, will change its name to **Arkéa Samsic**. Arkéa, which is seeking to strengthen its brand recognition, took over as official sponsor from its online banking subsidiary Fortuneo.

Arkéa and Delta Dore partnered, through a joint venture, to offer a comprehensive **connected services solution for the housing market**. The entity created for that purpose, AS2D, is positioned as a single point of contact that offers connected objects and services intended for housing market professionals. AS2D combines the know-how of its two shareholders to enable its clients to create customized service offerings which they market, under their own brand, to supplement their usual services.

DECEMBER

Arkéa announced a €30 million investment by **Arkéa Capital Partenaire**, its long-term private equity subsidiary, in Groupe Legris Industries. This investment, made alongside the majority shareholder, will support the ambitious growth target set by the group, which will move its headquarters to Rennes.

Supported since its founding by the Arkéa group, **Hardware Club**, a cross between an investment fund and an accelerator for startups specializing in connected objects and IT services, announced the final closing of its first fund at \$50 million. Hardware Club intends to accelerate its investments in Europe and the United States and plans to acquire stakes in about 20 new startups in the coming months.

Arkéa Capital Managers, an investment vehicle created by Arkéa to enable managers to acquire or retain control of their company, made its **first investment in the Malherbe group** one of the leading players on the French road freight transport market. Malherbe, which relies on a nationwide network of 29 offices, serves more than 3,000 customers, mainly in agribusiness and mass market retail. With €200 million, Arkéa Capital Managers rounds out the Arkéa group's private equity offering and once again illustrates its positioning as a patient investor that supports the growth of high-potential regional companies.

Through its white-label services subsidiary Arkéa Banking Services, Arkéa announced the **acquisition of German bank PrivatBank 1891** a digital bank that also assists its partners in providing financial services to their customers.

Arkéa, in partnership with Paylib, is the first bank in France to make **instant payment possible using a cell phone number** for customers of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations. This major payment innovation provides a response to customers' aspirations and to new lifestyles by combining immediacy, security and simplicity..



1.6

Solidarity relations

Solidarity relations within Crédit Mutuel Arkéa

The solidarity mechanism provided for within the Arkéa group is an inter-federal mechanism based on Article R. 511-3 of the French Monetary and Financial Code (the «CMF»).

This text provides that the European Central Bank (the «ECB») may, on a proposal from the ACPR, for mutual and cooperative groups, issue a collective authorisation to a regional or federal fund for itself and for all the funds affiliated to it «when the liquidity and solvency of local funds are guaranteed as a result of such affiliation».

Crédit Mutuel Arkéa has received a collective license for itself and all member local savings banks since the ACPR and the ECB felt that the liquidity and solvency of the local savings banks were guaranteed through this affiliation.

The solidarity mechanism is set up through the financial by-laws contained in each of the general operating by-laws of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations and Crédit Mutuel Arkéa's internal regulations. It only binds the member local savings banks, the federation and Crédit Mutuel Arkéa. Moreover, it does not create third-party obligations for the local savings banks. In other words, the members of Crédit Mutuel Arkéa are not liable to third parties. Creditors of a local savings bank can only assert their claims against that specific local savings bank, and not indiscriminately against another savings bank or Crédit Mutuel Arkéa.

As part of this solidarity mechanism, a federal fund is set up for each federation, which ensures compensatory earnings transfers among the member local savings banks pursuant to general resolution No. 1-2016 of the Confédération Nationale du Crédit Mutuel (CNCM).

This federal fund receives allocations and subsidies from the local savings bank and is made up of the federal solidarity fund and the federal reserve fund.

1 - The federal solidarity fund performs compensatory earnings transfers among member local savings banks through contributions and subsidies. All local savings banks that have recorded net losses for three consecutive years are subjected to a special audit. A turnaround plan is drawn up by the corresponding federation and Crédit Mutuel Arkéa. If the loss has not been eliminated at the end of the turnaround period set in the plan, the corresponding federation in conjunction with Crédit Mutuel Arkéa will decide on the local savings bank's future.

2 - The federal reserve fund may provide financial support to local savings banks whose net financial position is negative or which show a loss, as well as to those that have experienced an extraordinary loss.

Each year, the federation determines the level of contributions to this fund. The federal reserve fund is administered by the federation. The requests it receives for financial support are reviewed by a committee consisting of directors.

In addition to this federal fund, Crédit Mutuel Arkéa may also provide advances, subsidies and loans to local savings banks experiencing financial difficulties.

Crédit Mutuel Arkéa also supports its subsidiaries under the mechanisms regarding prudential supervision on a consolidated basis (Art. 7 and 8 of EU Regulation 575/2013, supplemented by ad hoc intra-group financial agreements on the scope of liquidity), the mechanism provided for in Article L. 511-42 of the French Monetary and Financial Code and the mechanism provided for vis-à-vis insurance subsidiaries in Directive 2002/87 on financial conglomerates.

Solidarity relations within Crédit Mutuel

Crédit Mutuel is subject to the French Monetary and Financial Code, and in particular to Articles L. 511-30 to L. 511-32 on central bodies and L. 512-55 to L. 512-59 on Crédit Mutuel. The membership of the regional groups (second level of the organization) in the CNCM and in the Caisse Centrale du Crédit Mutuel (third level) rounds out the organization of Crédit Mutuel.

As the central body, the CNCM represents member credit institutions on matters involving the Banque de France, the ACPR and the ECB. It also ensures compliance with laws and regulations that govern its institutions. Finally, it exercises administrative, technical and financial control over the organization and management of Crédit Mutuel's member savings banks.

National solidarity is set by general resolution No. 1-2016 of the CNCM.

It is clearly stated that Crédit Mutuel Arkéa has its own solidarity mechanism as defined above, which would apply initially, and that Crédit Mutuel Arkéa will lose the benefit of the interfederal solidarity mechanism if the Arkéa Group implements the disaffiliation from Crédit Mutuel as described below.

Crédit Mutuel Arkéa wishes to point out that it has been involved in legal disputes since the end of 2014 with the CNCM, Crédit Mutuel's central body, related to potential conflicts of interest. These disputes mainly concern the exercise by the CNCM of its administrative, technical and financial supervision and the use of the «Crédit Mutuel» name. The courts have handed down certain decisions, which have been appealed.

On May 3, 2016, Crédit Mutuel Arkéa initiated talks with the CNCM to recognize the existence of two autonomous and competing banking groups, namely Crédit Mutuel Arkéa and CM11-CIC. All the proposals made by Crédit Mutuel Arkéa were rejected by the CNCM.

With the situation at an impasse, the Board of Directors of Crédit Mutuel Arkéa, at its meeting on January 17, 2018, invited the three federations to initiate consultations with the local savings banks on a proposed separation from Crédit Mutuel. In the first half of 2018, the local savings banks decided on the following resolution:

"The local savings bank's Board of Directors approves, as far as it is concerned, the plan to initiate any action that will enable Crédit Mutuel Arkéa to become an independent cooperative and mutual banking group, entirely separate from the rest of Crédit Mutuel. Its departure from the Confédération Nationale du Crédit Mutuel would notably entail complete territorial freedom of development, the reaffirmation of a solidarity mechanism within the scope of the Crédit Mutuel Arkéa group and the adoption of a name and trademarks that do not include

the expression "Crédit Mutuel." The new name and trademarks would clearly reaffirm our cooperative status and territorial foundations.»

On April 18, 2018, the Boards of Directors of the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations met and certified the results of the votes cast by the 307 local savings banks: 94.5% of the local savings banks voted in favor of Crédit Mutuel Arkéa's independence.

The Board of Directors of the Crédit Mutuel Massif Central federation opposed the principle of consulting the Boards of Directors of the local savings banks within its purview. Nevertheless, on April 20, 2018, the Boards of Directors of six savings banks in the Massif Central network met in order to participate in the consultation. These savings banks approved Arkéa's proposed independence.

Investors should be aware that the Arkéa group will in due course initiate the operational implementation of its disaffiliation from Crédit Mutuel.

At the conclusion of the disaffiliation, the Arkéa group will continue to be structured around Arkéa (currently Crédit Mutuel Arkéa), which will be licensed as a cooperative bank and directly supervised by the ACPR and the ECB. The local savings banks will become local cooperative companies (Sociétés Coopératives Locales) and retain their status as cooperative companies with variable capital. They will form a union of cooperatives (Arkéa), pursuant to Act 47-1775 of September 10, 1947 which created cooperative status.

An affiliation agreement between all the local cooperative companies and Arkéa will be entered into for a term of 99 years with the aim of implementing solidarity, mutual assistance and support mechanisms to further the achievement of the local cooperative companies' primary mission, i.e., to promote access to banking and financial services.

The local savings banks that voted against the disaffiliation from Crédit Mutuel, or that chose not to take part in the vote, may decide not to join this new organization. They will remain a part of Crédit Mutuel, in an organizational structure yet to be defined by Crédit Mutuel. The results of the vote on the Arkéa group's proposed independence are not necessarily an indication of the outcome of the local savings banks' future vote on the operational implementation of this unilateral disaffiliation from Crédit Mutuel.

The local savings bank consultation will take place in 2019, at the conclusion of the discussions underway with the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution based on the finalized consultation documents.

The Arkéa group's request to the CNCM for disaffiliation will be made only after this second vote by the local savings banks on the

process for and consequences of the separation, which are being finalized with the regulators.

For more details, investors should refer to section 4.7 under Risk factors.

At this stage, there is no certainty as to how this conflict with the CNCM may develop and/or when it may be resolved or the impact it may have in the event that Crédit Mutuel Arkéa remains a part of the Crédit Mutuel organization or becomes a fully autonomous banking group.


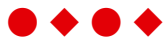






2

Corporate governance

- 2.1 Conditions for the preparation of the corporate governance report
- 2.2 The Board of directors of Crédit Mutuel Arkéa
- 2.3 Executive corporate officers
- 2.4 General management bodies and work
- 2.5 Agreements for the benefit of corporate officers
- 2.6 Conflicts of interests at the level of administrative and management bodies
- 2.7 Internal control
- 2.8 Compensation of officers
- 2.9 Statutory auditor's report on the corporate governance

Board of Directors

 **19** directors **1** non-voting member
 **16** representatives of the members customers
 **2** independent directors
 **2** employee directors
 Women  Men

15 BOARD OF DIRECTORS MEETINGS	88% ATTENDANCE RATE
59 AVERAGE AGE YEARS	42% WOMEN

APPOINTMENTS COMMITTEE 4 MEMBERS 7 MEETINGS 92% ATTENDANCE RATE	FINANCIAL STATEMENTS COMMITTEE 6 MEMBERS 5 MEETINGS 86% ATTENDANCE RATE	COMPENSATION COMMITTEE 4 MEMBERS 5 MEETINGS 82% ATTENDANCE RATE
STRATEGY AND SOCIETAL RESPONSIBILITY COMMITTEE 4 MEMBERS 8 MEETINGS 85% ATTENDANCE RATE	RISK AND INTERNAL CONTROL COMMITTEE 5 MEMBERS 12 MEETINGS 88% ATTENDANCE RATE	

AUTHORIZE, GUIDE AND SUPERVISE   INFORM AND CONSULT

EXECUTIVE COMMITTEE

9 MEMBERS

1 MEETING EACH WEEK

22% WOMEN

Chief Executive Officer Associate Executive Officer Deputy General Managers Division Heads.

ASSIST   INFORM

GENERAL COORDINATION COMMITTEE

20 MEMBERS

1 MEETING PER QUARTER

20% WOMEN

Members of the Executive Committee Head of main strategic entities

Periodic Control Committee	Compliance and Permanent Control Committee	ALM and Capital Management Committee	Credit Committee
Loan Committee	Risk Monitoring Committee	Counterparties Committee	Purchasing Committee
Real Estate Committee	Innovation Committee	Anti-Money-Laundering and Terrorism Financing Committee	

Crédit Mutuel Arkéa refers to the AFEP-MEDEF¹ code revised in June 2018 and the December 2013 governance guide for cooperatives and mutuals drawn up under the aegis of the IFA². Crédit Mutuel Arkéa applies the recommendations of the AFEP-MEDEF code. Since its creation, the cooperative public limited company of Crédit Mutuel Arkéa (the legal entity at the head of our group) has chosen an organisation separate from its governance, structured around a Board of Directors chaired by Jean-Pierre DENIS, and an

Executive Committee headed by its Chief Executive Officer, Ronan LE MOAL.

Crédit Mutuel Arkéa is a cooperative public limited company with variable capital. There is no valid delegation granted by the general meeting of shareholders in respect of capital increases pursuant to Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code.

2.1

Conditions for preparing the corporate governance report

The corporate governance report has been prepared in accordance with the provisions of Article L.225-37 of the French Commercial Code. The Board of Directors must provide a report on the composition of the Board and the application of the principle of balanced representation of men and women, the conditions for preparing and organizing the work of the Board as well as the internal control and risk management procedures implemented by the company. In particular, the report must set out the procedures used to prepare and process the accounting and financial information for the parent company financial statements and, where applicable, the consolidated financial statements. The provisions of article L.225-56 of the French Commercial Code notwithstanding, this report also describes any limitations placed by the Board of Directors on the powers of the Chief Executive Officer.

The preparation of the report is coordinated by the Arkéa group's Corporate Secretariat and Institutional Communications department, which, in addition to its function of providing continuous support for the work and tasks of the Board, also performs the corporate secretarial functions for the Appointments Committee and the Strategy and Societal Responsibility Committee of the Board of Directors. To prepare this report, the Corporate Secretariat and

Institutional Communications department also receives contributions from:

- the group Internal Audit and Periodic Control department responsible for the corporate secretarial functions of the Board of Directors' Risk and Internal Control Committee;
- the Financial Department responsible for the corporate secretarial functions of the Financial Statements Committee;
- the Human Resources Department responsible for the corporate secretarial functions of the Compensation Committee.

The Statutory Auditors check that the corporate governance report included in Crédit Mutuel Arkéa's 2018 Registration Document contains the information required pursuant to Articles L. 225-37-3 and L.225-37-4 of the French Commercial Code. The report is then reviewed by the Board of Directors. It will be presented for approval to the May 16, 2019 Shareholders' General Meeting (local savings banks of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel du Massif Central federations).

¹ http://www.afep.com/wp-content/uploads/2018/06/Code-Afep_Medef-r%C3%A9vision-du-20-juin_VF.pdf

² <https://www.ifa-asso.com/informer/centre-de-ressources/travaux-de-l-ifa/guide-de-gouvernance-des-cooperatives-et-mutuelles.htm>

2.2

Board of Directors of Crédit Mutuel Arkéa

A/ Composition of the Board of Directors

The Board of Directors comprises 19 directors and one non-voting member:

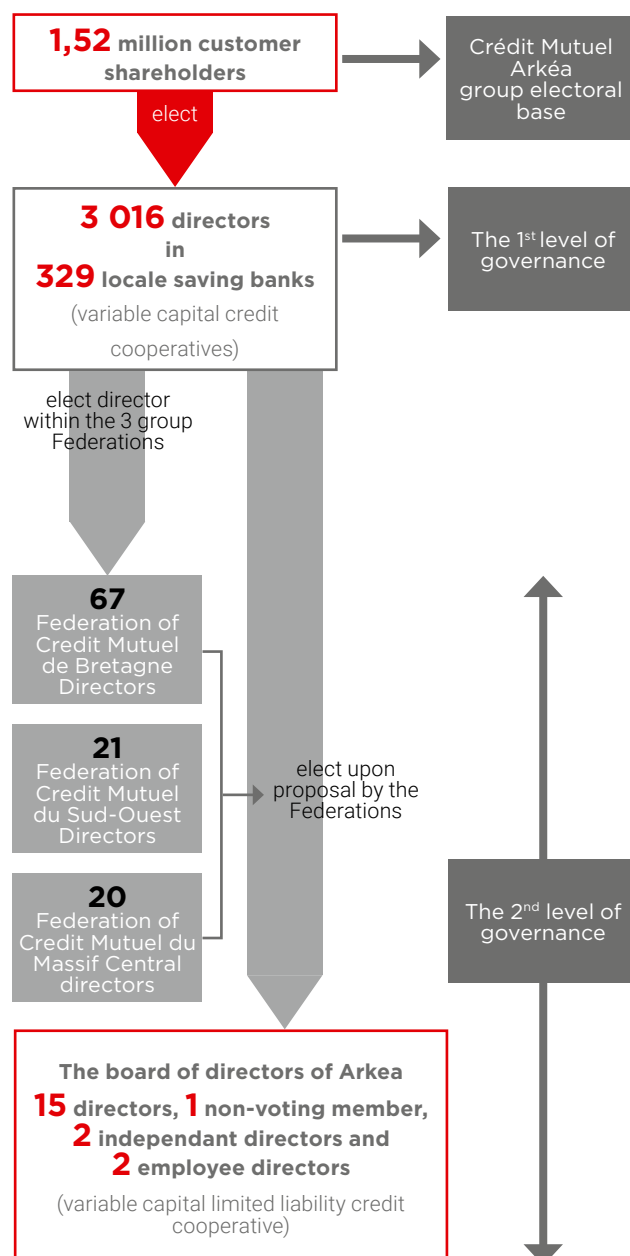
- 15 directors (5 women and 10 men) representing customer shareholders, elected by the member savings banks and shareholders as part of the Shareholders' General Meeting;
- 2 independent directors (2 women);
- 2 employee directors (1 woman and 1 man), appointed by the Central Works Council;
- 1 non-voting member.

The directors of Crédit Mutuel Arkéa are elected at the Shareholders' General Meeting by and from among around 3,000 directors of the member local savings banks of the federations that make up the Arkéa group. These directors are themselves elected by the shareholder customers of their local savings bank at the shareholders' general meetings of the local savings banks according to the cooperative principle of one person, one vote. There is no procedure to grant multiple voting rights.

This electoral system, with an electoral body consisting of all of our customer shareholders, ensures that customers are truly represented on all of Arkéa group's governance bodies and that the boards of directors are administered independently from the company's management.

The Board directors who represent the member shareholders are of French nationality and are proposed by the federations that make up the Arkéa group:

- 12 members representing the local savings banks affiliated with Fédération du Crédit Mutuel de Bretagne;
- 3 members representing the local savings banks affiliated with Fédération du Crédit Mutuel du Sud-Ouest;



A number of directors of Crédit Mutuel Arkéa are also members of the governance bodies of one or more group subsidiaries.

As provided for in the Arkéa 2020 strategic plan and in accordance with the regulators' recommendations on governance, at December 31, 2018, the Board of Directors included two independent directors as defined in the AFEP-MEDEF code. These directors were elected by the Shareholders' General Meeting. Their candidacies were initially subject to pre-screening by the Appointments Committee and were then approved by the Board of Directors based on various criteria set out in Crédit Mutuel Arkéa's independent director charter. They are not part of the group's cooperative movement, and they sit on the Board because of their skills and the complementary analyses they can contribute to the deliberative body.

Employee directors are appointed by the Central Works Council for a three-year term.

The General Meeting is convened by post, together with an electronic communication sent by name to each of the shareholders. In addition, the notice of meeting is also made available to shareholders on their intranet space in order to guarantee a high participation rate.

The attendance rate at Crédit Mutuel Arkéa's 2018 Shareholders' General Meeting was 91% (89% in 2017).

The Shareholders' General Meeting elected the group's directors, approved its financial statements, reviewed the compensation of corporate officers and risk takers, amended the by-laws to integrate the cooperative revision process and adopted a resolution authorizing the Chairman, Arkéa's effective managers and the Board of Director to decide on disaffiliation from the Confédération Nationale du Crédit Mutuel in the event of aggression.

The business address of the corporate officers and directors of Crédit Mutuel Arkéa is 1 Rue Louis Lichou, 29480 Le Relecq-Kerhuon, France.

The following changes were approved at the 2018 Shareholders' General Meeting:

- The departure of Auguste JACQ and Hugues LEROY;
- The appointments of Yves MAINGUET and Luc MOAL.

Also, Marc-Alexis ROQUEJOFFRE resigned on May 18, 2018.

Women make up 42% of the Board of Directors.

Since 2008, the Board of Directors has been chaired by Jean-Pierre DENIS. He was reelected Chairman of the Board of Directors of Crédit Mutuel Arkéa on May 3, 2012, on May 7, 2015 and again on May 16, 2018.

Pursuant to Article L 511-58 of the French Monetary and Financial Code and the position of the French Prudential Supervisory and

Resolution Authority, the functions of Chairman of the Board of Directors and Chief Executive Officer of Crédit Mutuel Arkéa are segregated.

The Chairman alone is authorized to act in the name of the Board of Directors and speak on its behalf. Working closely with the Chief Executive Officer, he may represent the Arkéa group in its high-level relations, notably with leading customers, partners and government authorities at regional, national and international levels. The Chairman steers the group's strategy towards autonomous, effective development that keeps in touch with its regional roots and respects cooperative and mutualist values. He sponsors the Company's Societal Responsibility as part of the Arkéa 2020 strategic plan. This initiative consists of four main areas (energy transition, circular economy, sharing economy and societal entrepreneurship).

A Vice Chairman, Christian TOUZALIN, Chairman of the Fédération du Crédit Mutuel du Sud-Ouest, serves on the Board of Directors. He may, if so authorized by the Chairman, represent Crédit Mutuel Arkéa.

The Board does not have a Senior Independent Director.

A representative of the Central Works Council also participates, with a deliberative voice, in the meetings of the Board of Directors.

The age limit for directors is set by the by-laws at 65 for a first-time election and 70 for a renewal. Board terms are for three years, renewable.

The Board of Directors is governed by internal rules of operation. These internal rules of operation confirm the basic responsibilities of Crédit Mutuel Arkéa directors, set out the Board's operating procedures and describe the rights and obligations of each director. These internal rules of operation were supplemented in 2017 by an independent directors' charter.

Independent directors serve on the Board of Directors of Crédit Mutuel Arkéa in accordance with the provisions of the AFEP/MEDEF corporate governance code, to which the Arkéa group adheres, in particular with regard to its governance structure.

Crédit Mutuel Arkéa's Board of Directors therefore fulfills its mission in accordance with the provisions of the bylaws, the financial internal regulations, its rules of operation and the charters specific to each of its specialized committees.

Board of Directors at December 31, 2018

	ORIGIN	AGE	FIRST AP-POINTED	TERM EXPIRES	ATTENDANCE RATE	FINANCIAL STATEMENTS COMMITTEE	COMPENSATION COMMITTEE	APPOINTMENTS COMMITTEE	RISK AND INTERNAL CONTROL COMMITTEE	Strategy and Societal Responsibility Committee
Jean-Pierre DENIS Chairman	C	58	2008	2021	100 %					
CHRISTIAN TOUZALIN Vice-chairman	C	68	1996	2021	100 %					
Thierry BOUGEARD Director	C	61	2017	2020	100 %	Ch	M			
FRANÇOIS CHATEL Director	C	67	2015	2021	87 %				Ch	M
Marta CRENN Director	C	42	2017	2020	93 %				M	
Isabelle DARDE Employee director	E	49	2017	2020	87 %		M			
Christian DAVID Director	C	69	2009	2019	100 %			M	M	
Guillaume GLORIA Employee director	E	50	2017	2020	80 %	M				
Michel GOURTAY Director	C	67	2008	2019	93 %				M	
Anne-Sophie GRAVE Independent director	I	58	2017	2020	53 %					M
Marie-Thérèse GROUSSARD Director	C	61	2008	2020	87 %					Ch
Monique HUET Independent director	I	59	2017	2020	100 %				M	
Anne-Gaëlle LE BAIL Director	C	45	2016	2019	80 %	M				
Patrick LE PROVOST Director	C	62	2017	2020	100 %		Ch	M		M
Yves MAINGUET Director	C	61	2018	2021	89 %	M				
Luc MOAL Director	C	61	2018	2021	100 %		M	M		
Christian PERON Director	C	68	2008	2019	100 %					
Colette SENE Director	C	59	2015	2021	100 %	M				
Sophie VIOLLEAU Director	C	46	2016	2019	87 %			Ch		
Lionel DUNET Non-voting member	C	65	2017	2020	87 %	M				
Principal indicators		59			91 %	6	4	4	5	4

C From cooperative movement
I Independent director
E Employee director
M Committee member
Ch Committee chairman

Individual net amounts, in euros, of attendance fees paid to members of the Board of Directors for 2018 were as follows:

	2018 ATTENDANCE FEES		2018 ATTENDANCE FEES	Total individual attendance fees paid in 2018	Total individual attendance fees paid in 2017
	In respect of the Board of Directors	In respect of the Committees	Other functions of officers and directors within the group		
Jean-Pierre DENIS * Chairman					
Christian TOUZALIN Vice-chairman	16,009	-	77,489	93,498	97,625
Thierry BOUGEARD Director	12,264	4,004	16,446	32,714	18,275
FRANÇOIS CHATEL Director	13,016	7,006	6,053	26,075	21,825
Marta CRENN Director	10,510	3,003	1,710	15,223	15,450
Christian DAVID Director	13,024	5,328	16,560	34,912	31,925
Michel GOURTAY Director	11,011	2,502	1,410	14,923	14,575
Anne-Sophie GRAVE Employee director	15,015	501	-	15,516	17,000
Marie-Thérèse GROUSSARD Director	13,016	3,503	7,787	24,306	21,625
Monique HUET Employee director	30,030	3,503	-	33,533	18,500
Anne-Gaëlle LE BAIL Director	9,509	1,501	23,906	34,916	29,500
Patrick LE PROVOST Director	14,266	5,005	24,485	43,756	22,125
Yves MAINGUET Director	5,505	1,001	1,468	7,974	NC
Luc MOAL Director	7,104	1,184	11,938	20,226	NC
Christian PERON Director	11,011	-	17,104	28,115	29,615
Colette SENE Director	13,024	2,368	4,517	19,909	17,425
Sophie VIOLLEAU Director	12,516	1,001	13,575	27,092	19,900
Lionel DUNET Non-voting member	10,510	500	579	11,589	13,000
TOTAL	217,340	41 910	224,775	484,025	388,365

NA: not applicable

* Mr. Jean-Pierre DENIS, in his capacity as an officer and director, receives compensation whose components are presented in section 2.8 of the Registration Document.

The rules for allocating the fees paid in respect of the functions performed on the Board of Directors of Crédit Mutuel Arkéa were approved through a deliberation on May 22, 2015 following an opinion from the Compensation Committee and are as follows:

- A fixed fee for each elected director;
- An additional fixed fee for a Vice Chairman;
- A variable attendance fee per meeting for each elected director who attends a Board of Directors meeting;
- A fixed fee for each Committee Chairman;
- A variable fee per meeting for each elected director who attends a specialized committee meeting.

Acting on the recommendation of the Compensation Committee, the Board of Directors also decided, on June 2, 2017, to adopt rules for allocating the fees paid to the independent directors:

- A variable attendance fee per meeting for each independent director who attends a Board of Directors meeting;
- No payment of fixed fees.

In respect of their functions performed within the Arkéa group's subsidiaries, Crédit Mutuel Arkéa directors also receive:

- A fixed fee for each subsidiary Chairman;
- A variable attendance fee per meeting for each director in attendance.

In addition to the above allocation rules, some Crédit Mutuel Arkéa directors may receive fixed function-related fees paid in respect of the positions held on federal bodies.

At December 31, 2018, the Board of Directors comprised the following members.

Jean-Pierre DENIS,

Chairman of Crédit Mutuel Arkéa,

58 years

Initial appointment: 9/12/2008 - term expires: 2021

Summary biography

Currently an Inspector of Finance, Jean-Pierre Denis is a graduate of HEC, the Institut d'Etudes Politiques de Paris and the Ecole Nationale d'Administration. He also holds a master's degree in law and a master's degree in economics (University of Paris II). After exercising prominent responsibilities in the highest echelons of France's civil service (Deputy General Secretary to the President of the French Republic) and corporate world (Chairman and Chief Executive Officer of Dalkia and later Oséo), he joined Crédit Mutuel Arkéa in October 2007 as Executive Vice Chairman. Since 2008, he has served as the Chairman of Crédit Mutuel Arkéa and of Fédération du Crédit Mutuel de Bretagne.

Other positions held within the Arkéa group

- Chairman of Fédération du Crédit Mutuel de Bretagne
- Director of Caisse de Crédit Mutuel de Cap Sizun

Of which, position at subsidiaries

- Chairman of SAS Château Calon Ségur

Other positions held outside the Arkéa group

- Director, then non-voting member of Altrad Investment Authority since July 25, 2018
- Director of Paprec holding

- Director of JLPP Invest SAS

- Director of Avril Gestion

Of which, position at listed company

- Director of Kering
- Director of Nexity
- Member, then non-voting member of the Supervisory Board of Tikehau Capital since May 25, 2018

Christian TOUZALIN,

Vice Chairman of Crédit Mutuel Arkéa,

68 years

Initial appointment: 7/5/1996 - term expires: 2021

Summary biography

Christian TOUZALIN, who holds a master's degree in economics, was a director of Société de Transport du Grand-Angoulême from 1990 to 2014. He was elected as a director of Caisse de Crédit Mutuel d'Angoulême Ma Campagne in 1987.

Other positions held within the Arkéa group

- Chairman of Fédération du Crédit Mutuel du Sud-Ouest
- Chairman of Caisse Régionale du Crédit Mutuel du Sud-Ouest
- Director of Caisse de Crédit Mutuel d'Angoulême Ma Campagne

Of which, positions at subsidiaries

- Chairman of the Board of Directors of Suravenir Assurances
- Chairman of the Supervisory Board of Monext
- Director of Arkéa Capital Holding

- Director of SAS Château Calon Ségur

Other positions held outside the Arkéa group

- Chairman of APIVIA IARD

Thierry BOUGEARD,

Director of Crédit Mutuel Arkéa,

61 years

Initial appointment: 5/4/2017 - term expires: 2020

Summary biography

Thierry BOUGEARD holds a professional certificate in accounting and from 1983 held various positions at Organic Bretagne and, from 2007, at RSI Bretagne in the capacity of regional service relationship manager. He was elected as director of Caisse de Crédit Mutuel de Rennes St-Sauveur in 1990, as Vice Chairman in 2000 and as Chairman in 2004.

Other positions held within the Arkéa group

- Vice Chairman of Fédération du Crédit Mutuel de Bretagne
- Vice Chairman of Caisse de Crédit Mutuel de Rennes St Sauveur

Of which, positions at subsidiaries

- Director of Arkéa Lending Services since February 26, 2018
- Director and then Chairman of Arkéa SCD since April 23, 2018
- Director of Federal Service

François CHATEL,

Director of Crédit Mutuel Arkéa,

67 years

Initial appointment: 5/6/2015 - term expires: 2021

Summary biography

François CHATEL is a graduate of ICN Business School and is a chartered accountant and auditor. A partner at KPMG, he served as Director of the Paris headquarters from 1993 to 2005 and as Deputy Regional Director in Rennes from 2005 to 2014.

He was elected as director of Caisse de Crédit Mutuel de Rennes Maurepas in 2010 and as Vice Chairman in 2013.

Other positions held within the Arkéa group

- Vice Chairman of Caisse de Crédit Mutuel de Rennes Maurepas

Of which, positions at subsidiaries

- Chairman of the Supervisory Board of Arkéa Banque Entreprises et Institutionnels since April 24, 2017.
- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Board of Procapital Securities Services
- Director of Arkéa Capital Holding

Other positions held outside the Arkéa group

- Chairman of the ESC Rennes group (Association)
- Director of the Nominoé endowment fund (Sponsorship, Rennes University Hospital)
- Associate Member, CCI d'Ille-et-Vilaine
- Honorary Chairman of Oscars d'Ille-et-Vilaine (Association)

Marta CRENN,

Director of Crédit Mutuel Arkéa since May 4, 2017 (non-voting member of Crédit Mutuel Arkéa until May 4, 2017).

42 years

Initial appointment: 5/4/2017 - term expires: 2020

Summary biography

Marta CRENN obtained a doctorate in management science after obtaining a post-graduate diploma in tourism management and a master's degree in management control and information systems. She is a research and development engineer in the field of collaborative economics at IMT Atlantique. She previously worked as a professor and researcher at ENSTA Bretagne and as a management controller in the hospitality and construction industries. She was elected as director of Caisse de Crédit Mutuel de Plougastel-Daoulas in 2010 and as Vice Chairman in 2012. She has been its Chairman since 2015.

Other positions held within the Arkéa group

- Chairman of Caisse de Crédit Mutuel de Plougastel-Daoulas

Of which, position at subsidiaries

- Member of Supervisory Board of Arkéa Banque Entreprises et Institutionnels
- Member of the Supervisory Board of Arkéa Lending Services since February 26, 2018.

Isabelle DARDE,

Employee director of Crédit Mutuel Arkéa since June 15, 2017

49 years

Appointment by Central Works Council: 6/15/2017 - term expires: 2020

Summary biography

Isabelle DARDE holds a degree in marketing and has held several positions in the banking industry since 1990. She joined the Crédit Mutuel Arkéa group in 1996 as a customer relationship manager. She currently works as a buyer.

- Employee of Crédit Mutuel Arkéa's Purchasing department

Other position

None

Christian DAVID,

Director of Crédit Mutuel Arkéa,

69 years**Initial appointment: 10/16/2009 - term expires: 2019****Summary biography**

Christian DAVID has a higher diploma as a construction technician and has held several positions in that field. In 1991 he joined an IT services group as an industrial engineer for construction industry software.

He was elected as director of the Caisse de Crédit Mutuel de Guidel in 1984, where he subsequently held the positions of Vice Chairman and then Chairman.

Other positions held within the Arkéa group

- Vice Chairman of Fédération du Crédit Mutuel de Bretagne
- -Director of Caisse de Crédit Mutuel de Guidel

Of which, positions at subsidiaries

- Director of Suravenir Assurances
- Director and then permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Arkéa Capital Investissement since April 18, 2018

Lionel DUNET,

Non-voting member of Crédit Mutuel Arkéa, 65 years

65 years**Initial appointment: 5/4/2017 - term expires: 2020****Summary biography**

Lionel DUNET is a qualified architect (École Spéciale d'Architecture) with a degree in city planning (from Université Paris VIII) and has run his own architecture firm since 2000.

He was elected a director of Caisse de Crédit Mutuel de St Brieuc Centre-Ville in 1987, where he subsequently held the positions of Vice Chairman and then Chairman.

Other positions held within the Arkéa group

- Director of Caisse de Crédit Mutuel de Saint-Brieuc Centre Ville

Of which, position at subsidiaries

- Vice Chairman of Arkéa Banking Services

Other positions held outside the Arkéa group

- Managing Partner of SARL Architecture Dunet et Associés
- National chairman of the Syndicat de l'Architecture (architects' union)
- Vice-Chairman of CIAF (Conseil pour l'International des Architectes Français)
- Member of Architects' Council of Europe (ACE) Brussels
- Chairman of Qualibat Bretagne

Guillaume GLORIA,

Employee director of Crédit Mutuel Arkéa since June 15, 2017

50 years**Appointment by Central Works Council: 6/15/2017 - term expires: 2020****Summary biography**

A graduate of Institut d'Etudes Politiques, Guillaume GLORIA has held several positions in the banking industry since 1993. He has been the head of business customers at Crédit Mutuel de Bretagne since 2000.

- Employee of the St Malo Centre regional unit

Other positions

- Advisor to the Saint-Malo industrial tribunal (Conseil de prud'homme)

Michel GOURTAY,

Director of Crédit Mutuel Arkéa,

67 years**Initial appointment: 9/12/2008 - term expires: 2019****Summary biography**

Michel GOURTAY holds a post-graduate diploma from the Rennes management school and began his career in 1974 with the BSN Gervais Danone group as site manager before going on to become corporate secretary at Hartereau. From 1983 to 2015, he was Managing Director of the Brest chamber of commerce. He was elected as a director of Caisse de Crédit Mutuel du Relecq-Kerhuon in 2006.

Other positions held within the Arkéa group

- Director of Caisse de Crédit Mutuel de Le Relecq-Kerhuon

Of which, position at subsidiaries

- Member of Supervisory Board of Arkéa Banque Entreprises et Institutionnels

Other positions held outside the Arkéa group

- Vice Chairman of Brest Métropole
- Chairman of the Brest Iroise technopole
- Chief Executive Officer of Sempil
- Deputy Chairman of Amitiés d'Armor (Association)

Anne-Sophie GRAVE,

Independent director of Crédit Mutuel Arkéa,

58 years

Initial appointment: 5/4/2017 - term expires: 2020

Summary biography

A graduate of Ecole des Mines de Paris, Anne-Sophie GRAVE has held various positions in the banking, social protection and housing sectors since 1982. In 2007, she was appointed Chairman of the Management Board of EFIDIS (Caisse des Dépôts), a position she held for four years. In 2011, she was appointed Pensions and Solidarity Director at Caisse des Dépôts and member of the Management Committee. Since August 2017, she has been Chief Executive Officer of Immobilière 3F.

Other positions held outside the Arkéa group

- Chief Executive Officer of Immobilière 3F
- Permanent representative of Immobilière 3F on the Board of Directors of Bâtiplaine.

Marie-Thérèse GROUSSARD,

Director of Crédit Mutuel Arkéa,

61 years

Initial appointment: 9/12/2008 - term expires: 2020

Summary biography

Marie-Thérèse GROUSSARD, who holds a diploma in business management, worked at Carl Zeiss Vision France Group from 1977 to 2011 in various positions and particularly as Administrative and Financial Director. From 2011 to 2017, she was head of accounting for foreign subsidiaries at Royer Group.

She was elected as director of Caisse de Crédit Mutuel de Fougères Cotterets in 1983, and then Vice Chairman and Chairman in 1994.

Other positions held within the Arkéa group

- Vice Chairman of Caisse de Crédit Mutuel de Fougères

Of which, positions at subsidiaries

- Chairman of Supervisory Board of Suravenir
- Director of Arkéa Capital Holding
- Director of Schelcher Prince Gestion since November 28, 2017

Monique HUET,

Independent director of Crédit Mutuel Arkéa,

59 years

Initial appointment: 5/4/2017 - term expires: 2020

Summary biography

A graduate of HEC, Monique HUET began her career in 1981 in the energy sector, at EDF and then Gaz de France. She was finance director at GDF Production Nederland BV in the Netherlands and then at the Exploration and Production Business Unit of the GDF SUEZ group. She is currently the finance director of Engie Nuclear Development.

Other positions held outside the Arkéa group

- Member of the Management Committee of Engie Nuclear Development SAS

Anne-Gaëlle LE BAIL,

Director of Crédit Mutuel Arkéa,

45 years

Initial appointment: 4/21/2016 - term expires: 2019

Summary biography

Anne-Gaëlle LE BAIL is a graduate of ESC in Montpellier and holds a post-graduate diploma in macroeconomics from the University of Mannheim. She has held various positions since 1996, primarily in finance and accounting. She has been the head of accounting, taxation and payroll at the Steris SAS group since October 2011.

She was elected as Chairman of Caisse de Crédit Mutuel d'Eysines in 2015.

Other positions held within the Arkéa group

- Vice Chairman of Fédération du Crédit Mutuel du Sud-Ouest since May 4, 2017
- Chairman of Caisse de Crédit Mutuel d'Eysines

Of which, position at subsidiaries

- Member of the Supervisory Board of Monext since April 24, 2018

Patrick LE PROVOST,

Director of Crédit Mutuel Arkéa,

62 years**Initial appointment: 5/4/2017 - term expires: 2020****Summary biography**

Patrick LE PROVOST is an agricultural engineer and holds a diploma in management from the Institut Français de Gestion. He held various positions at the Côtes d'Armor Groupement de Défense Sanitaire (animal health protection group) starting in 1980, before becoming general manager of the Brittany Groupement de Défense Sanitaire in 1994.

He was elected as director of Caisse de Crédit Mutuel du Gouet et du Lie in 2003 and as Vice Chairman in 2014.

Other positions held within the Arkéa group

- Vice Chairman of Fédération du Crédit Mutuel de Bretagne
- Vice Chairman of Caisse de Crédit Mutuel de Pays du Gouet et du Lie

Of which, positions at subsidiaries

- Chairman of the Supervisory Board of Financo
- Chairman of the Supervisory Board of CFCAL
- Member of the Supervisory Board of Nextalk since May 16, 2018
- Chairman of the Board of Directors of Arkéa Capital Holding since April 19, 2018
- Director of Arkéa SCD since April 24, 2017

Yves MAINGUET,

Director of Crédit Mutuel Arkéa since May 16, 2018,

61 years**Initial appointment: 5/16/2018 - term expires: 2021****Summary biography**

Yves MAINGUET has a master's degree in accounting and finance and is a partner in a firm of chartered accountants.

Other positions held within the Arkéa group

- He was elected as a director of Caisse de Crédit Mutuel de Rennes St-Sauveur in 2005 and has been Chairman since 2017.
- Chairman of Caisse de Crédit Mutuel de Rennes St Sauveur

Of which, positions at subsidiaries

- Member of the Supervisory Board of Federal Finance Gestion

Other positions held outside the Arkéa group

- Manager of Bolloré-Mainguet 35
- Manager of Bolloré-Mainguet 44 up to July 24, 2018
- Manager of Fiduciaire d'Herbauges up to September 30, 2018
- Chairman of accounting and tax advisory firm ARCOLIB.

Luc MOAL,

Director of Crédit Mutuel Arkéa since May 16, 2018,

61 years**Initial appointment: 5/16/2018 - term expires: 2021****Summary biography**

Luc Moal holds a master's degree in territorial public management and began his career with France Télécom before going on to become Citizenship Manager for the town of Brest.

He was elected as a director of Caisse de Crédit Mutuel de Brest Recouvrance in 1996 and is currently Vice Chairman of Caisse de Crédit Mutuel de Brest Rive Droite.

Other positions held within the Arkéa group

- Vice Chairman of Fédération du Crédit Mutuel de Bretagne
- Vice Chairman of Caisse de Crédit Mutuel de Brest Rive Droite since March 20, 2018

Of which, position at subsidiaries

- Member of Supervisory Board of Arkéa Banque Entreprises et Institutionnels
- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Board of Arkéa Banking Services

Christian PERON,

Director of Crédit Mutuel Arkéa,

68 years

Initial appointment: 9/12/2008 - term expires: 2019

Summary biography

Christian PERON is a qualified agricultural technician and farmer/livestock breeder in the Finistère region. He was elected a director of Caisse de Crédit Mutuel de Bannalec in 1984 and became Chairman in 1993.

He has been Chairman of Caisse de Bretagne de Crédit Mutuel Agricole since 2006.

Other positions held within the Arkéa group

- Director of Fédération du Crédit Mutuel de Bretagne
- Chairman of Caisse de Crédit Mutuel de Bannalec
- Chairman of Caisse de Bretagne de Crédit Mutuel Agricole (CBC-MA)

Of which, position at subsidiaries

- Permanent representative of Caisse de Bretagne de Crédit Mutuel Agricole on the Supervisory Board of Suravenir

Other positions held outside the Arkéa group

- Vice Chairman of Board of Directors of Paysan Breton (SAS)

Colette SENE,

Director of Crédit Mutuel Arkéa,

59 years

Initial appointment: 5/6/2015 - term expires: 2021

Summary biography

After studying law for two years, Colette SENE went on to work in the public service managing child protection and social action programs. For the past eight years she has been social and professional integration officer at a regional social action center within the Morbihan departmental council.

In 1988 she was elected director of Caisse de Crédit Mutuel de Malestroit-Serent, then Vice-Chairman and subsequently Chairman.

Other positions held within the Arkéa group

- Director of Fédération du Crédit Mutuel de Bretagne
- Vice-Chairman of Caisse de Crédit Mutuel de Malestroit-Sérent

Of which, position at subsidiaries

- Director of Suravenir Assurances

Sophie VIOLLEAU,

Director of Crédit Mutuel Arkéa,

46 years

Initial appointment: 4/21/2016 - term expires: 2019

Summary biography

A graduate of the Institut Supérieur des Hautes Etudes Economiques et Commerciales, Sophie VIOLLEAU has held various positions in marketing since 1994. She has been founder and co-manager of personal care services firm Parentéo Services since 2008 and, since 2010, head of customer service at Société des Transports du Grand-Angoulême.

She was elected as Vice-Chairman of Caisse de Crédit Mutuel de la Couronne in 2015.

Other positions held within the Arkéa group

- Director of Fédération du Crédit Mutuel du Sud-Ouest
- Vice-Chairman of Caisse de Crédit Mutuel de Couronne

Of which, positions at subsidiaries

- Director of Suravenir Assurances since May 3, 2017
- Chairman of the Board of Directors of Nouvelle Vague since August 25, 2017

Other positions held outside the Arkéa group

- Managing Partner of SARL Parenteo Services

B/Preparation and organization of the work

The Board of Directors met 15 times in 2018 (12 times in 2017). The directors had a meeting attendance rate of 88% (compared with 92% in 2017). This decrease is partly attributable to non-attendance of one of the board members who subsequently resigned from the board in May 2018.

Jean-Pierre Denis chaired the 15 Board of Directors' meetings.

The Board of Directors uses the resources of Arkéa group's Corporate Secretariat and Institutional Communications department to prepare and organize its meetings. The meeting agenda is determined by the Chairman after consulting with the Chief Executive Officer. One week prior to a meeting, each director receives a file with all the items to be reviewed and discussed by the Board. The Chairman also provides all other Board members with information regarding the group's activity and strategy.

The Board of Directors' meetings focused primarily on:

1. Activity:

- Monitoring global economic, banking and financial news and internal events directly affecting the group;
- Monitoring the various business activities, results, risks and prudential ratios of the group and its main entities using a report presented at each meeting;

2. Strategy:

- Reviewing the orientation vote relating to the independence project;
- Reviewing the organization of Arkéa group's independence;
- Monitoring developments and decisions made in connection with Arkéa's independence project;
- Setting the group's general orientations for the year;
- Reviewing the accomplishments of the "Arkéa 2020" strategic business plan, particularly the CSR aspects;
- Making decisions with respect to mergers and acquisitions, equity investments and divestments. The Board of Directors was also informed of the various partnerships concluded and planned transactions that were not completed despite the outlay of resources;

3. Financial statements

- Approving the group's parent company and consolidated financial statements;

4. Risk limits and control systems

- Adapting the prudential framework and applicable limits for the group and all its entities;
- Reviewing the Annual Report on Internal Control of the Company and the group and the ICAAP and ILAAP reports;
- Adopting regulatory changes leading to stronger internal controls

(permanent control, periodic control and compliance monitoring).

5. Appointments and human resources:

- Making the appointments and conducting the salary reviews that are the responsibility of the Board.
This work and these deliberations made it possible to steer business and to perform the necessary controls and audits.

To enable Board members to further improve their knowledge and skills, the Arkéa 2020 business plan calls for strengthening the training programs for directors.

Arkéa's directors together with all the directors of the subsidiaries, particularly the regulated subsidiaries, attended a training seminar. All directors must attend such training between 2018 and 2019. The seminar focused more specifically on the transformation underway in the banking sector, the group's ethical and compliance principles, general regulations relating to data protection, the fight against money laundering and terrorist financing and the Arkéa group's general risk appetite framework. In addition, the Board of Directors met in a strategic seminar in November to discuss the following matters:

- The strategies of Arkéa's various business lines, particularly with regard to private equity, developing BtoB activities, the transformation of retail banking and changes in the asset management sector;
- The Arkéa group's rationale project;
- Ways of improving the efficiency of the Board of Directors' work as part of the three-year formal assessment of the operation of the Board.

Also, during the seminar, directors received a half-day training session on the subject of diversity.

C/The specialized committees

Five specialized committees also help and advise the Board in its work. Each committee has its own Operating Charter, which determines the body's missions and organizational methods. The Committees were also assessed as part of the three-year formal assessment of the operation of Crédit Mutuel Arkéa's Board of Directors

1°/The Strategy and Societal Responsibility Committee:

The Strategy and Societal Responsibility Committee is charged with guiding Arkéa's strategic planning and helping the Board of Directors with its work. Its role consists of:

- guiding/coordinating the group's strategic planning;
- ensuring that Societal Responsibility is fully integrated into the group's strategy;
- assisting the Board of Directors of Crédit Mutuel Arkéa with its work.

In 2018, it met eight times (ten times in 2017). The average attendance rate during the year was 85%, with the following individual attendance rates:

2018 attendance rate	
François CHATEL	88 %
Anne-Sophie GRAVE	25 %
Marie-Thérèse GROUSSARD (Chairman) ⁽¹⁾	100 %
Patrick LE PROVOST ⁽²⁾	100 %

(1) Chairman of the committee since June 1, 2018
(2) Committee member since June 1, 2018

Numerous matters were discussed during the year. For example, the Strategy and Societal Responsibility Committee analyzed:

- The organization of the Arkéa group's independence;
- Partnership, acquisition and capital restructuring projects, particularly the acquisition of German bank, PrivatBank 1891, the Raise Ventures investment project and the sale of Leasecom;
- In the context of the corporate social responsibility policy, the outcome of the CSR actions carried out in 2017, the work on extra-financial reporting and the group materiality matrix;
- Monitoring the progress of internal development projects implemented as part of the 2020 strategic plan, particularly the progress of the Nouvelle Vague and Keytrade Bank strategy;

- The issues at stake in the development of new open-banking models and their implications for the group's strategy.

2°/The Compensation Committee

The Compensation Committee is responsible for maintaining the overall consistency of compensation policies and practices within the Arkéa group and at its regulated subsidiaries.

In 2018, it met five times (five times in 2017). The average attendance rate during the year was 82% with the following individual attendance rates:

2018 attendance rate	
Thierry BOUGEARD	100 %
Isabelle DARDE	60 %
Patrick LE PROVOST (Chairman) ⁽¹⁾	100 %
Luc MOAL ⁽²⁾	50 %

(1) Chairwoman of the committee since June 1, 2018

(2) Committee member since June 1, 2018

During the year, the Committee reviewed:

- The scope of the regulated population
- The variable compensation policies and criteria for the regulated population
- The report on compensation of senior managers and corporate officers
- The impact of IFRS 9 on variable pay packages
- The subsidiaries' compensation policy
- The group's bonus system.
- The registration document (presentation of quantified data)
- Compensation policies and practices (presentation of quantified data)

3°/ The Appointments Committee:

The Appointments Committee is responsible for supporting Crédit Mutuel Arkéa's Board of Directors by issuing:

- Proposals for the appointment of directors at the subsidiaries and permanent representatives to the governance bodies of companies in which Arkéa has equity interests;
- Informed opinions on the Chairman's proposals for the appointment of the Chief Executive Officer and Associate Executive Officers prior to their approval by the Board of Directors.

It also assesses the Board of Directors.

In 2018, the committee met seven times (Seven meetings in 2017). The average attendance rate during the year was 92% with the following individual attendance rates:

2018 attendance rate	
Christian DAVID	100 %
Patrick LE PROVOST	86 %
Luc MOAL ⁽¹⁾	75 %
Sophie VIOLLEAU (Chairwoman)	100 %

⁽¹⁾ Committee member since June 1, 2018

In 2018, the Committee:

- Selected the candidates for renewal and/or appointment to membership functions of boards of directors and supervisory boards of group entities (more than 140 applications);
- Appointed Arkéa representatives to deliberative bodies of companies in which the group has an equity interest (17 cases reviewed);
- Reviewed the appointment of executive members at the subsidiaries (11 cases);
- Performed an in-depth review with a view to rationalizing the governance of the group entities;
- Made the formal three-yearly assessment of the operation of Crédit Mutuel Arkéa's Board of Directors with proposals for an action plan.

The Committee is responsible for proposing the composition of the supervisory bodies of the entire group, the subsidiaries and Crédit Mutuel Arkéa.

Since a Board's most important quality is having the proper balance of members with the requisite skills and ethics, the Committee, when reviewing applications for renewal or appointment at the Group's integrated subsidiaries, strives to:

- Increase the number of underrepresented members by gender on the supervisory bodies of group companies;
- Seek diversity and complementary backgrounds for the effective and proven operation of the various boards of directors and supervisory boards;
- Create, except in special cases, supervisory bodies including elected representatives from the local savings banks of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel du Massif Central Federations.

4°/The Financial Statements Committee:

The Financial Statements Committee is charged with helping the Board of Directors assess financial information and control its reliability. Its role consists of:

- Understanding the accounting principles and changes thereto;
- Assessing the quality of accounting procedures;
- Reviewing the Arkéa group's financial statements prior to their review by the Board of Directors;
- Monitoring the statutory auditors' work plan and reviewing the findings of their work.

In 2018, the Committee met four times (also four times in 2017). The average attendance rate during the year was 86% with the following individual attendance rates:

2018 attendance rate	
Thierry BOUGEARD (Chairman) ⁽¹⁾	100 %
Lionel DUNET	20 %
Guillaume GLORIA	100 %
Anne-Gaëlle LE BAIL	80 %
Yves MAINGUET ⁽²⁾	100%
Colette SENE	100 %

⁽¹⁾ Chairman of the committee since June 1, 2018

⁽²⁾ Committee member since June 1, 2018

The Committee's work focused on:

- Reviewing and approving the 2017 financial statements
- Analyzing the opinions of the statutory auditors on the annual closing;
- Plan 2018
- The opening balance and Plan 2018 IFRS 9
- The progress of the audit by the Statutory Auditors
- Presentation of the Statutory Auditors' 2017 review of the internal control system
- Presentation of the audit approach for 2018
- The accounting principles and methods applicable to the interim financial statements
- Reviewing and approving the consolidated interim financial statements
- The opinion of the statutory auditors on the interim financial statements
- The accounting principles applicable to the closing
- The Statutory Auditors' mandates.

5°/The Risk and Internal Control Committee

The Risk and Internal Control Committee is tasked with helping the Board of Directors perform its duties with respect to monitoring the Arkéa group's risks and internal control system.

Twelve meetings were held in 2018 (five in 2017). The average attendance rate during the year was 88% with the following individual attendance rates:

2018 attendance rate	
François CHATEL (Chairman)	83 %
Marta CRENN	100 %
Christian DAVID	75 %
Michel GOURTAY	83 %
Monique HUET	100 %

In 2018, the Risk and Internal Control Committee examined the following:

1) Periodic control:

- Specific presentations:
 - Presentation of the 2017 annual summary of the Network Periodic Control assignments;
 - Review of the 2017 internal control annual report
 - Presentation of the annual report of the key internal audit function at Suravenir and Suravenir Assurance and information on the work conducted by the head of this function,
 - Information on the audit work performed by Arkéa Direct Bank's internal audit department on the entity's foreign activities,

2) Risk monitoring and oversight:

- Presentation of Risk reports,
- Presentation of level of expected losses in application of IFRS 9 as from January 1, 2018
- ICAAP report and declaration for the 2017-2020 period;
- ILAAP report and declaration for fiscal 2017 and presentation of the liquidity crisis management plan;
- Updating of the risk appetite framework and presentation of proposed limits for 2019;
- Regulatory compliance of the variable compensation scheme;
- Review of transactions in connection with the group's acquisitions and partnerships;

3) Financial statements closings

- Review of the observations of the Financial Statements Committee on the presentations related to annual financial statements for the December 31, 2017 and June 30, 2018 closings (accounting principles, financial statements, summaries and analyses, work of the Statutory Auditors, etc.).

4) The work also covered:

- Update on the work of the supervisory authorities (at every meeting);
- Presentation of the report on the Committee's activity in 2017.

In 2018, the activity and results of permanent control and compliance monitoring were reviewed at the Risk and Internal Control Committee meetings of February 27, May 31, August 27 and November 27. In addition, the annual report on AML-CFT activity was presented to the Risk and Internal Control Committee at its October 1 meeting. A summary of the work carried out was also presented to Arkéa's Board of Directors at its meetings on February 28 and August 28, 2018.

At these various meetings, the committee was also informed of the work carried out in 2017 by the Compliance and Permanent Control department and the progress of its 2018 plan in the following areas:

5) Permanent control:

- Review of the 2017 control program;
- Monitoring the implementation rate of recommendations as at December 31, 2018;
- Monitoring the completion rate of recommendations as at December 31, 2018;
- Results and completion rate of the group's 2018 control program;
- 2017 review of implementation of the recommendations issued to the Compliance and Permanent Control department by the DIGCP.

6) Compliance:

- Outsourced services (listing and contracting);
- The prior approval system;
- The complaints system;
- The system governing the risk of market abuse, personal account transactions of relevant persons and insiders;
- The MIF II and FATCA/QI/CRS OECD regulatory projects;
- The action taken with regard to Banking Inclusion, particularly via the Banking Inclusion Coordination Committee and the Observatoire de l'Inclusion Bancaire's questionnaire;
- The anti-corruption system arising from the Sapin II law, including the changes made to the whistle blowing mechanism;
- The report on lobbying activities;
- The ACPR questionnaire on customer protection;
- The annual AMF reports for 2017;
- The report on protection of assets.

7) Anti-money laundering and terrorist financing (AML/CFT):

- Overseeing the quality of know-your-customer data;
- Reporting to Tracfin (suspicious transaction reports);
- Politically exposed persons;
- Keeping watch on regulations and ACPR sanctions;
- Training of staff exposed to AML/CFT risk;
- Results and progress of AML/CFT work;
- Defining the procedures for assisting subsidiaries with operational implementation of their own AML/CFT systems;

- Presentation of the results of the annual program of checks control as part of AML/CFT activities.

8) In the area of data protection:

- A review of activity relating to the formalities required by the French data protection agency (CNIL), consultations in connection with GDPR and review of contracts;
- Report on rights requests (right to erasure, right of access, right to rectification, etc.);
- Highlights of 2018.

D/ Review of the operation of the Board of Directors

At least once a year, at the initiative of the Chairman of the Appointments Committee, one item on the agenda of the Crédit Mutuel Arkéa Board of Directors' meeting is devoted to assessing the operation of the Board and its specialized committees. Every three years, the Committee, either alone or with the help of a consultant, conducts a formal assessment of the Board of Directors.

Following the last formal assessment completed in 2015 with the assistance of a consulting firm, the Appointments Committee opted for a self-assessment in 2018. This formal assessment was made with the support of the Corporate Secretariat and Institutional Communications department and was based in particular on a ques-

tionnaire completed by the 19 directors and the non-voting member and providing an assessment of 207 check points relating to performance of its oversight duties.

The summary of these analyses confirms that the supervision exercised by the Board of Directors is efficient. The contribution made by the special committees and the quality of the files presented to the Board of Directors are seen as vectors for informed decision making. The strategic guidance and risk management seem particularly well handled. Moreover, the operation of the Board of Directors with the Executive Management is deemed to be balanced and based on a relationship of trust.

In the context of this assessment, a collaborative workshop was organized by the Board members with the aim of drawing up a plan for ongoing improvement of the operation of the Board. This is based in particular on ongoing efforts to digitalize the Board's work and make greater use of digital tools.



2.3

Executive officers

At December 31, 2018, the executive officers of Crédit Mutuel Arkéa were:



Ronan LE MOAL,
Chief Executive Officer of Crédit Mutuel Arkéa,
46 years

Summary biography

A graduate of HEC, Ronan LE MOAL joined Crédit Mutuel de Bretagne in 1995 in the General Organization, before becoming head of the Management Control department in 2000. In 2001 he was appointed Chief Technical and Financial Officer of Suravenir, Arkéa's life insurance subsidiary. In 2005 he became the Chief Executive Officer of Symphonis, which in 2007 merged with the online brokerage company Fortuneo. Until 2008, Ronan Le Moal was Chairman of the Executive Boards of Fortuneo and of Procapital, the subsidiary offering securities services to financial institutions.

In 2008, he was appointed Chief Executive Officer of Crédit Mutuel Arkéa. He is leading the group's digital transformation which, under his guidance, has resulted in numerous innovations and confirms its commitment within the digital ecosystem.

Other positions held within the Arkéa group

- Chief Executive Officer of Arkéa SCD and permanent representative of Crédit Mutuel Arkéa on the Board of Directors
- -Member of the Supervisory Board of GIE Armoney until December 31, 2018

Other positions held outside the Arkéa group

- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Tikehau Capital Advisors
- Director of Y Capital (smartangels)



Anne LE GOFF,
Deputy Chief Executive Officer of Crédit Mutuel Arkéa,
45 years

Summary biography

A qualified member of the French Institut des Actuaire and a graduate of the Centre des Hautes Etudes d'Assurances, Anne LE GOFF joined Suravenir, Arkéa's life insurance and protection insurance subsidiary, in 1996 as an actuary and then as head of the actuarial department. From 2006 to 2008, Anne Le Goff held responsibilities involving control and management of the group's risks. In September 2008, she joined the Chairman's Office before being named Corporate Secretary in early 2011. Since 2012, Anne LE GOFF has served as Head of the group's Corporate Secretariat and Institutional Communications department.

Since May 2016, she has headed Crédit Mutuel Arkéa's «Development Support» Division, which includes the group's Finance and Investments, Financial Markets, Risks, Legal Affairs, Compliance and Permanent Control, Organization and Central Services departments. The goal of this division is to support the group's development and ensure stringent oversight of the Arkéa 2020 strategic plan.

Other positions held within the Arkéa group

- Member and, since February 1, 2018, Chairman of the Executive Board of Arkéa Bourse Retail
- Chief Executive Officer and, since February 1, 2018, Chairman of the Board of Directors of Arkéa Public Sector SCF
- Chief Executive Officer and, since February 1, 2018, Chairman of the Board of Directors of Arkéa Home Loans SFH
- Member of the Supervisory Board of Bretagne Digital Participative
- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of CEOI-BIE up to October 24, 2018
- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Committee of New Primonial Holding

The Chief Executive Officer has the broadest authority to act in all circumstances on behalf of the company and to represent it in its relations with third parties. He exercises his powers within the limits of the company's corporate purpose and subject to the limits expressly granted by law to Shareholders' Meetings and the Board of Directors.

2.4

Executive Management bodies and their work

The principal purpose of Arkéa's Executive Committee is to support the group's Chief Executive Officer in the group's strategic governance and the development of its performance. This committee's role consists of:

- Directing the implementation of the strategy set by the Board of Directors and allocating the necessary resources for its establishment;
- Determining the objectives for the group's entities and monitoring their achievement;
- Monitoring the activity of the group as a whole;
- Reviewing issues involving the group's organization and matters of general interest.

A special task force has been in place within the Arkéa group since 2016 with the aim of achieving proper gender balance. Performance

The Executive Committee meets weekly. As of December 31, 2018, it was comprised of the following members:

Ronan LE MOAL	Chief Executive Officer of Crédit Mutuel Arkéa
Anne LE GOFF	Associate Executive Officer responsible for the development support division
Frédéric LAURENT	Deputy General Manager responsible for the innovation and operations division
Sébastien MUSSET	Deputy General Manager responsible for the retail customers division
Christelle LE BERRE	Head of Square Arkéa
Tarak ACHICH	Head of the B2B and specialized services division
Bertrand BLANPAIN	Head of the companies and institutions division
Marc GOSSELIN	Head of Human Resources
Bernard LE BRAS	Head of the products division

The General Coordination Committee meets at least once a quarter and, in addition to the Executive Committee, includes the following members:

Philippe ROUXEL	Chief Executive Officer of Fédération du Crédit Mutuel de Bretagne
Jean-Marc JAY	Chief Executive Officer of Fédération du Crédit Mutuel du Sud-Ouest
Hélène BERNICOT	Head of the corporate secretariat and institutional communications department
Anne-Laure NAVEOS	Head of external growth and partnerships
Jean-Marie ALFONSI	Chief Financial Officer
Didier ARDOUIN	Chief Executive Officer of Nouvelle Vague
Antoine LEFEBVRE	Head of compliance and permanent control
Alain TAROUILLY	Head of Group Internal Audit and Periodic Control
Jean-Luc LE PACHE	Deputy director responsible for the development support division
Jean-Luc QUEGUINER ⁽¹⁾	Head of Risk Management
Morgan MARZIN	Head of Arkéa 360°

(1) Elisabeth Quelledc has been Chief Risk Officer since February 1, 2019.

indicators, including the percentage of women on the Executive Committee, the General Coordination Committee and more generally in all management positions, have been put in place and are monitored regularly. The group's policy with regard to diversity is described in the Statement of non-financial performance (CSR report) in section 5.5.1 of this document.

The Arkéa group's General Coordination Committee performs the following tasks:

- Defines certain general corporate policies and related decisions, based on the guidelines established by the Executive Committee;
- Facilitates dialogue between the development functions and the administrative functions regarding the current situation and recurring and prospective topics;
- Discusses any matters related to the coordination of internal control.

As part of its powers and authorizations and in order to ensure the relevance and quality of its decisions, Arkéa's Executive Management structures its organization with cross-functional committees that include one or more members of the General Coordination Committee. These committees include:

- The Periodic Control Committee;
- The Compliance and Permanent Control Committee;
- The ALM and Capital Management Committee;
- The Credit Committee;
- The Loan Committee;
- The Risk Monitoring Committee;
- The Counterparties Committee;
- The Purchasing Committee;
- The Real Estate Committee;
- The Innovation Committee;
- The Anti-Money-Laundering and Terrorism Financing Committee.

2.5

Agreements for the benefit of corporate officers

No agreements were entered into during the fiscal year, directly or through an intermediary, between an officer or a shareholder holding more than 10% of the voting rights in a company and another company in which the first company directly or indirectly holds more than half of the share capital, with the exception of agreements concerning day-to-day operations and entered into on an arm's length basis.



2.6

Conflicts of interest of officers and directors

Crédit Mutuel Arkéa has drawn up a formal conflict of interest prevention and management framework. This framework document establishes the rules that apply within the group regarding the identification, prevention and management of conflicts of interest. It covers all the professional situations in which the independence and integrity of the assessment or decision of a person, a company or an organization may be influenced or altered by personal considerations or by pressure from a third party. It also covers any situation that may arise when the independent, impartial and objective performance of a person's duties are influenced by public or private interests that are different from those they must defend in the performance of their duties.

This framework document defines the respective roles and responsibilities of the various players, including those of the management body responsible for putting in place, approving and overseeing an effective system for the prevention and management of actual, potential, apparent or perceived conflicts of interest.

In addition, under this framework, the head of Compliance must identify and document any conflicts of interest that arise at the level of the management body. He issues an opinion on the management of the conflict of interest for the attention of the management body, which is then responsible for assessing, managing, mitigating or avoiding any actual or potential conflict of interest at its level, individually and collectively.

This framework was updated following the entry into force of the EBA guidelines on internal governance and of the MIF II and IDD regulations. This update has been validated by the Compliance and Permanent Control Committee and will be submitted to the Board of Directors for approval.

Each entity is responsible for adapting the policy within its scope so as to fulfill the obligations in terms of preventing, identifying and managing potential or actual conflicts of interest. As such, each entity keeps a ledger in which it records the conflicts of interest that have been reviewed and ensures that any unresolved conflicts are followed up.

A cross-functional control framework has also been made available to verify the correct adaptation of this policy by the group's entities.

Awareness training was provided to Crédit Mutuel Arkéa's directors by the Compliance and Permanent Control Department in 2016. This training was renewed in 2018.



2.7

Internal control

A/Internal control procedures

The governance of the internal control function is carried out in accordance with the principles of Crédit Mutuel Arkéa's Corporate Governance Charter adopted by the Board of Directors on September 12, 2008.

The internal control organization is described in the group's Internal Control Charter.

The group's effective managers (dirigeants effectifs) are responsible for determining the actual business orientations (French Monetary and Financial Code Article L.511-13). In particular, they implement the internal control support systems while ensuring that they are suited to the various risks to which the group is exposed. They notify the group's supervisory body of progress made in the implementation and status of the systems as well as the degree of risk management they enable.

The group's supervisory body periodically reviews the quality of the systems deployed and the degree of control over the risks to which the group is exposed, based on information provided to it by the Chairman of the Group Risk and Internal Control Committee and the Head of Group Internal Audit and Periodic Control (in particular information required as part of the annual report on internal control, in accordance with the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority).

The group's supervisory body is informed by Crédit Mutuel Arkéa's Risk Management Department of the assessment and monitoring of risks to which the group is exposed (in particular information required as part of the annual report on risk assessment and monitoring, in accordance with the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority).

The Group Risk and Internal Control Committee assists the supervisory body with its risk management duties in accordance with the provisions of the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority.

Regarding the accounting recognition of transactions, the Financial Statements Committee analyzes and controls the aggregate and consolidated financial statements before their presentation to the supervisory body.

The supervisory body of each Crédit Mutuel Arkéa subsidiary confirms the application and suitability of the principles of the Charter to the entity and entrusts the effective managers with its implementation.

1) Permanent control

The organization of "permanent control" is based on the provisions of the group's Internal Control Charter, which establishes the following two permanent control levels within Crédit Mutuel Arkéa:

First-level operational control: operational controls implemented during the processes themselves, prior to their completion. These controls correspond to the risk management system.

Second-level permanent control: Permanent controls implemented after processes have been completed. This second level is itself divided into two types of control, depending on the independence of the person performing the controls:

- second-level permanent controls by the business lines: second-level permanent control performed by a person who is not a member of the "permanent control" function;
- second-level permanent control by the heads of permanent control: control performed by the head of the permanent control department reporting directly to the head of the entity and supported by personnel or working alone.

In that context, permanent control and compliance control within Crédit Mutuel Arkéa is based on the following principles:

- The organization of permanent control covers all risks for all group business lines, regardless of the legal organization of the activities generating these risks;
- Final responsibility for compliance with regulatory requirements in the area of permanent control falls on the effective managers of each entity and of Arkéa for the group as a whole;
- Each subsidiary, according to the principles of proportionality and subsidiarity, organizes its own permanent control and compliance function and reports directly to Arkéa;

- The persons responsible for the second-level permanent control of a process do not participate in the execution of this process in order to ensure the strict separation between first- and second-level permanent controls;
- The quality of permanent control is factored into the assessment of the governance or management of an activity.

This organization is fully consistent with the group's pyramid structure, since the entire permanent control system is placed under Crédit Mutuel Arkéa's governance.

It is designed to enable the entities of Crédit Mutuel Arkéa to steer their risk-taking while managing the potential impacts with reasonable assurance.

Crédit Mutuel Arkéa's Compliance and Permanent Control Department (CPCD), which reports to the Associate Executive Officer in charge of the Development Support Division, coordinates the heads of permanent control and compliance at the group's subsidiaries, is responsible for permanent control at the entities included in the 15589¹ aggregate scope and oversees the permanent control and compliance system at the group level.

2) Compliance control system

In order to ensure consistent practices throughout the group, the Compliance and Permanent Control Department steers and manages the implementation of the group's control and compliance systems, including the fight against money-laundering and terrorism financing.

The organization of the compliance control system was adapted in 2018 so as to implement the General Data Protection Regulation (GDPR) which came into force on May 25, 2018.

- Under the GDPR (Regulation (EU) 2016/679 of the European Parliament and Council of April 7, 2016), the group's governance and resources with regard to personal data protection are now lodged within the Compliance and Permanent Control department.
- The general mission of the newly created 2DP department (Personal Data Protection department) is to ensure that the entire Arkéa group complies with GDPR. Its more specific tasks concern defining the governance system, the documentation, training, awareness raising, regulatory watch, providing advice and assistance for projects, control and audit, alerts and managing complaints, claims and disputes.
- Placing the data protection activities within the Compliance and Permanent Control department forms part of the broader goal of compliance control within the Crédit Mutuel Arkéa group consisting in building trust in the products, the business and its actions among customers, suppliers, employees, managers and regulators.

The group's Compliance Charter defines the system in place within the group to prevent and control non-compliance risks.

The regulatory framework for compliance control is constantly evolving: In this respect, the Compliance and Permanent Control department performs a regulatory watch to monitor:

- Changes in the prudential framework arising from the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority,
- Regulatory developments arising from changes in the French financial markets authority's (AMF) general regulation or in the French monetary and financial code,
- And, more generally, any regulatory changes that could affect the compliance control system (financial security including AML/CFT, protection of customers' interests, tax transparency, business conduct, professional ethics, etc.). The Compliance and Permanent Control department also takes part in industry debate.

Based on these main principles, the group's system is built around four pillars:

- Financial security:
- Business conduct and professional ethics
- Protection of customers' interests
- Fiscal transparency

¹See 3.6 Aggregate financial statements, Appendix 1.1

The Compliance and Permanent Control department (CPCD)

The department is under the responsibility of the Head of Compliance and Permanent Control who in turn report to the Associate Executive Officer in charge of the Development Support division, who is also a member of Crédit Mutuel Arkéa's Executive Committee.

In order to ensure consistent practices throughout the group, the Compliance and Permanent Control Department steers and manages the implementation of the group's control and compliance systems at the defined scope.

The CPCD coordinates the overall implementation of the control system. To this end, it:

- Drafts, updates and oversees the framework policies in accordance with legislative and regulatory changes that impact the group's activities,
- Performs a constant regulatory watch with regard to the group's activities and passes on the information to the compliance officers at the group's entities,
- Oversees adaptation and updating work to comply with regulations that have a strong impact at group level,
- Advises and assists the executive and supervisory bodies,
- Advises and assists the compliance officers at group entities in implementing the requirements,
- Coordinates the collection of the necessary information for preparing the activity reports submitted to the supervisory authorities,
- Rolls out prevention, detection, control and reporting tools that it provides to the group entities,
- Oversees the ongoing efforts to collect high-quality data on customers as part of the fight against money-laundering and terrorism financing as well as efforts to combat tax fraud, particularly in connection with the U.S. FATCA regulations and the OECD Common Reporting Standard (CRS),
- Validates the operational adaptation of these framework policies by the group entities,
- Provides training and contributes to strengthening a shared compliance culture within the group. Training in the compliance control systems is systematically provided to newly appointed

compliance control officers and their staff when they take up their positions. In addition, all new staff that join Crédit Mutuel Arkéa receive training in the general compliance principles. Training in anti-corruption measures was provided to the most exposed people within the group.

- The CPCD also consolidates and monitors significant events in the area of non-compliance within the group and identifies the risks so as to draw up a risks map. Any dysfunction identified is reported to the group's Compliance and Permanent Control Committee.
- It controls the implementation of the framework policies at the entities via interview, collection of reports and through controls. When recommendations are issued, they are followed up on an annual basis. In 2018, meetings were held with all of the entities.
- It reports on activity and results at the group level:
 - Quarterly, to the Compliance and Permanent Control Committee chaired by the associate executive officer in charge of the development support division, who is also a member of Arkéa's executive committee, and to the Risks and Internal Control Committee;
 - Half-yearly, to Crédit Mutuel Arkéa's Board of Directors.

Compliance officers of the group entities

Each entity has a compliance officer who ensures compliance within the entity with the principles defined by the group with regard to the prevention and control of compliance risk.

Operational structures

The daily action of operational structures must integrate the need to comply with the principles established by the group so as to ensure adherence with the compliance rules in force within the group. Each group employee is therefore involved in this process and, through their actions, contributes to controlling compliance risk.

3) Internal control procedures relating to the preparation and processing of accounting information

The Financial department is responsible for preparing the group's accounting and financial information.

Key activities are centralized, making it possible to ensure the quality of the accounting information across the entire scope of the group's activities. To that end, the Financial - Accounting department defines accounting rules and methods, designs and maintains the charts of accounts (the approval of measures specific to the insurance and leasing activities is delegated to dedicated business line staff), and implements the account reconciliation process in connection with the group's management units as well as the control and analysis procedures needed to prepare and process accounting information for both Crédit Mutuel Arkéa and all subsidiaries delegating their accounting work.

The accounting of transactions is organized on the basis of two activities: account-keeping and the group's consolidation. The account-keeping (preparation of company financial statements and related consolidation packages) as well as the production and dissemination of the regulatory disclosures of group entities are performed directly by the finance departments of the companies themselves or by the Crédit Mutuel Arkéa Financial - Accounting department, as part of a formalized assignment. The Financial - Accounting department collects all accounting information and is responsible for data consolidation.

The Financial - Steering department coordinates the management control activity of the various entities aimed at securing financial data, notably through the budgetary control and results analysis functions.

These processes, which are performed in accordance with the Financial - Accounting department's own procedures, are then audited independently by the statutory auditors.

A Financial Statements Committee further enhances the control system. This committee helps Crédit Mutuel Arkéa's Board of Directors assess financial information and verify its accuracy. It reviews the financial statements of the group and its constituent entities prior to their presentation to the Board. This committee met four times in 2018.

4) Periodic control

The Internal Audit and Periodic Control Department (French acronym: DIGCP) performs periodic controls. It conducts its activities at all group units in accordance with the framework periodic control policy adopted and implemented within the group. With respect to subsidiaries, the DIGCP performs its duties in accordance with duly concluded periodic control delegation agreements. The

DIGCP therefore performs its controls for the entire scope of Crédit Mutuel Arkéa in accordance with the terms, conditions and methods stipulated in the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority.

The DIGCP's mission is to provide independent and objective assurance on the group's compliance in the exercise of its activities and to offer advisory services and suggestions aimed at creating added value and improving the level of control over group transactions. Using a systematic and methodical approach, the department helps the group achieve its objectives by assessing risk management, control and corporate governance processes in order to determine whether they are appropriate and function in such a manner as to ensure that:

- Activities are carried out in a compliant manner,
- Risks are identified and managed appropriately;
- The various corporate governance participants interact as often as necessary;
- All material financial, management and operational information is accurate, reliable and delivered in a timely fashion to the deliberative and executive bodies;
- Employees' actions are consistent with all applicable regulations, standards and procedures;
- Resources are acquired in a cost-effective manner, used efficiently and protected adequately;
- Programs, plans and objectives are completed;
- The quality and continuous improvement of the organization's internal control processes are supported;
- Significant legislative and regulatory matters that affect the organization are identified and addressed in an appropriate manner.

In order to perform its missions, the DIGCP has developed a body of procedures in particular for the periodic control of the business lines and networks. In 2018, these procedures were updated and strengthened, particularly with regard to the terms and conditions of preparing and monitoring the implementation of the progress plans linked to business line audit reports and the multiyear control program.

In order to successfully complete its missions, the DIGCP has developed a proprietary risk map; this risk map is one of the main sources for defining an annual periodic control plan, whose speci-

fic points are also determined on the basis of the following items in particular:

- Key points identified by the French Prudential Supervisory and Resolution Authority and the European Central Bank during their reviews and in their respective annual reports,
- Requests from the Risk and Internal Control Committee,
- Requests from the members of the group's Executive Committee,
- The use of "feedback" from previous audits conducted by the Business Line Periodic Control Department.

The principle of completing a post-acquisition review starting in the sixth month following the integration of any major acquisition into the group is also implemented as part of the annual periodic control plan.

This periodic control plan distinguishes between the specific control program applied to the Crédit Mutuel local savings bank networks and branches of the subsidiaries and the program covering the activities of the group's corporate departments, companies and subsidiaries. The combination of these specific programs makes up the DIGCP's annual periodic control plan; this plan is itself part of a multi-year plan that makes it possible to cover the main risk areas identified in the DIGCP's proprietary risk map as well as the main development areas for Crédit Mutuel Arkéa.

The periodic control plan thus drawn up is approved by the supervisory body's Risk and Internal Control Committee and confirmed by Crédit Mutuel Arkéa's Board of Directors. It systematically includes annual reviews of major risks involving credit, capital markets, accounting processes, information technology and operations. The audits performed in the past three years are cross-referenced with the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority. This cross-referencing makes it possible to assess the coverage level for each of these risks and to schedule audits to ensure the compliance of the activities exercised.

When the 2018 periodic control plan was drawn up, this cross-referencing was completed in order to assess the coverage of major risks.

Moreover, consistent with the decision taken by the Prudential Supervisory and Resolution Authority regarding the certification of the annual financial statements of Crédit Mutuel savings banks, each year the DIGCP audits the financial statements of the local savings banks of the Crédit Mutuel de Bretagne, Crédit Mutuel du

Sud Ouest and Crédit Mutuel du Massif Central federations prior to their presentation to the shareholders' general meetings. These audits are carried out in accordance with professional auditing standards.

Moreover, with respect to the control function, the DIGCP is specifically in charge of detecting and resolving internal fraud issues. As part of this goal, the DIGCP must deploy a remote, sample-based control system and, more generally, contribute to internal and external fraud prevention and detection through appropriate means. In this area, the DIGCP is specifically responsible for verifying the accounts of employees and the proper exercise by directors of their duties in accordance with applicable regulations as well as with the by-laws, standards and principles adopted by Crédit Mutuel.

B/The Committees

Group Compliance and Permanent Control Committee

The Compliance and Permanent Control Committee (CPC) is chaired by the Associate Executive Officer in charge of Crédit Mutuel Arkéa's Development Support Division.

It includes two other members of the Executive Committee: the Head of the BtoB and Specialized Services Division and the Head of the Retail Customers Division. The Deputy Head of the Development Support Division and the Head of the group's Legal Department are also members of the committee. The Head of Compliance and Permanent Control acts as secretary of the CPC and the Head of Group Internal Audit and Periodic Control, or his assistant, also attends as a guest.

It ensures compliance with the rules governing risk-taking and verifying that the permanent control systems, including those with respect to compliance, are appropriate to the group's activities and risks.

To that end, it reviews all major changes in the permanent control system, including those relating to compliance, on the basis of the work of the Crédit Mutuel Arkéa Compliance and Permanent Control Department. It met four times in 2018, on February 15, May 15, July 19 and November 8.

Periodic Control Committee

Chaired by Crédit Mutuel Arkéa's Chief Executive Officer, this Committee assesses the quality of periodic control, in particular with respect to the consistency of the risk assessment, monitoring and control systems applied at the consolidated level, and recommends additional actions whenever necessary. It participates in drawing up the annual periodic control plan.

It takes stock of the findings of control and audit reports, approves the recommendations contained in these reports and monitors their implementation.

Committee members include:

- The Chief Executive Officer (Chairman),
- The assistant to the Head of the Development Support division,
- The Head of the Companies and Institutions division,
- The Head of the Products division,

- The Head of the Innovation and Operations division,
- The Head of Group Internal Audit and Periodic Control,
- The Deputy Director of Group Internal Audit and Periodic Control,
- The Head of the Business Line Periodic Control Department, who serves as secretary of the committee,

The meetings are held at least three times annually. In 2018, the Periodic Control Committee met nine times.



2.8

Compensation of officers

A/General principles of the compensation policy

The compensation policy for executive corporate officers, i.e. Crédit Mutuel Arkéa's Chairman, the Chief Executive Officer and the Associate Chief Executive Officer, is defined by the Board of Directors based on the proposals of the Compensation Committee.

The compensation of Crédit Mutuel Arkéa's executive corporate officers complies with:

- The regulations defined in the French monetary and financial code;
- The prudential rules applicable to credit institutions and investment companies (CRD IV).

The compensation of executive corporate officers is reviewed each year by the Board of Directors, based on an opinion issued by the Compensation Committee.

The compensation package for executive corporate officers comprises the following three components:

- Fixed compensation (FC);
- Annual variable compensation (AVC);
- Long-term incentive (LTI).

In accordance with the provisions of the French monetary and financial code and following the authorization given by the Shareholders' General Meeting of April 21, 2016, the ceiling for variable compensation, comprising AVC and LTI, is set at twice the officer's fixed compensation up to 2021.

In application of Article L.225-37-2 of the French Commercial Code, the Board of Directors must submit to the Shareholders' General Meeting for approval the principles and criteria for determining, allocating and attributing the fixed, variable and exceptional elements that make up the total compensation and benefits of any kind defined in Article R.225-29-1 of the above code, attributable to the chairman, chief executive officer and associate chief executive officers in respect of their mandate.

These principles and criteria are determined by the Board of Directors, based on the Compensation Committee's recommendations.

In addition, pursuant to Article L.225-100 of the French Commercial Code, the Shareholders' General Meeting deliberates on fixed, variable and exceptional elements that make up the total compensation and benefits of any kind paid or awarded in respect of the previous year through separate resolutions for each executive corporate officer. Pursuant to the same Article, the variable and exceptional compensation cannot be paid before it is approved by the Shareholders' General Meeting.

Fixed compensation

The amount of the fixed compensation, drawing on a study carried out by Willis Towers Watson, is determined by the Board of Directors on proposal by the Compensation Committee, taking into account:

- The experience and scope of responsibility of the executive officers;
- Market practices.

Annual variable compensation

Each year, the Board of Directors, based on the proposal of the Compensation Committee, sets the criteria governing annual variable compensation (AVC) for the executive officers.

The AVC indicators, set by the Board of Directors in accordance with the group annual plan, are established in conformity with the Arkéa group's risk appetite policy which aims to set them at levels compatible with the group's development goals while ensuring they can always be mastered through its expertise. The levels of risk and their control are closely regarded criteria and have proved to be particularly selective in orienting the development of the group's activities.

The Board of Directors of Crédit Mutuel Arkéa has decided to grant variable compensation to the Chairman of the supervisory board. In accordance with Article 24.2 of the AFEP-MEDEF Code to which the company refers, this decision is justified by the very strong involvement of Mr Jean-Pierre DENIS, President of the public limited company and cooperative, in coordinating the group's development strategy in the service of the territories, research and sup-

port in the formalization of large-scale partnerships.

Chairman and Chief Executive Officer of Crédit Mutuel Arkéa

The annual variable compensation is subject to the achievement of the targets measuring the group's performance:

- cost-to-income ratio;
- loan-to-deposit ratio;
- operating income.

AVC is based for 76% on quantitative criteria, i.e. the group's economic results, and for 24% on individual qualitative criteria.

The quantitative portion is measured based on three performance criteria that must be satisfied to trigger the AVC, with an equal weight for each indicator.

The qualitative criteria and their weighting are determined each year by the Board of Directors based on the Compensation Committee's proposals according to the Arkéa group's strategic priorities, in particular the group's transformation, continuation of the Arkéa 2020 strategic plan and responsible development.

The annual variable compensation of the Chairman and of the Chief Executive Officer is capped at 100% of their fixed compensation.

Payment is spread over three years. The two deferred portions are paid only if the financial performance conditions set by Crédit Mutuel Arkéa's Board of Directors are satisfied.

Associate Executive Officer of Crédit Mutuel Arkéa

The annual variable compensation is subject to the achievement of the targets measuring the group's performance:

- cost-to-income ratio;
- Loan-to-deposit ratio;
- Operating income.

The annual variable portion is based for 60% on the group's economic results and for 40% on individual criteria.

The quantitative portion is measured based on three performance criteria that must be satisfied to trigger the variable compensation, with an equal weight for each indicator.

The individual criteria are set each year by the Chief Executive Officer and the Human Resources department and submitted to the Compensation Committee for its opinion. The individual criteria must include a diversity indicator, a customer focus indicator (Ambition Obsession Client - AOC), designed to put the customer at the center of our priorities, and a corporate social responsibility indicator, each representing 10% of the individual variable compensation.

The annual variable compensation of the Associate Executive Officer is capped at 70% of his or her fixed compensation.

Payment is spread over three years. The two deferred portions are paid only if the financial performance conditions set by Crédit Mutuel Arkéa's Board of Directors are satisfied.

Long-term incentive

To involve the executive corporate officers in the creation of wealth in the context of the group's strategic plans, the Board of Directors introduced, starting in 2013, a long-term incentive scheme to reward the relevance of the strategic choices made and therefore the achievement of targets in terms of revenue, profitability and risk control.

This sliding three-year incentive scheme provides for the payment, provided that the criteria and performance indicators set by the Board of Directors are achieved, of an amount that matches the average annual variable compensation amount.

The financial and performance targets set by the Board of Directors concern the solvency ratio, credit risk, growth in net banking income and growth in operating income.

Exceptional bonuses

Discretionary bonuses may be granted to executive officers in very specific circumstances, particularly in the case of operations that are significant for the group in terms of size or nature, or in terms of the changes they imply for the group's organization and activities, the effort they require or their difficulty, or which do not normally fall within the scope of the executive officer's duties. These bonuses must be approved by the Board of Directors acting on the recommendation of the Compensation Committee.

Benefits in kind

Benefits in kind consist of a company car.

Financial instruments

Executive officers are not granted options on shares or debt securities or performance shares, and the Crédit Mutuel Arkéa by-laws do not allow for the existence of such grants.

Employment contract and corporate office

Chairman and Chief Executive Officer of Crédit Mutuel Arkéa

The employment contracts of the Chairman and the Chief Executive Officer of Crédit Mutuel Arkéa group are suspended from the time of their appointment and for the duration of their respective terms of office, after which they are automatically reinstated.

The employment contract suspension period is taken into account when calculating their rights, by law, under the collective bargaining agreement and under the employment contract.

Associate Executive Officer of Crédit Mutuel Arkéa

The Associate Executive Officer's employment contract is maintained to the extent that this officer is also a member of the Executive Committee and heads the Development Support division and in this respect fully fulfills the technical functions.

Severance benefits

In the event that their employment contract is terminated, the Chairman and the Chief Executive Officer of Crédit Mutuel Arkéa group may be entitled to receive severance benefits, in addition to statutory or collective bargaining provisions in an amount of up to two years of compensation, in accordance with AFEP-MEDEF recommendations.

Retirement benefits

If they have at least five years' seniority at the time of their retirement, Crédit Mutuel Arkéa's executive officers receive a retirement benefit equal to seven-twelfths of their annual compensation. They also receive an end-of-service vacation benefit equivalent to 23 days per year of service in these executive functions.

Salaried executives also receive retirement and similar benefits in the form of a defined benefit supplementary retirement scheme («Article 39» schemes).

Under this scheme, the annuity paid by the defined benefit scheme is 0.35% of the base salary per year of seniority. It is capped at 10% of the base salary. The base salary is the compensation, assessed on an annual basis, preceding the date of assessment, by the recipient, of his or her old-age pension under the basic retirement scheme, including the fixed and variable salary components and in-kind benefits, within the meaning of Article L. 242-1 of the French Social Security Code.

Loans, advances and guarantees granted to executive officers

Loans may be granted to Crédit Mutuel Arkéa executive officers.

Such loans, which are ordinary transactions, are granted with normal terms and conditions.

B/Compensation paid or accorded in respect of 2018

Chairman of Crédit Mutuel Arkéa

Fixed compensation

For 2018, the fixed compensation for the Chairman of Crédit Mutuel Arkéa is set at €530,000

Annual variable compensation

The conditions for payment of variable compensation and the individual achievement targets set for the Chairman of Crédit Mutuel Arkéa having been met, the Board of Directors has approved the payment of annual variable compensation in an amount representing 100% of the gross annual compensation, i.e. €530,000 in respect of 2018, it being specified that payment of the annual variable

compensation is deferred and is spread over the three years following the reference year, corresponding to €176,667 per annual payment.

Long-term incentive

Given that the performance criteria and targets have been met over the 2016/2018 period, the Board of Directors has approved the principle of payment, to the Chairman of Crédit Mutuel Arkéa, of a long-term incentive bonus in respect of 2016/2018, i.e. €530,000.

Exceptional bonuses

No exceptional bonus was accorded to the Chairman of Crédit Mutuel Arkéa in respect of 2018.

Retirement benefits

At December 31, 2018, the estimated actuarial amount of the individual annuity (Article 39), in accordance with Article D. 225-104-1 of the French Commercial Code, was €62,992.

Chief Executive Officer of Crédit Mutuel Arkéa

Fixed compensation

For 2018, the fixed compensation for the Chief Executive Officer of Crédit Mutuel Arkéa is set at €425,000.

Annual variable compensation

The conditions for payment of variable compensation and the individual achievement targets set for the Chief Executive Officer of Crédit Mutuel Arkéa having been met, the Board of Directors has approved the payment of annual variable compensation in an amount representing 100% of the gross annual compensation, i.e. €425,000 in respect of 2018, it being specified that payment of the annual variable compensation is deferred and is spread over the three years following the reference year, corresponding to €141,667 per annual payment.

Long-term incentive

Given that the performance criteria and targets have been met over the 2016/2018 period, the Board of Directors has approved the principle of payment, to the Chief Executive Officer of Crédit Mutuel Arkéa, of a long-term incentive bonus in respect of 2016/2018, i.e. €425,000.

Exceptional bonuses

No exceptional bonus was accorded to the Chief Executive Officer of Crédit Mutuel Arkéa in respect of 2018.

Retirement benefits

At December 31, 2018, the estimated actuarial amount of the individual annuity (Article 39), in accordance with Article D. 225-104-1 of the French Commercial Code, was €83,959.

Associate Executive Officer of Crédit Mutuel Arkéa

Fixed compensation

For 2018, the fixed compensation for the Associate Executive Offi-

cer of Crédit Mutuel Arkéa is set at €263,846.

Annual variable compensation

The conditions for payment of variable compensation and the individual achievement targets set for the Associate Executive Officer of Crédit Mutuel Arkéa having been met, the Board of Directors has approved the payment of annual variable compensation in an amount representing 70% of the gross annual compensation, i.e. €189,000 in respect of 2018, it being specified that payment of the annual variable compensation is deferred and is spread over the three years following the reference year, corresponding to €63,000 per year.

Long-term incentive

Given that the performance criteria and targets have been met

over the 2016/2018 period, the Board of Directors has approved the principle of payment, to the Associate Executive Officer of Crédit Mutuel Arkéa, of a long-term incentive bonus in respect of 2016/2018, i.e. €183,000.

Exceptional bonuses

An exceptional bonus of €70,000 was accorded to the Associate Executive Officer of Crédit Mutuel Arkéa in respect of 2018.

Retirement benefits

At December 31, 2018, the estimated actuarial amount of the individual annuity (Article 39), in accordance with Article D. 225-104-1 of the French Commercial Code, was €25,858.

C/Individual compensation of executive officers

The gross amounts of compensation received by Crédit Mutuel Arkéa's executive officers is presented in the table below:

	2017 PAID DURING THE YEAR	2017 OWED FOR THE YEAR	2018 PAID DURING THE YEAR	2018 OWED FOR THE YEAR
JEAN-PIERRE DENIS Chairman of Crédit Mutuel Arkéa				
Fixed compensation	530,000	530,000	530,000	530,000
Variable compensation	1,033,425	1,060,000	1,060,000	1,060,000
Benefits in kind	9,931	9,931	9,931	9,931
TOTAL	1,573,356	1,599,931	1,599,931	1,599,931
RONAN LE MOAL Chief Executive Officer				
Fixed compensation	425,000	425,000	425,000	425,000
Variable compensation	828,415	850,000	850,000	850,000
Benefits in kind	9,865	9,865	9,865	9,865
TOTAL	1,263,280	1,284,865	1,284,865	1,284,865
ANNE LE GOFF Associate Executive Officer				
Fixed compensation	230,000	230,000	263,846	263,846
Variable compensation	222,828	428,352	373,841	461,866
Benefits in kind	5,845	5,845	5,845	5,845
TOTAL	458,673	664,197	643,532	731,557

It should also be noted that the payment of the variable component of the compensation of executive corporate officers, due in respect of 2018, is subject to its approval by the ordinary general meeting of 16 May 2019.

2.9

Statutory auditors' report on the Corporate Governance Report

The comments required by Article L. 225-235 of the French Commercial Code are included in the Statutory Auditors' report on the consolidated financial statements (Chapter 10).

3

Financial information

- 3.1 Activities
- 3.2 Financial results
- 3.3 Shareholders' equity and regulatory ratios
- 3.4 Outlook
- 3.5 Consolidated financial statements as at 31 December 2018
- 3.6 Aggregated financial statements as at 31 December 2018

3.1 Activities

2.9.1. Customers

The customer portfolio increased by 6.5% in 2018, i.e. more than 240,000 additional customers.

At comparable scope¹, it grew by 5% or more than 210,000 additional customers with growth at all the entities: insurance (+ 69,400 customers), online banking (+ 60,800 customers), local savings bank networks (+ 40,700 customers) and consumer credit subsidiaries (+ 21,200 customers).

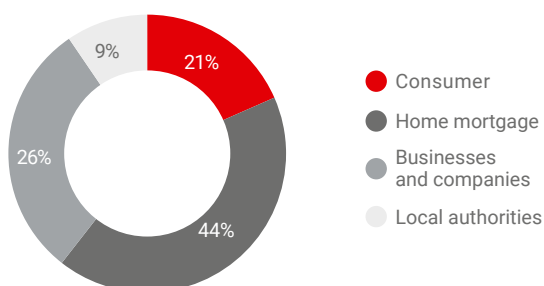
3.1.2 Lending

Gross loans outstanding before provisions increased by 11.4% to €56.5 billion. Outstanding loans net of provisions totaled €55.6 billion. At comparable scope¹, gross loans outstanding increased by 10.6% to €56.1 billion.

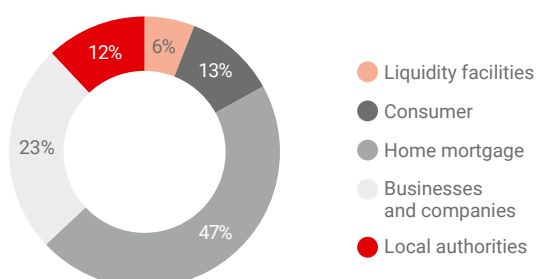
New lending reached €14.0 billion in 2018, 7.9% more than in 2017.

This growth in new lending concerned mainly loans to individuals

Gross loan production by loan type 2018

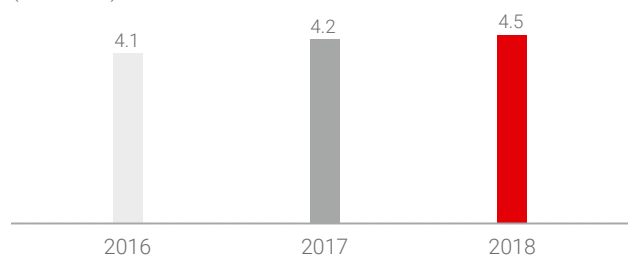


Gross loans outstanding by loan type 2018



Customer portfolio

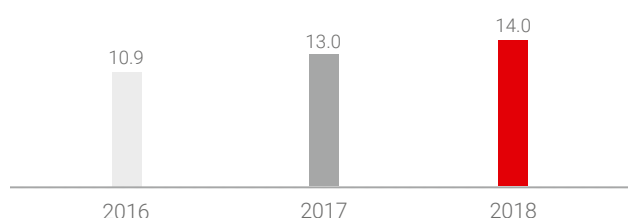
(in millions)



(up by 10% to €9.1 billion) and businesses and companies (up 9.6% to €3.6 billion). New lending to local authorities was down by 7.6% to €1.2 billion

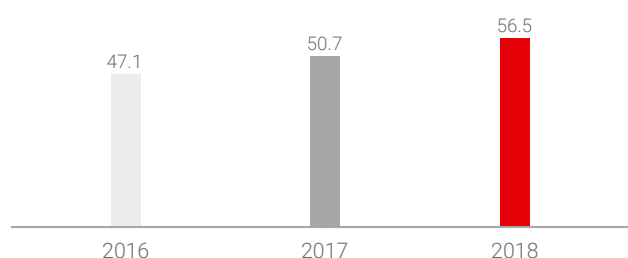
New lending

(in € billions)



Gross loans outstanding

(in € billions)



¹ Excluding the acquisition of the automotive branch of My Money Bank France and excluding Nouvelle Vague (Max personal assistant)

3.1.3 Savings

Total savings ended the year at €111.2 billion, up by 3.2% compared with the end of 2017.

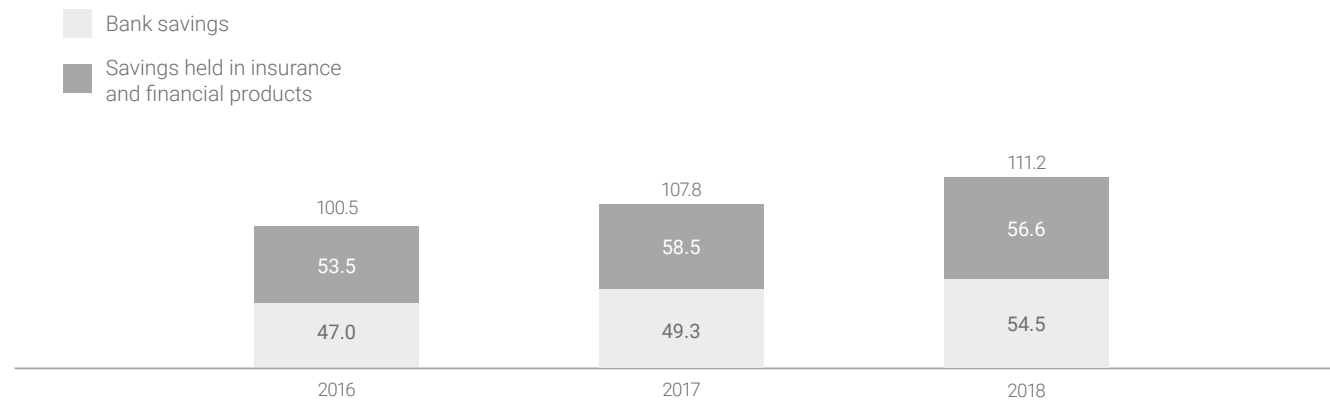
Net savings intake totaled €2.6 billion in 2018, down 19.9% compared with 2017.

This net savings intake was marked by:

- interest-bearing savings deposits of €3.2 billion, compared with net outflows of €0.1 billion in 2017.
- net insurance savings product intake of €1.8 billion, down 8.7%. Financial savings recorded outflows of €2.4 billion, compared with inflows of €1.3 billion in 2017.

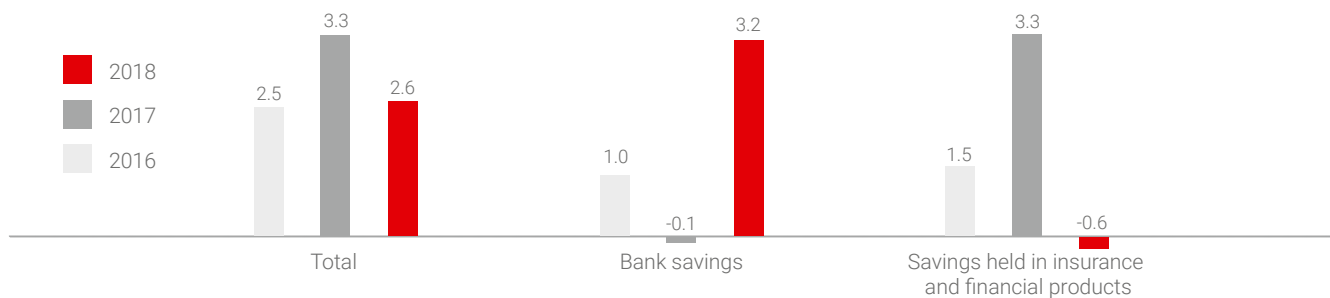
Savings

(in € billions)



Net savings intake

(in € billions)



3.1.4 Shares

Shareholders' equity increased by 2.7% to €2.3 billion.

3.1.5 Business-to-business (BtoB) services

The portfolio of BtoB customers (Monext, Nextalk, Arkéa Banking Services and ProCapital Securities Services) continued to grow, up by 8% year-on-year to 1,641 customers.

The volume of market orders processed by the group increased by 8.5%.

Against a backdrop of falling equity markets, ProCapital recorded a 11.9% decrease in securities held in custody to €37.6 billion.

	2016	2017	2018
Securities held in custody (€ millions)	29,008	42,697	37,624
Volume of market orders transacted (millions)	5.9	6.5	7.0
Number of BtoB customers	1,344	1,519	1,641

3.1.6 Non-life insurance

Non-life insurance policies are distributed through the group's networks and through external, non-Arkéa group networks.

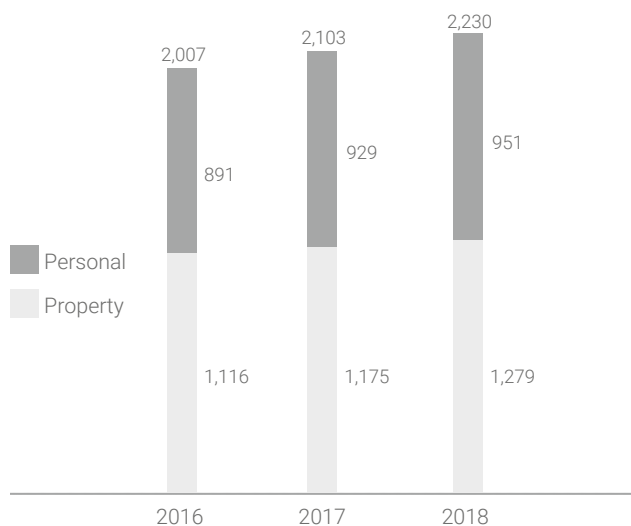
In 2018, the portfolio continued to grow, rising by 6.0%¹ to more than 2.2 million policies.

New business increased by 9.7% year on year to 432,800 policies, with a 21.1% increase in the property segment (+55,930 policies) and a 13.5% decrease in personal insurance (-17,500 policies).

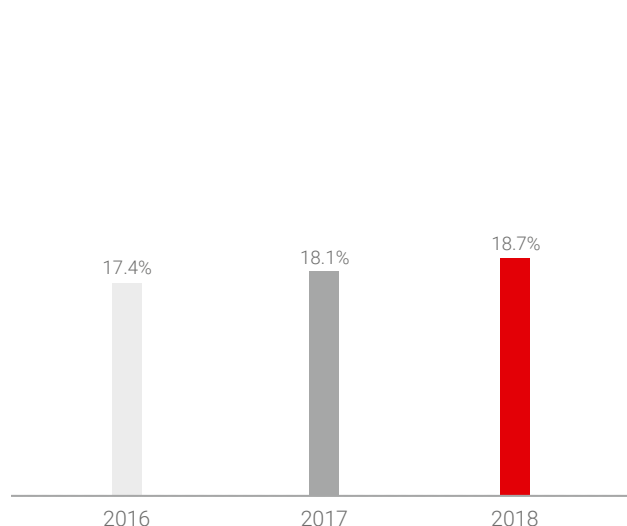
Policies acquired through external networks accounted for 32 % of new business. At end-2018, the portfolio acquired through external networks represented 18.7% of the total non-life insurance portfolio.

Non-life insurance portfolio

(thousands of policies)



Share of portfolio contributed by external networks



¹ The 2017 and 2016 portfolios have been restated to take policies into account from the date they come into effect and not from the date of signature.

3.2

Financial results

In 2018, net income attributable to the parent company reached €437 million, up by 2.1% relative to 2017 and the highest amount ever recorded by the Arkéa group (+ €9 million).

(in € millions)

	2018	2017	CHANGE 2018 / 2017	
			ABS.	%
Net banking and insurance income (PNBA)	2,146	2,090	56	2.7%
Operating expenses	-1,514	-1,427	-86	6.0%
Gross operating income	632	662	-30	-4.5%
Cost of risk	-64	-53	-11	20.8%
Pre-tax income	593	631	-38	-6.0%
Income tax	-156	-203	47	-23.2%
Net income attributable to the parent company	437	428	9	2.1%
Cost-to-income ratio ¹	70.5%	68.3%	2.2pt	

3.2.1 Net banking and insurance income (PNBA)

Net banking and insurance income reached an all-time high of €2,146 million, up 2.7% compared with 2017 (+ €56 million).

The analysis of net banking and insurance income is based on the segment breakdown used in the financial statements.

The banking segment

The banking segment includes retail banking for individuals (local savings banks of Crédit Mutuel, Arkéa Direct Bank [comprising in particular Fortuneo and Keytrade], Financo and CFCAL), retail banking for companies (Arkéa Banque Entreprises et Institutionnelles, Arkéa Crédit Bail, Leasecom, Arkéa Capital Investissement and Arkéa Capital Partenaire) and the Business Process Outsourcing (BPO) subsidiaries (Monext, Nextalk, Arkéa Banking Services,

ProCapital, Leetchi, Nouvelle Vague, Pumpkin and Izimmo).

Net banking and insurance income came to €1,623 million, up by 3.3% compared with 2017.

At comparable scope², net banking and insurance income was up by €90 million to €1,598 million:

- net interest income rose by €78 million to €793 million, due mainly to lower refinancing costs and the increase in gains in the private equity business.
- net commission income was stable at €622 million;
- other operating income and expenses increased by €11 million to €183 million, in line with the robust pace of the BPO activity.

The insurance and asset management segment

The insurance and asset management segment includes the life insurance (Suravenir) and non-life-insurance (Suravenir Assurances) companies and the brokerage (Novélia) and asset management (Federal Finance Gestion, Schelcher Prince Gestion and Arkéa Capital) companies.

Net banking and insurance income in the insurance and asset management segment rose by €4 million to €523 million. This increase was due to the decrease in non-life insurance claims during the year.

¹ Management expenses ratio (general operating expenses plus depreciation and amortisation of intangible and tangible assets) to net banking income (PNBA)

² Excluding change in scope (Izimmo, Arkéa Capital Managers, Pumpkin, and the My Money Bank France automotive portfolio) in 2018; excluding CIC capital gains and with the estimated impact of the application of IFRS 9 in 2017.

3.2.2 Operating expenses

Operating expenses were up €86 million to €1,514 million.

At comparable scope¹, operating expenses rose by €58 million to €1,479 million:

- personnel expenses rose by €24 million to €856 million;
- other expenses increased by €30 million to €505 million;
- amortization, depreciation and other provision allocations increased by €4 million to €118 million.

The cost-to-income ratio was 70.5% in 2018.

3.2.3 Cost of risk

The cost of risk rose by €11 million (+20.8%) to €64 million.

At comparable scope², the cost of risk was down by €16 million to €57 million.

- the cost of risk on non-performing and disputed customer loans was down by €1 million to €50 million;
- allocation to provisions for performing loans decreased by €15 million to €7 million.

3.2.4 Return on assets

The return on assets corresponds to reported net income relative to total consolidated assets. In 2018, it was 0.32%, compared with 0.33% the previous year..



¹ Excluding change in scope (Izimmo, Arkéa Capital Managers, Pumpkin, Nouvelle Vague and the My Money Bank France automotive portfolio).

² Excluding the acquisition of My Money Bank France's automotive division and including the estimated impact of the application of IFRS 9 in 2017.

3.3

Capital and regulatory ratios

3.3.1 Internal capital adequacy assessment process

The Crédit Mutuel Arkéa is subject to the capital adequacy requirements governing credit institutions, insurance companies and financial conglomerates:

- regulations governing credit institutions have, since 2014, been derived from the transposition into French law of the Capital Requirements Directive 4 (CRD 4) and the Capital Requirements Regulation (CRR); these regulations reflect implementation of the so-called Basel III proposals. They have been supplemented by the transposition into French law of the Banking Resolution Directive;
- regulations governing insurance companies have, since 2016, been derived from the transposition into French law of the Solvency 2/Omnibus 2 Directives;
- regulations governing financial conglomerates are derived from the transposition into French law of the "Financial Conglomerates" directive. The purpose of these regulations is to ensure coverage of the conglomerate's overall risk exposure (combining the banking and insurance activities) by group capital.

Banking and financial conglomerate solvency ratios are calculated using standards in effect at the end of the reporting period by Arkéa's financial and accounting department, which bases its calculation in particular on capital adequacy requirements determined by the Risk department.

Insurance business solvency ratios are calculated and monitored by the Group's insurance companies.

Arkéa's Assets and Liabilities Management (ALM) department monitors and manages the consolidated solvency ratio for the

banking activity as well as the financial conglomerates ratio.

Based on regulatory statements, growth forecasts for the group's activity and appropriate projections of capital adequacy requirements, the ALM department projects the ratios for upcoming years (minimum of three years). These projections are presented regularly to Executive Management, particularly at ALM and Capital Management Committee meetings, and are supplemented by stress scenarios. The aim is to anticipate the group's capital needs and propose optimization measures to ultimately ensure long-term compliance with internal and regulatory requirements.

3.3.2 Solvency ratios

Regulatory capital

Common Equity Tier 1 (CET 1) totaled €5.59 billion and represented 88% of total regulatory capital. It increased by €300 million in 2018, which corresponds mainly to the incorporation of the unappropriated profit for the year partly offset by the transition to IFRS 9 and the decrease in unrealized capital gains on securities classified at fair value through equity and available for sale following the increase in credit spreads in the last quarter.

Tier 2 capital decreased by €157 million in 2018, mainly due to the end of transitional adjustments (phasing and adjustment for general credit risk).

Prudential capital was up by 189 million to €6.33 billion.

(in € millions)

	12.31.2018	12.31.2017
Tier 1 capital net of deductions	5,639	5,294
of which Common Equity Tier 1 (CET1)	5,594	5,294
Tier 2 capital, net of deductions	688	845
TOTAL CAPITAL FOR SOLVENCY RATIO CALCULATION	6,327	6,139

Capital requirements

Capital requirements were €2.56 billion (or the equivalent to €32 billion in risk-weighted assets) and consisted primarily of credit risk. They increased by €275 million due mainly to the increase in outstanding loans.

(in € millions)

	12.31.2018	12.31.2017
CREDIT RISK	2,367	2,125
Standardized approach	494	420
Central and public administrations	97	76
Credit institutions	13	9
Corporates	49	87
Retail customers	269	220
Shares, securitizations and other non-credit obligation assets	66	30
Internal ratings-based approach	1,873	1,705
Credit institutions	74	67
Corporates	797	687
Retail customers	251	235
Equities	726	666
Securitization	0	3
Other non-credit obligation assets	24	46
MARKET RISK AND CVA (STANDARDIZED APPROACH)	8	7
OPERATIONAL RISK (ALMOST EXCLUSIVELY ADVANCED MEASUREMENT APPROACH)	186	155
TOTAL CAPITAL ADEQUACY REQUIREMENTS	2,562	2,287

Solvency ratios

The CET 1 ratio was 17.5% at end-2018 versus 18.5% at end-2017. The 1 percentage point decrease was due to the increase in risk-weighted assets combined with a more moderate increase in CET 1 capital.

The overall solvency ratio fell by 1.7 points to 19.8% at end-2018; this decrease is greater than that of the CET 1 ratio due mainly to the end of phasing and transitional adjustments for €157 million.

3.3.3 Other solvency ratios applied

Leverage ratio

The Basel 3 regulations have defined a ratio aimed at capping leverage. The simple calculation consists of measuring total assets relative to Tier 1 capital, with a minimum set at 3%.

In 2015, the European Commission adopted a Delegated Regulation in order to outline the calculation methods. A restrictive standard, on which work is underway at the European level, is expected to be implemented as of 2019.

At the end of 2018, the leverage ratio was 6.3%; it accounts for the mandatorily applicable requirements of the Delegated Regulation but does not incorporate arrangements subject to the prior consent of the regulator.

Transitional provisions represent 0.11% on the fully loaded leverage ratio: it thus stands at 6.18%.

Financial conglomerates ratio

The financial conglomerates ratio is designed to ensure that consolidated capital is adequate to cover solvency ratios for both the banking activities (Pillar 2 requirements incorporated since 2016) and insurance activities. The minimum level required is 100%.

At end-2018, consolidated capital totaled €7.6 billion while the capital requirement was €4.9 billion, corresponding to 154% (for a regulatory capital requirement of 100%). The ratio fell by 19 points over 2018 (using the same format), notably due to the increase in capital requirements for the banking scope (in line with the increase in the capital conservation buffer)

Ratio generated by the Bank Recovery and Resolution Directive

The Bank Recovery and Resolution Directive published in May 2014 establishes a European framework for the recovery and resolution of credit institutions. The goal is to reduce the impact of a bank failure on the financial system and avoid passing the cost on to taxpayers.

It calls for the establishment of a Minimum Requirement for Own Funds and Eligible Liabilities (MREL). This ratio measures capital and other eligible liabilities (including senior debt with a maturity of more

	12.31.2018	12.31.2017
CET 1 ratio	17.5%	18.5%
Tier 1 ratio	17.6%	18.5%
Overall ratio	19.8%	21.5%

than one year) against total liabilities. A minimum level will be set for each institution.

Under certain conditions, the Directive provides for a potential contribution from the resolution fund when shareholders and creditors have absorbed losses representing 8% of liabilities.

At end-December 2018, no standardized reporting had been established. The ratio between capital and senior debt (with a maturity of more than one year) on the one hand and the group's total banking liabilities on the other significantly exceeded 8%.

One of the regulatory changes initiated by the European Commission on November 23, 2016 provides for convergence between the European MREL standard and the international total loss-absorbing capacity (TLAC) standard. At the end of 2018, this change has not yet been adopted by the European Union.

3.3.4 Solvency of the group's insurance companies

Since January 1, 2016, European insurance companies have had to comply with the Solvency 2 framework.

Under this framework, Solvency 2 capital consists of the entities' core capital (Crédit Mutuel Arkéa's long-term capital: share capital and additional paid-in capital), the reconciliation reserve (Solvency 2 net assets less Crédit Mutuel Arkéa's long-term capital) and the subordinated debt contracted by Crédit Mutuel Arkéa.

In addition, the capital requirements (Solvency Capital Requirement, or SCR) of the group's insurance companies are calculated by applying the standard formula set out in the Solvency 2 regulation.

The group's insurance subsidiaries have not applied any transitional measures provided for in the European texts with the exception of the grandfathering of the eligibility of subordinated debt issued before 2015 for restricted Tier 1.

The insurance companies' capital, as well as their regulatory capital requirements, is reported quarterly and discussed with the group.

*Ratio excluding impact of irrevocable payment commitments to the Single Resolution Fund and the Deposits Guarantee System (negative impact of 13 bp on CET 1 ratio at end-2018)

With regard to governance, Suravenir and Suravenir Assurances have also implemented the four key functions required by the regulations and adapted their internal control and risk management systems accordingly. Every year, insurance subsidiaries produce an annual ORSA report (Own Risk and Solvency Assessment) assessing the overall solvency requirement and used to identify any deviation in each business' risk profile relative to the assumptions in the standard formula and to ensure ongoing compliance with regulatory requirements.

Lastly, since 2017 Suravenir and Suravenir Assurances have published their Solvency and Financial Conditions Reports (SFCRs) and implemented the Regular Supervisory Report (RSR) and the

various quarterly and annual quantitative reports (QRTs, or Quantitative Reporting Templates) intended for the ACPR, EIOPA, the ECB and the FSB.



3.4 Outlook

3.4.1 Review of 2018

With regard to the economy, French GDP growth ended 2018 at 1.5%¹, which was down compared with 2017 and lower than had been forecast at the beginning of the year. The first half of the year was affected by the expected decline in consumption, with a drop in purchasing power following the series of unfavorable tax measures concentrated at the beginning of the year. Corporate investment was a factor of support for the economy throughout the year. The expected rebound in household consumption in the second half of the year did not take place, despite the more favorable tax measures. After a strong recovery in the third quarter, the yellow vest crisis dampened French confidence and end-of-year spending. Economic growth in the fourth quarter was saved by exports driven by the weakening of the euro against the dollar, which appreciated due to US monetary tightening.

The situation also deteriorated in other parts of Europe. Germany has been hurt by the slowdown of the Chinese economy, arising from the trade war declared by US President Donald Trump. Italy slipped into recession after two consecutive quarters of declining economic growth in the second half. The United Kingdom is caught in the Brexit quagmire, with fears of a no-deal exit from the European Community, the consequences of which are unknown, but will certainly be negative for both parties.

The monetary policies of the Federal Reserve (Fed) in the United States and the European Central Bank (ECB) have diverged significantly. The former began to raise money market interest rates modestly, causing Wall Street concern amid geopolitical tensions. The latter continued its bond purchase program, although announcing that it would cease in December 2018. This policy has kept interest rates very low, boosted investment and revived inflation at 1.4% in the euro zone, i.e. still below the ECB's 2% target.

Against this backdrop, interest rates remained very low in the euro zone and France (0.7% for the 10-year OAT) at end-2018 versus 2.7% for US bonds. The euro depreciated by 5% against the US dollar, ending 2018 at \$1.14. The equity markets suffered from this economic and political environment at the end of the year, with a drop of 11% for the CAC40. The index had not fallen since end-2011 (stable in 2014), with growth of

68% from end-2011 to end-2017.

With regard to accounting standards, 2018 was marked by the implementation of IFRS 9, applicable as from January 1, 2018. The implementation of this new standard has had a significant impact on the banking sector, with a fall in equity for a large part of the sector following changes in the method for calculating impairment of loans and receivables, including performing loans (see also 3.5 Consolidated financial statements).

3.4.2 2019 outlook

Penalized by a less favorable global economic environment, French GDP growth is expected to stand at 1.4%² in 2019. After the rebound at the end of 2018, foreign trade is expected to slow at the beginning of the year, under the dual effect of a normalization of the euro/USD exchange rate and the economic slowdown in the euro zone. Manufacturing activity is expected to decelerate compared with 2018 in line with the decline in economic sentiment (INSEE survey of business leaders) since the December 2017 peak. Construction is also expected to slow due to the slowdown in building permits at the end of 2018 and a restriction of tax measures favorable to the sector (Pinel Law).

Household consumption will continue to be the most important growth driver, bolstered by increased purchasing power linked to the tax package announced at the end of December, the fall in oil prices and the moderate increase in job creation. The unemployment rate is expected to fall a little. Growth in consumption will be especially strong given that the base for comparison was poor in 2018, with the tax measures at the beginning of the year and the yellow vest crisis at the end of the year. Corporate investment will remain upbeat, at least in the first half, with the reduction in employer contributions boosting margins.

The yield curve remains low and flat, despite the announcement of the ECB's end to its bond purchases, contrary to hopes at the beginning of 2018 of a steepening of the yield curve driven by global economic growth and the upturn in inflation. This environment is not favorable to the banking system and does not allow

¹ INSEE

² Bloomberg consensus

for an improvement in the interest margin on new loans. Arkéa's diversification towards more non-banking activities and BtoB is a response to this environment. With an excellent level of solvency and a balanced loan-to-deposit ratio, the Arkéa group's financial structure will also allow it to expand its lending activity

3.4.3 Company outlook since the publication of its most recent verified financial statements

No significant event has affected the company since the closing date of its most recent financial statements, which were audited as at December 31, 2018 and published on February 27, 2019.

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Consolidated financial statements for the year ended December 31, 2018

Balance sheet

(in € thousands)

		12.31.2018	01.01.2018	12.31.2017
ASSETS	NOTES	IFRS 9	IFRS 9	IAS 39
Cash, due from central banks	1	3,236,588	4,182,765	4,182,765
Financial assets at fair value through profit or loss	2	1,179,263	1,120,970	22,981,741
Derivatives used for hedging purposes	3	692,564	685,923	685,923
Financial assets at fair value through equity	4a	11,323,695	10,607,608	
Available-for-sale financial assets	4b			38,031,257
Securities at amortized cost	5	163,949	157,737	
Loans and receivables - credit institutions, at amortized cost	1	8,986,833	7,599,543	7,259,426
Loans and receivables - customers, at amortized cost	6	55,574,536	50,135,882	50,483,395
Remeasurement adjustment on interest-rate risk hedged portfolios		299,115	264,850	264,850
Held-to-maturity financial assets				101,294
Placement of insurance activities	7	50,190,292	50,600,452	
Current tax assets	8	224,673	209,444	209,205
Deferred tax assets	9	149,446	49,835	54,848
Accruals, prepayments and sundry assets	10	867,127	1,054,892	2,170,984
Non-current assets held for sale	27	444,230	-	-
Deferred profit-sharing	10a	-	-	-
Investments in associates	11	201,775	190,340	190,347
Investment property	12	154,236	168,838	515,395
Property, plant and equipment	13	257,761	253,085	253,085
Intangible assets	14	435,758	427,580	427,580
Goodwill	15	538,461	572,684	572,684
TOTAL ASSETS		134,920,302	128,282,428	128,384,779

(in € thousands)

		12.31.2018	01.01.2018	12.31.2017
LIABILITIES	NOTES	IFRS 9	IFRS 9	IAS 39
Due to central banks	16	-	-	-
Financial liabilities at fair value through profit or loss	17	811,071	558,817	610,438
Derivatives used for hedging purposes	3	427,735	398,672	398,672
Debt securities	18	12,770,678	10,737,859	10,787,859
Due to banks	16	7,117,358	7,999,171	9,814,554
Liabilities to customers	19	54,555,163	49,379,692	49,436,172
Remeasurement adjustment on interest-rate risk hedged portfolios		63,361	46,800	46,800
Current tax liabilities	8	127,008	119,391	119,045
Deferred tax liabilities	9	133,565	97,988	152,025
Accruals, deferred income and sundry liabilities	20	2,063,634	2,005,513	5,471,948
Liabilities associated with non-current assets held for sale	27	19,442	-	-
Insurance companies' technical reserves	21	48,033,048	48,247,133	42,807,688
Provisions	22	423,551	413,273	394,857
Subordinated debt	23	1,667,088	1,892,119	1,892,773
TOTAL EQUITY		6,707,600	6,386,000	6,451,948
Shareholders' equity, group share		6,704,447	6,383,118	6,449,066
Share capital and additional paid-in capital	24	2,266,390	2,207,864	2,207,864
Consolidated reserves	24	3,896,397	3,941,308	3,531,437
Gains and losses recognized directly in equity	25	104,372	233,946	281,644
Net income for the year		437,288		428,121
Non-controlling interests		3,152	2,882	2,882
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		134,920,302	128,282,428	128,384,779

Income statement

(in € thousands)

		12.31.2018	12.31.2017
	NOTES	IFRS 9	IAS 39
Interest and similar income ¹	30	1,844,189	1,806,531
Interest and similar expense ¹	30	-1,164,720	-1,170,920
Commission income	31	622,640	648,546
Commission expense	31	-142,399	-239,827
Net gain (loss) on financial instruments at fair value through profit or loss	32	85,062	2,618
Net gain (loss) on financial instruments at fair value through equity	33a	31,635	
Net gain (loss) on available-for-sale financial instruments	33b		193,847
Net gain (loss) on derecognition of financial instruments at amortized cost	34	1	
Net income from insurance activities	35	687,044	
Income from other activities	36	257,531	7,230,670
Expense from other activities	36	-75,178	-6,381,859
NET BANKING INCOME		2,145,805	2,089,606
General operating expenses	37	-1,394,211	-1,313,081
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	39	-119,314	-114,291
GROSS OPERATING INCOME		632,280	662,234
Cost of credit risk	40	-63,679	-52,731
OPERATING INCOME		568,601	609,503
Share in net income of equity-accounted associates and joint ventures	11	248	23,919
Gains (losses) on other assets	41	4,829	-2,429
Changes in goodwill	49	19,549	0
PRE-TAX INCOME		593,227	630,993
Income tax	42	-155,695	-202,751
Net income (loss) from discontinued operations		0	0
NET INCOME		437,532	428,242
O/w non-controlling interests		244	120
NET INCOME - GROUP SHARE		437,288	428,121

¹ The interest calculated using the effective interest rate method for instruments valued at fair value through OCI or at amortized cost is presented in note 30.

Statement of net income and gains and losses recognized directly in equity

(in € thousands)

		12.31.2018	12.31.2017
	NOTES	IFRS 9	IAS 39
NET INCOME		437,532	428,242
Revaluation of financial assets at fair value through recyclable equity (net of taxes)		-28,869	
Revaluation of available-for-sale financial assets (net of taxes)		-49,440	2,624
Revaluation of derivatives used to hedge recyclable items (net of taxes)		252	1,781
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes)		-399	-9,447
ITEMS TO BE RECYCLED TO PROFIT OR LOSS		-78,456	-5,042
Actuarial gains (losses) on defined benefit plans (net of taxes)		-34,928	-4,960
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option (net of taxes)		4,947	
Revaluation of equity instruments at fair value through equity (net of taxes) ¹		-7,942	
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes) not recycled to profit or loss		-13,198	19
ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS		-51,121	-4,941
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY		-129,577	-9,983
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	43	307,955	418,259
of which group share		307,714	418,141
of which non-controlling interests		241	118

¹ of which the impact of the transfer to reserves of non-recyclable items for €6,611,000.

CHANGES IN SHAREHOLDERS' EQUITY

(in € thousands)

	SHARE CAPITAL AND RESERVES	CONSOLIDATED RESERVES	
POSITION AT JANUARY 1, 2017	2,203,108	3,239,290	
Capital increase/reduction	4,756		
Cancellation of treasury shares			
Issuance of preferred shares			
Equity components of hybrid instruments			
Equity components whose payment is share-based			
Allocation of the previous year income		336,187	
Dividend paid in 2017 in respect of 2016		-37,456	
Change in equity interests in subsidiaries with no loss of control		-6,766	
SUBTOTAL OF CHANGES INVOLVING TRANSACTIONS WITH SHAREHOLDERS	2,207,864	3,531,255	
Changes in gains and losses recognized directly in equity			
2017 net income			
SUBTOTAL	2,207,864	3,531,255	
Impact of acquisitions and disposals on non-controlling interests			
Share of changes in shareholders' equity from investments in associates and joint ventures		885	
Change in accounting methods			
Other changes		-703	
POSITION AT DECEMBER 31, 2017	2,207,864	3,531,437	
Capital increase	58,526		
Cancellation of treasury shares			
Issuance of preferred shares			
Equity components of hybrid instruments			
Equity components whose payment is share-based			
Allocation of the previous year's income		428,121	
Dividend paid in 2018 in respect of 2017		-36,824	
Change in equity interests in subsidiaries with no loss of control			
SUBTOTAL OF CHANGES INVOLVING TRANSACTIONS WITH SHAREHOLDERS	2,266,390	3,922,734	
Changes in gains and losses recognized directly in equity		-5,143	
2018 net income			
SUBTOTAL	2,266,390	3,917,591	
Impact of acquisitions and disposals on non-controlling interests		259	
Share of changes in shareholders' equity from investments in associates and joint ventures		-2,044	
Change in accounting methods			
Other changes ⁽¹⁾		-19,410	
POSITION AT DECEMBER 31, 2018	2,266,390	3,896,396	

¹ The other changes include the impact linked to IFRS 9 as described in note 5 FTA -Changes in shareholders' equity.

	TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	SHAREHOLDERS' EQUITY, GROUP SHARE	NON-CONTROL- LING INTERESTS IN EQUITY	TOTAL EQUITY
	291,625	336,187	6,070,210	2,747	6,072,957
			4,756		4,756
			-		-
			-		-
			-		-
		-336,187	-		-
			-37,456	-4	-37,460
			-6,766	-34	-6,800
	291,625	-	6,030,744	2,709	6,033,453
	-9,981		-9,981	-2	-9,983
		428,121	428,121	120	428,241
	281,644	428,121	6,448,884	2,827	6,451,711
			-		-
			885		885
			-		-
			-703	55	-648
	281,644	428,121	6,449,066	2,882	6,451,948
			58,526		58,526
			-		-
			-		-
			-		-
			-		-
		-428,121	-		-
			-36,824	-3	-36,827
			-		-
	281,644	-	6,470,768	2,879	6,473,647
	-129,574		-134,717	-3	-134,720
		437,288	437,288	244	437,532
	152,070	437,288	6,773,339	3,120	6,776,459
			259		259
			-2,044		-2,044
			-		-
	-47,697		-67,107	33	-67,074
	104,373	437,288	6,704,447	3,153	6,707,600

Net cash flow statement

(in € thousands)

	12.31.2018	12.31.2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	437,532	428,242
Tax	155,695	202,751
PRE-TAX INCOME	593,227	630,993
Depreciation and amortization of property, plant and equipment and intangible assets	118,000	112,910
Impairment of goodwill and other non-current assets	288	-572
Net additions to depreciations	28,186	-17,639
Share of income (loss) from investments in associates	-248	-22,900
Net loss (gain) from investing activities	-13,288	-97,362
(Income)/expense from financing activities	-	-
Other changes	1,522,419	3,142,728
TOTAL NON-CASH ITEMS included in net income and other adjustments	1,655,357	3,117,165
Interbank transactions	-2,135,555	1,905,386
Transactions with customers	-606,209	-1,541,732
Transactions involving other financial assets/liabilities	-323,378	-4,030,466
Transactions involving other non-financial assets/liabilities	44,205	934,139
Dividends from investments in associates	874	-
Taxes paid	-178,852	-206,200
NET DECREASE/(INCREASE) in operating assets and liabilities	-3,198,915	-2,938,873
NET CASH FLOW from operating activities	-950,330	809,286

Cash flows from investing activities

Financial assets and investments	-550,523	60,451
Investment property	7,939	-2,719
Property, plant and equipment and intangible assets	-133,183	-130,081
Other	-	-
CASH FLOWS from investing activities	-675,767	-72,349

Cash flows from financing activities

(in € thousands)

	12.31.2018	12.31.2017
Cash flows from/to shareholders	55,700	-35,019
Other cash flows from financing activities	1,528,000	-642,041
CASH FLOWS from financing activities	1,583,700	-677,060
NET INCREASE/(DECREASE) in cash and cash equivalents	-42,397	59,877
Cash flows from operating activities	-950,330	809,286
Cash flows from investing activities	-675,767	-72,349
Cash flows from financing activities	1,583,700	-677,060
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,874,179	3,814,302
Cash, central banks (assets & liabilities)	4,182,765	3,617,196
Deposits (assets and liabilities) and demand loans with credit institutions	-308,586	197,106
CASH AND CASH EQUIVALENTS, END OF THE YEAR	3,831,782	3,874,179
Cash, central banks (assets & liabilities) (Notes 1 and 16)	3,236,588	4,182,765
Deposits (assets and liabilities) and demand loans with credit institutions (Notes 1; 7c; 16 and 21b)	595,194	-308,586
CHANGE IN NET CASH AND CASH EQUIVALENTS	-42,397	59,877

The cash flow statement is presented using the indirect method.

Net cash and cash equivalents includes cash, debit and credit balances with central banks and demand debit and credit sight balances with banks.

Changes in cash flow from operations record the cash flow generated by the group's activities, including such flows arising from negotiable debt securities.

Changes in cash from financing activities include changes related to shareholders' equity and subordinated debt.

Notes

Consolidated financial statements for the year ended December 31, 2018

Highlights of the year

Now halfway through the Arkéa 2020 strategic plan, Arkéa achieved a remarkable performance in 2018 with net income, group share at a record level of €437 million.

The effectiveness of Arkéa's diversified business model and strong sales momentum in all its business lines resulted in a 2.7% increase in net banking and insurance income to €2,146 million, a record level for the group.

The prudential ratios, particularly the solvency ratios, remain well above the regulatory requirements and confirm the group's intrinsic soundness.

In the first half of 2018, via its Financo subsidiary, the group finalized the acquisition of the auto financing activity of My Money Bank in France. This acquisition resulted in the recognition of bad-will in the income statement.

In the second half of 2018, the investments in the following Fin-tech companies, in which the group has significant influence, were included in the consolidation scope:

- Vivienne Investissement, a quantitative asset management company,
- Yomoni, a digital portfolio management company,
- Finansemble, a digital wealth management company,
- Jivai, insurance comparison website that offers insurance diagnosis to users,
- Compagnie française des successions et des épargnants, an online platform for simulating and optimizing inheritance and retirement cost; and
- Linxo Group, account aggregation and expense monitoring.

The recently created companies, Arkéa Capital Manager and SMSPG2, are consolidated under the full consolidation method.

In addition, Arkéa has entered into exclusive negotiations with NBB Lease for the sale of Leasecom, a subsidiary specializing in finance leasing of scalable equipment for businesses and sole traders. IFRS 5 «Non-current assets held for sale and discontinued operations» was applied as at December 31, 2018.

Moreover, the group transferred all the assets of CEOI-BIE to Arkéa, resulting in its exit from the consolidation scope.

The group's independence process was also an outstanding feature of the 2018 financial year. Thus, at its meeting on January 17, 2018, Crédit Mutuel Arkéa's Board of Directors authorized the Crédit Mutuel Arkéa's management to take any action that would allow Crédit Mutuel Arkéa to become a cooperative and regional banking group, with mutualist values, independent from the rest of Crédit Mutuel.

The local savings banks and the directors of the Bretagne, Sud-Ouest and Massif Central federations were invited to vote in the first half of 2018. 94.5% of the local savings banks that voted expressed their support for Crédit Mutuel Arkéa's independence.

On June 29, 2018, Crédit Mutuel Arkéa's Board of Directors approved the target organizational chart of the future independent group. On this basis, the group started the preparatory work for an orderly separation from the Crédit Mutuel group.

Operational implementation of the Arkéa group's exit from the Crédit Mutuel group remains subject to the approval of the local savings banks. This consultation with the local savings banks will take place following ongoing discussions and work, in particular with the supervisory bodies, and will be based on a finalized consultation file.

Accounting standards applied

Pursuant to European Regulation 1606/2002 of July 19, 2002 on the application of international standards, Crédit Mutuel Arkéa prepared its summary consolidated financial statements for the period ending December 31, 2018 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of that date. These financial statements are presented in accordance with recommendation 2017-02 of the French Accounting Standards Authority.

At December 31, 2018, the group applied the standards in force as at January 1, 2018 and adopted by the European Union.

The group chose to forgo early adoption of the new standards and interpretations adopted by the European Union whose application was optional in 2018.

IFRS 9 Financial Instruments

The Group has applied IFRS 9 since January 1, 2018.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules for:

- classification and measurement of financial instruments (stage 1)
- impairment for credit risk of financial assets (stage 2)
- hedge accounting, excluding macro hedging (stage 3).

Classification and measurement and the new impairment model under IFRS 9 are applied retrospectively by adjusting the opening

balance sheet at January 1, 2018 (impact on equity), with no requirement to restate prior years for comparison purposes.

Therefore, the group is presenting its 2018 financial statements without a 2017 comparison in IFRS 9 format, and an explanation of the transition of the portfolios between the two standards and the impacts on equity at January 1, 2018 are presented below (section Notes – First-Time Application). The group is not applying stage 3, which is optional, and hedging therefore continues to be recognized according to IAS 39 as adopted by the European Union.

The implementation of IFRS 9 applies to all the group's activities except the insurance entities, which may defer application until 2022, as provided by the amendment to IFRS 4 as adopted by the European Union.

The IFRS 9 principles applied by the group are described in detail in the section entitled Accounting principles and evaluation methods.

NOTES - FIRST TIME APPLICATION

The main impacts of the first-time application (FTA) of IFRS 9 at January 1, 2018 are as follows:

Note 1 – IAS 39 – IFRS 9 transition table/Classification and measurement

This table presents the gross amounts.

Valuation classes	12/31/2017 IAS 39 balance	Type of instrument and accounting category IAS 39	12/31/2017 IAS 39 detailed balance	Type of instrument and accounting category
Financial assets at fair value through profit or loss	22,981,741	Financial assets held for trading purposes including derivatives	364,055	Financial assets held for trading purposes including derivatives
		Equity instruments classified at fair value through profit or loss by option	16,802,014	Equity instruments measured at fair value through profit or loss
				Equity instruments designated as measured at fair value through equity
		Debt instruments and loans at fair value through profit or loss by option	5,815,672	Debt instruments designated as measured at fair value through profit or loss
				Debt instruments or loans mandatorily measured at fair value through profit or loss
				Debt instruments measured at fair value through profit or loss - trading
				Debt instruments measured at fair value through equity
Securities at amortized cost				
Available-for- sale financial assets	38,031,257	Available-for-sale equity instruments	2,221,955	Equity instruments designated as measured at fair value through equity
				Equity instruments measured at fair value through profit or loss
		Available-for-sale debt instruments	35,809,302	Debt instruments measured at fair value through equity
				Debt instruments designated as measured at fair value through profit or loss
				Debt instruments mandatorily measured at fair value through profit or loss
Securities at amortized cost				
Financial assets at amortized cost	60,966,932	Cash, due from central banks	4,182,765	Cash, due from central banks
		Loans and receivables - credit institutions	7,259,426	Loans and receivables - credit institutions, at amortized cost
				Loans and receivables at fair value through profit or loss
		Loans and receivables - Customers (excluding finance leases)	49,423,447	Loans and receivables - Customers, at amortized cost (excluding finance leases)
				Loans and receivables at fair value through profit or loss
		Held-to-maturity financial assets	101,294	Securities at amortized cost
				Debt instruments measured at fair value through equity
				Debt instruments mandatorily measured at fair value through profit or loss
Debt instruments mandatorily measured at fair value through profit or loss				

⁽¹⁾ Other reclassifications include reclassifications of guarantee deposits to financial instruments in accordance with ANC recommendation 2017-02

Reclassification to iso value	Revaluation	Insurance reclassification	Other reclassifications ⁽¹⁾	Balance at 01/01/2018 IFRS 9	
	-116	-686		363,253	
-79,238		-16,618,709		104,067	
-30,042		-5,776,248		9,382	
109,280				109,280	
-247,394		-1,501,201		473,360	
159,001			2	159,003	
-217,765		-25,457,286	-3	10,134,248	
215,374			-4	215,370	
78,118	-1,577		3	76,543	
				4,182,765	
-62,994		-20,264	425,075	7,601,243	
63,441	-663		609	63,387	
		-107,655	156	49,315,948	
-82,367		-6,708	70,246	82,465	
94,587	1,462		1,180	97,229	
IFRS 9 BALANCES AT 01/01/2018					
				Financial assets at fair value through profit or loss	1,120,970
				Financial assets at fair value through equity	10,607,608
				Financial assets at amortized cost	61,258,964

⁽¹⁾ Other reclassifications include reclassifications of guarantee deposits to financial instruments in accordance with ANC recommendation 2017-02.

Application, in terms of classification, of the provisions of IFRS 9 to financial assets whose classification has changed:

- By default, equity instruments are recognized at fair value through profit or loss. Those that were designated at fair value through non-recyclable equity were submitted to a validation committee (Executive Committee).

- Debt instruments were analyzed based on the following two criteria:

(i) Business model: all the portfolios were assigned to a «Hold-to-Collect», «Hold-to-Collect and Sell» or «Other» business model based on the criteria defined by IFRS 9 and applied on the date of first-time application.

(ii) An analysis of the SPPI – Solely Payments of Principal and Interest – criteria (see accounting principles) on the date of initial recognition.

Most of the financial assets that were measured at amortized cost continue to meet the conditions for recognition at amortized cost under IFRS 9.

The main reclassifications relate to:

- For the loan portfolios: specific loans granted to credit institutions
- For the investment securities portfolios: structured bonds or bonds whose variable interest rates are not in sync with the time value of dividend payments.

The main reclassifications of debt securities that were measured at fair value through equity (available-for-sale assets) and are reclassified at fair value through profit or loss relate to:

- Units of UCITS or venture capital mutual funds
- Securitizations

Note 2 – IFRS 9 reclassification of financial assets designated at fair value through profit or loss under IAS 39

Reclassification of assets at fair value through profit or loss by option at 12/31/2017 (IAS 39) no longer designated as such as at 01/01/2018 (IFRS 9)

(in € thousands)

	RECLASSIFICATION IMPOSED BY THE STANDARD	RECLASSIFICATION ELECTED BY THE GROUP	TARGET ACCOUNTING CATEGORY
Equity instruments	104,067		Equity instruments measured at fair value through profit or loss Equity instruments measured at fair value through equity
Debt instruments and loans	109,280		Debt instruments measured at fair value through profit or loss Debt instruments measured at fair value through equity Debt instruments at amortized cost

These are mainly equity instruments for which the option no longer exists as well as debt instruments that were designated at fair value through profit or loss using the fair value option since they contained an embedded derivative.

No assets were newly designated at fair value through profit or loss as of the date of first-time application.

Note 3 – Tracking of fair values for instruments reclassified at amortized cost and those reclassified from fair value through profit or loss to fair value through equity

IAS 39 classification	IFRS 9 classification	Fair value at closing date	Gains/losses on fair value that would have been recognized in profit or loss or in other comprehensive income during the period if they had not been reclassified
Financial assets held for trading purposes <i>Fair value through profit or loss</i>	Equity instruments measured at fair value through equity		
	Debt instruments measured at fair value through equity		
	Debt securities at amortized cost		
Assets measured at fair value through profit or loss by option <i>Fair value through profit or loss</i>	Equity instruments measured at fair value through equity		
	Debt instruments measured at fair value through equity		
	Debt securities at amortized cost		
Available-for-sale financial assets <i>Fair value through equity</i>	Debt securities at amortized cost	71,783	-1,009

Note 4 - IAS 39 - IFRS 9 transition table/Impairment

a- Changes in value adjustments for impairment at date of FTA

	IAS 39	IFRS 9	Closing balance of value adjustments for impairment or provisions IAS 39 / IAS 37	Impacts of IAS 39 collective provisions/ IFRS 9 Buckets 1 and 2	Other impacts (chg. In provisions due to reclassification of the asset and elimination of provisions for equity instruments)	Opening balance of value adjustments for IFRS 9 losses
Assets...	... Measured at fair value through profit or loss <i>Fair value through profit or loss</i>	Fair value through profit or loss				
		Fair value through equity				
		Amortized cost				
	...Available-for-sale <i>Fair value through equity</i>	Fair value through profit or loss	-14,253		14,253	0
		Fair value through equity	-21,542	-4,783	21,542	-4,783
		Amortized cost		-1,271		-1,271
	...Held to maturity <i>Amortized cost</i>	Fair value through profit or loss				
		Fair value through equity				
		Amortized cost				
	Loans and receivables due from credit institutions <i>Amortized cost</i>	Fair value through profit or loss				
		Fair value through equity				
		Amortized cost	0	-1,700		-1,700
	Loans and receivables - Customers (excluding finance leases) <i>Amortized cost</i>	Fair value through profit or loss				
		Fair value through equity				
		Amortized cost	-948,751	-70,224		-1,018,975
	Finance leases	-48,610	-23,240		-71,850	
	Other assets	0			0	
Commitments given	Financing commitments			-14,454		-14,454
	Financial guarantees			-3,963		-3,963
	Other commitments given					

b - Presentation of IFRS 9 opening balance

Type of instrument and accounting category IFRS 9		Calculation basis - IFRS 9 provisions			Opening balance - IFRS 9 provisions		
		Bucket 1	Bucket 2	Bucket 3	Bucket 1	Bucket 2	Bucket 3
Fair value through equity	Debt instruments	10,060,849	78,182	0	-4,607	-176	0
	Loans and receivables	0	0	0	0	0	0
Amortized cost	Debt instruments	133,603	25,405	0	-228	-1,043	0
	Loans and receivables - credit institutions	7,601,243	0	0	-1,700	0	0
	Loans and receivables - Customers (excluding finance leases)	45,639,247	2,266,119	1,410,582	-94,218	-122,497	-802,260
	Finance leases	1,686,505	153,317	70,937	-12,763	-10,477	-48,610

Note 5 - Changes in shareholders' equity

(in € thousands)

	Share capital and additional paid-in capital	Consolidated reserves	Total gains and losses recognized directly in equity	Net income attributable to equity holders of the parent	Shareholders' equity, group share	Non-controlling interests in equity	Total equity
Position at December 31, 2017	2,207,864	3,531,437	281,644	428,121	6,449,066	2,882	6,451,948
Reclassification		70,435	-70,532		-97		-97
Impairment		-119,657	4,789		-114,868		-114,868
Deferred taxes		30,971	18,046		49,017		49,017
Shareholders' equity at January 1, 2018	2,207,864	3,513,186	233,947	428,121	6,383,118	2,882	6,386,000

Following the clarification issued by the IFRS Interpretations Committee (IFRIC) on the accounting treatment under IFRS 9 of re-negotiated debt, Crédit Mutuel Arkéa has not adjusted the amortized cost of re-negotiated liabilities given that the amounts concerned are immaterial.

IFRS 15 Revenue from Contracts with Customers

This standard defines the principles for measuring revenue related to contracts with customers, with the exception of contracts governed by specific standards, such as those related to leases, insurance contracts and financial instruments. Five steps must be followed: identification of the contract with the customer, identification of the performance obligations in the contract, determination of the transaction price of the contract, allocation of the transaction price to the performance obligations and recognition of revenue when a performance obligation is satisfied.

Amendments have been issued to provide clarification on its implementation in the following areas: identification of performance obligations, agent/principal distinction, intellectual property licenses.

The European Union adopted IFRS 15 on October 29, 2016 and it has been applicable since January 1, 2018.

An analysis of the standard and identification of its potential effects indicated that there was no significant impact for the group; the method used to recognize business revenue therefore did not change.

Other standards

Other amendments have little or no material impact for the group.

They concern:

- application of the fair value through profit or loss option by venture capital/private equity entities to their associates and joint ventures. The amendment to IAS 28 specifies that this option may be exercised on an entity-by-entity basis;
- information regarding transfers to or from the investment property category (IAS 40),
- transactions for which payment is share-based according to, IFRS 2.

The changes relate to:

- the recognition of vesting conditions for the measurement of cash-settled transactions,,
- transactions that include a net settlement feature related to withholding tax,
- modification of the terms of a share-based payment, which results in a change in the classification of the transaction from cash-settled to equity-settled.

Main standards adopted by the European Union and not yet applied

IFRS 16 Leases

Following the European Union's approval of IFRS 16 Leases on October 31, 2017, application of this standard is mandatory as from January 1, 2019 for entities that present their financial statements under IFRS.

Crédit Mutuel Arkéa will apply this standard without opting for early adoption.

IFRS 16 requires most leases to be recorded in the balance sheet, resulting in the recognition of new assets and liabilities. There are exemptions, particularly for short-term leases and/or assets of little value.

In terms of presentation, application of this standard will have the following main impacts:

- In the balance sheet: recognition of an asset representing the right to use the leased assets over the term of the agreement (term established as provided under IFRS 16) offset by a liability representing the lease payments (corresponding to the present value of the lease payments discounted at the incremental borrowing rate);
- In the income statement: under IFRS 16, the rental expense will be recorded in part under depreciation within operating income and in part under interest expense..

The group's analysis of this standard continued throughout the year.

Its leasing contracts concern mainly real estate assets (leased branched premises, office buildings, etc.) and IT equipment.

The potential impact of IFRS 16 on the group's financial statements was considered immaterial.

Crédit Mutuel Arkéa will adopt IFRS 16 as from January 1, 2019 using the modified retrospective approach

Main standards not yet adopted by the European Union

IFRS 17 Insurance Contracts

On May 18, 2017, the IFRS Foundation published the new standard IFRS 17 «Insurance Contracts». IFRS 17 replaces IFRS 4 «Insurance Contracts» published in 2004. IFRS 4 allowed companies to continue to use national accounting rules for insurance contracts, which resulted in a large number of different approaches, making it difficult for investors to compare the financial performance of companies.

IFRS 17 offers a solution to the comparison problems created by IFRS 4 by requiring all insurance contracts to be recognized in a standardized manner.

Subject to its adoption by the European Union, IFRS 17 will take effect on January 1, 2022.

The Group has launched a task force to analyze the standard and its main impacts.

The standards adopted by the European Union are available on the European Commission's website:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_fr



Accounting principles and valuation methods

The group has applied IFRS 9 since January 1, 2018 for the recognition of financial instruments for its banking activity. The insurance business continues to apply IAS 39 following the adoption of the temporary exemption from applying IFRS 9, as provided for by the amendment to IFRS 4.

To take advantage of this deferral, the following conditions must be met:

- no transfer of financial instruments between the insurance segment and the conglomerate's other segments (with the exception of financial instruments at fair value through profit or loss for both segments involved in the transfer),
- indication of the insurance entities deferring application of IFRS 9,
- the provision of additional information in notes presenting the insurance activities separately from the banking activities.

In compliance with the conditions listed above, the group entities that are deferring application of IFRS 9 are Suravenir and Suravenir Assurances.

The accounting principles and valuation rules applied to assets and liabilities arising from the issuance of insurance policies are established in accordance with IFRS 4.

Excepting the cases described above, the other assets held and liabilities issued by insurance companies follow the rules common to all of the group's assets and liabilities.

Accounting principles for the banking business

IFRS 9 sets out different classification rules for equity instruments (shares or other variable-income securities) and for debt instruments (bonds, loans or other fixed-income securities).

To determine the accounting category of debt instruments (debt securities, loans and receivables), the following two criteria must be analyzed:

- The business model that summarizes the way in which the entity manages its financial assets in order to generate cash flows: «Collection of cash flows», «Collection of cash flows and sale» or «Other»;

- Characteristics of cash flows that will be «SPPI – Solely payments of principal and interest» if they are cash flows from a basic loan and, more specifically, if «the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding».

•Business models

The business model represents the way in which instruments are managed in order to generate cash flows and revenue. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather at a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at inception and may be reassessed in the case of a change in model.

To determine the model, all the available information must be observed, including:

- the way in which the business's performance is reported to decision-makers,
- the way in which managers are compensated,
- the frequency, schedule and volumes of sales in previous periods,
- the reasons for the sales,
- future sales forecasts,
- the way in which risk is assessed.

Under the hold-to-collect model, certain examples of authorized sales are explicitly indicated in the standard:

- in relation to an increase in credit risk,
- close to maturity.

These «authorized» sales are not included in the analysis of the significant and frequent nature of the sales carried out on a portfolio. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis

to demonstrate the «infrequent» nature of such sales.

For other sales, thresholds have been defined based on the maturity of the securities portfolio (the group does not sell its loans).

The group has mainly developed a model based on the collection of contractual cash flows from financial assets, which applies in particular to the customer financing activities.

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and on the sale of these assets. Within the group, the contractual cash flow collection and sale model applies primarily to the cash management and liquidity portfolio management activities.

- Cash flow characteristics

The contractual cash flows, which represent only repayments of principal and payments of interest on the principal balance, are compatible with a so-called basic agreement.

In a basic agreement, interest mainly represents consideration for the time value of money (including in case of negative interest) and credit risk. Interest may also include liquidity risk, administrative fees to manage the asset and a profit margin.

All the contractual clauses must be analyzed, including those that could change the repayment schedule or the amount of the contractual cash flows. The option under the agreement, on the part of the borrower or the lender, to repay the financial instrument early is compatible with the SPPI (Solely Payments of Principal and Interest) nature of the contractual cash flows insofar as the amount repaid essentially represents the principal balance and related receivables and, where applicable, a reasonable compensatory payment.

An analysis of the contractual cash flows may also require comparing them with those of a benchmark instrument when the time value of money component included in the interest can be changed as a result of the instrument's contractual clauses. This is the case, for example, if the interest rate of the financial instrument is revised periodically, but there is no correlation between the frequency of the revisions and the term for which the interest rate is defined (monthly revision of a one-year rate, for example), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the undiscounted contractual cash flows of the financial asset and those of the benchmark instru-

ment is or may become significant, the financial asset cannot be considered basic.

Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year, and cumulatively over the life of the instrument. The quantitative analysis takes into account a set of reasonably possible scenarios.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist mainly of debt securities (fixed- or variable-income) and loans to credit institutions and customers:

- held for trading («Resale» business model); or
- related to the application of the option made available under IFRS 9 to designate a financial instrument at fair value through profit or loss if doing so eliminates or significantly reduces an accounting treatment inconsistency; or
- whose cash flows do not correspond to those of a basic loan («non-SPPI» cash flows); UCI (undertaking for collective investment) and mutual fund instruments will be recognized as such..

By default, shares will also be recognized at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognized at fair value excluding acquisition costs and including accrued dividends.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading «interest and similar income» according to the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the financial asset or liability. Dividends from variable-income securities are recognized in the income statement under the heading «Net gain (loss) on financial instruments at fair value through profit and loss.»

Changes in fair value during the period, at the reporting date, as well as capital gains or losses on assets in this category are also recognized in «Net gain (loss) on financial instruments at fair value through profit or loss».

No impairment is recognized on the assets at fair value through profit or loss, since the counterparty risk is included in the market value (fair value).

Derivative financial instruments used for trading and hedging purposes – assets and liabilities

In accordance with the option offered by IFRS 9 pending the finalization and adoption of the standard's macro hedging component, the Crédit Mutuel Arkéa has decided not to adopt the Hedging component of IFRS 9 and continues to apply all the provisions of IAS 39 with regard to hedging.

However, the additional disclosures on hedging required by amended IFRS 7 are presented as of January 1, 2018.

Unless they qualify for hedge accounting, derivative financial instruments are by default classified as trading instruments.

The group deals mainly in simple derivative instruments (swaps, vanilla options), particularly interest-rate instruments and classified in level 2 of the fair value hierarchy.

Derivatives are covered by master netting agreements, which make it possible to net winning and losing positions in case of counterparty default. The group negotiates ISDA-type (International Swaps and Derivatives Association) master agreements for each derivative transaction.

However, these derivatives are not netted on the balance sheet, in accordance with IAS 32.

Through these collateralization agreements, the group receives or disburses only cash as guarantees.

IFRS 13 allows for the recognition of own credit risk when valuing derivative financial liabilities (debt value adjustment – DVA) and the measurement of counterparty risk in the fair value of derivative financial assets (credit value adjustment – CVA).

The group calculates the CVA and DVA on derivative instruments for each counterparty to which it is exposed.

The CVA is calculated on the basis of the group's expected positive exposure to the counterparty, estimated using the so-called Monte Carlo method, multiplied by the counterparty's probability of default (PD) and by the loss given default (LGD) rate. DVA is calculated on the basis of the group's expected negative exposure to the counterparty, estimated using the so-called Monte Carlo method, multiplied by the group's probability of default (PD) and by the loss given default (LGD) rate.

The calculation methodology uses market data, particularly on the credit default swap (CDS) curves to estimate the PD.

The Funding Valuation Adjustment (FVA) represents the cost of financing positions on derivative instruments that do not involve the transfer of collateral. The FVA calculation involves multiplying the group's expected exposure to the counterparty by the estimated market financing cost.

An amount of €23.2 million was recognized on the balance sheet for valuation adjustments as at December 31, 2018.

To classify a financial instrument as a hedging derivative, the group prepares formalized documentation of the hedging transaction at inception: hedging strategy, designation of the hedged instrument (or the portion of the instrument), nature of the hedged risk, designation of the hedging instrument, procedures for measuring the effectiveness of the hedging relationship. According to this documentation, the group assesses the effectiveness of the hedging relationship at inception and at least every six months. A hedging relationship is deemed to be effective if:

- the ratio between the change in value of the hedging derivatives and the change in value of the hedged instruments for the risk hedged lies between 80% and 125%; and
- the changes in value of the hedging derivatives expected over the residual term of said derivatives offset those expected from the hedged instruments for the risk hedged..

The group designates a derivative financial instrument as a hedging instrument in a fair value hedge or in a cash flow hedge based on the nature of the risk hedged.

Risks hedged:

Micro-hedging is the hedging of part of the risks incurred by an entity on the assets and liabilities it holds. It applies specifically to one or more assets and liabilities with regard to which the entity hedges the risk of a negative change in a given type of risk, using derivatives.

Macro-hedging aims to protect all the group's assets and liabilities against unfavorable trends, particularly in interest rates.

The group hedges only interest rate risk for accounting purposes, through micro-hedges or more globally through macro-hedges.

Overall interest rate risk management is described in the management report, together with the other risks that may give rise to economic hedging through natural matching of assets/liabilities or the recognition of derivatives transactions.

Micro-hedges are implemented in particular via asset swaps and are generally aimed at synthetically converting a fixed-rate instrument into a variable-rate instrument.

Fair value hedging:

The goal of fair value hedging is to reduce the risk of a change in the fair value of a financial transaction. Derivatives are used notably to hedge the interest rate risk on fixed-rate assets and liabilities.

With respect to fair value hedging transactions, the change in fair value of the derivative is recorded on the income statement under the heading "Net gain (loss) on financial instruments at fair value

through profit or loss” in symmetry with the revaluation of the hedged risk. The only impact on the income statement is the potential ineffectiveness of the hedge. This may result from:

- the “counterparty risk” component included in the value of the derivatives,
- differences in the price curves of the hedged item and of the hedge. For instance, swaps are valued using the Overnight Indexed Swap curve if they are collateralized and using the BOR curve if they are not. The hedged items are valued using the BOR curve.

The goal of the derivative financial instruments used as macro-hedging transactions is to hedge comprehensively all or part of the structural rate risk resulting primarily from retail banking operations. For the accounting treatment of such transactions, the group applies the provisions contained in IAS 39 as adopted by the European Union (the IAS 39 “carve-out”).

The accounting treatment of derivative financial instruments designated from an accounting standpoint as fair value macro-hedging is the same as the accounting treatment for derivatives used in fair value micro-hedging. The change in the fair value of portfolios hedged against interest rate risk is recorded in a separate line of the balance sheet entitled “Remeasurement adjustment on interest-rate risk hedged portfolios” with an offsetting entry recorded in the income statement. The effectiveness of hedges is checked prospectively by verifying that at inception derivatives reduce the interest rate risk of the hedged portfolio. Hedges must be de-designated when the underlyings to which they are linked become insufficient with effect from the most recent date on which the hedge was found to be effective.

Cash flow hedging:

The goal of cash flow hedging is to reduce the risk related to a change in future cash flows from financial instruments. Derivatives are used notably to hedge the interest rate risk on adjustable rate assets and liabilities.

In cash flow hedging transactions, the effective portion of the change in the fair value of the derivative is recorded in a separate line in equity “Gains and losses recognized directly in equity” while the ineffective portion is recognized in the income statement under the heading “Net gain (loss) on financial instruments at fair value through profit or loss.”

As long as the hedge is effective, the amounts recorded in equity are transferred to the income statement under “interest and similar income (expense)” synchronized with the cash flows of the hedged instrument impacting profit or loss. If the hedging relationship is discontinued or is no longer highly effective, hedge accounting ceases. The accumulated amounts recorded in

equity as part of the revaluation of the hedging derivative are transferred to the income statement under “interest and similar income (expense)” at the same time as the hedged transaction itself impacts the income statement, or when it has been determined that such transaction will not take place.

The group does not hedge net investments in foreign operations.

Financial assets at fair value through equity

Financial assets at fair value through equity consist of securities (fixed- or variable-rate):

- held in order to collect the cash flows inherent in the instrument and to generate gains and losses through sales; and
- whose cash flows correspond to those of a basic loan («SPPI» cash flows).

Debt instruments at fair value through equity are initially recognized at fair value, i.e. their purchase price, including acquisition costs – if material – and accrued dividends. At the end of the reporting period, such securities are measured at their fair value, with any changes in value recognized in equity under “Unrealized gains (losses) recognized directly in equity”.

These unrealized gains or losses recognized in equity are recognized through profit or loss only in case of a sale or impairment for credit risk.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading “interest and similar income” according to the effective interest rate method.

This category also includes shares resulting from the application of the irrevocable option made available under IFRS 9 at the time of initial recognition. This irrevocable choice is made on a deal-by-deal basis, i.e. each time a security is added to the portfolio.

Impairment is not recorded for these assets.

The unrealized gains or losses on these instruments recognized in equity are never recognized through profit or loss for equity instruments, even in the case of a sale.

Dividends from variable-income securities are recognized in the income statement under the heading “Net gain (loss) on financial assets at fair value through equity”.

Financial assets at amortized cost

Financial assets at amortized cost meet the following criteria:

- they are held in order to collect the cash flows inherent in the instrument; and
- the cash flows correspond to those of a basic loan («SPPI» cash flows).

Most of the loans and receivables owed to Crédit Mutuel Arkéa by financial institutions and customers that are not intended for sale when extended are recognized under "Loans and receivables at amortized cost".

Debt securities (fixed- or variable-rate) that meet the aforementioned criteria are also recognized at amortized cost.

Initially, they are recognized at market value which is usually the net amount initially paid out including the transaction costs directly attributable to the transaction and fees analyzed as an adjustment to the effective yield of the loan. Financial assets are valued at amortized cost on the closing date. Interest, transaction costs and fees included in the initial value of the loans are amortized over the life of the loan using the effective interest rate method. In this manner they contribute to the formation of income over the life of the loan.

With regard to loans, the fees received in connection with financing commitments that have a low probability of being drawn or which are used haphazardly over time and in terms of amount are spread on a straight-line basis over the term of the commitment.

The restructuring of a loan due to financial difficulties encountered by the borrower is defined as a change in the terms and conditions of the initial transaction that the group only consents for economic or legal reasons linked to the borrower's financial difficulties.

For restructuring that does not result in de-recognition of the financial asset, the value of the restructured asset is adjusted to bring the net carrying amount to the present value of the new expected future cash flows discounted using the original effective interest rate of the asset in question. The change in the value of the asset is recognized in the income statement under the heading "Cost of credit risk" and may be reversed through profit or loss when the provision for calculated expected loss decreases.

The restructuring of a loan as a result of the debtor's financial difficulties results in the loan agreement's novation. Based on the definition of this concept by the European Banking Authority (EBA), the Group identified loan restructuring (forbearance) on those loans held.

Customer finance leases

Lease transactions are considered finance leases when all of the risks and rewards incidental to the ownership of the leased property are transferred to the lessee. Otherwise leasing transactions are classified as operating leases.

Finance leases are recognized on the balance sheet at the amount corresponding to the value of the minimum payments due from the lessee discounted at the implied interest rate of the contract plus any unsecured residual value. The interest portion of the lease payments is recorded on the income statement under the heading "Interest and similar income."

Impairment of financial assets and commitments given

In accordance with IFRS 9, a provision for expected losses is recognized when the financial asset is recorded on the balance sheet.

The financial assets in question include:

- debt instruments (securities and loans and receivables) recognized at amortized cost or at fair value through equity
- leasing receivables
- other receivables, such as customer receivables, and receivables under IFRS 15 Revenue from Contracts with Customers, etc.

Financing or guarantee commitments given that are not measured at fair value through profit or loss are also subject to impairment.

Equity instruments and debt instruments recognized at fair value through profit or loss are not covered by provisions for impairment for credit risk.

Provisions for impairment are also set up for receivables with guarantees when an expected credit risk exists.

Impairment is recognized under the heading "Cost of credit risk" and may be reversed through profit or loss when the provision for calculated expected loss decreases.

Under the IFRS 9 provisioning model, financial assets for which a provision for impairment is recognized are classified into three groups called «buckets» based on the credit risk level:

- Bucket 1: IFRS 9 introduces the notion of «expected loss»; consequently, since credit/counterparty risk cannot be zero regardless of the asset, a provision for individual credit risk is calculated (based on one-year expected losses) and recognized when the financial asset is recorded on the balance sheet.
- Bucket 2: if, during the life of the instrument, credit risk increases significantly, the loan is reclassified into bucket 2 and a provision for lifetime expected losses is recognized..
- Bucket 3: in case of actual credit risk (counterparty default, for example), the loan is classified into bucket 3. A provision for lifetime expected losses is recognized.

Actual loss exists where:

- there are one or more delinquent payments for three months;
- the position of a counterparty presents characteristics such that even in the absence of delinquent payments, we can conclude that there is a known risk;
- the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganization/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy and liquidation of property, including a summons to appear before an international court.

The classification of the outstandings of any given counterparty as impaired leads by contagion to an identical classification of all those counterparty's assets and liabilities, regardless whether guarantees or collateral exist. This contagion extends to all of the other members of the same household (except minors) as well as all counterparties belonging to the same risk group.

- Significant increase in credit risk

The group uses the models developed for prudential purposes and has therefore applied a similar breakdown of its outstanding loans to assess any significant increase in credit risk:

- low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns, specialized financing,
- high default portfolios (HDP), for which historical data is used to develop a statistical rating model: mass corporate, retail.

A significant increase in credit risk, which entails transferring a loan out of bucket 1 into bucket 2, is assessed by:

- taking into account all reasonable and justifiable information, and
- comparing the risk of default on the financial instrument at the reporting date with the risk of default at the initial recognition date.

For the group, this entails measuring risk at the borrower level. All the group's counterparties are rated by the rating system. This system is based on:

- statistical algorithms or «mass ratings» based on one or more models, using a selection of representative and predictive risk variables (HDP), or
- manual rating grids developed by experts (LDP).

Change in risk since initial recognition is measured on a contract-by-contract basis. Unlike bucket 3, transferring a customer's contract into bucket 2 does not entail transferring all the customer's outstanding loans or those of related parties (absence of contagion).

It should be noted that the group applies the principle of symmetry set out in the standard. This means that the criteria for transfer into and out of bucket 2 are the same.

The group has demonstrated that a significant correlation exists between the risks of default at 12 months and at termination, which allows it to use 12-month credit risk as a reasonable approximation of the change in risk since initial recognition, as the standard permits.

- Quantitative criteria

For the LDP portfolios, the boundary is based on an allocation matrix that shows the relationship between the internal ratings at origination and at the reporting date.

For the HDP portfolios, a continuous and growing boundary curve shows the relationship between the default rate at origination and the default rate at the reporting date. The group does not use the operational simplification offered by the standard, which allows outstanding loans with low risk at the reporting date to be maintained in bucket 1.

- Qualitative criteria

As well as this quantitative data, the group uses qualitative criteria such as the notion of restructured loans, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

- Buckets 1 and 2 – calculation of expected credit losses.

In terms of calculation, the provisioning model takes into account:

- probability of the debtor's default
- loss given the debtor's default
- The Credit Mutuel Arkéa's exposure (i.e. loans outstanding with this counterparty on the balance sheet and in commitments given).

Provisions must also take into account past, present and forward-looking information.

Expected credit losses are measured by multiplying the outstanding amount of the loan by its probability of default (PD) and by the loss given default (LGD). The off-balance sheet exposure is converted to an on-balance sheet equivalent based on the probability of a drawdown. The one-year probability of default is used for bucket 1 and the probability of default at termination for bucket 2.

These parameters are taken from the models developed for prudential purposes and adapted to IFRS 9 requirements. They are used for both assignment to the buckets and the calculation of expected losses.

- Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach,
- for low default portfolios, on an external probability of default scale.

- Loss given default

This is based:

- for high default portfolios, on the flows of collections observed over a long period of time, discounted at the interest rates of the contracts,

- for low default portfolios, on the regulatory levels.

- Conversion factors

These are used to convert off-balance sheet exposure to an on-balance sheet equivalent and are mainly based on the prudential models.

- Forward-looking aspect

The general forward-looking approach adopted has an impact on:

- the bucket allocation of outstanding loans: in effect, the application of forward-looking parameters has an impact on the analysis of significant deterioration and consequently on the allocation by bucket.
- the calculation of expected credit loss (ECL) with parameters that take forward-looking factors into account.

To calculate expected credit losses, the standard requires that reasonable and justifiable information, including forward-looking information, be taken into account. The development of the forward-looking aspect requires anticipating changes in the economy and applying these anticipated changes to the risk parameters. This forward-looking aspect is determined at the group level and applies to all the parameters.

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral and pessimistic), which will be weighted based on the group's view of changes in the economic cycle over five years. The group mainly relies on macroeconomic data available from well-known national or international statistics agencies. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- they are recent, meaning they occurred a few weeks before the reporting date;
- they cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

The forward-looking aspect for maturities other than one year is derived from the forward-looking aspect for the one-year maturity.

The forward-looking aspect is also included in the LGD by incorporating information observed over a period close to current conditions.

For low default portfolios, forward-looking information is incorporated into the large accounts and bank models, and not into the local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

- Bucket 3: recognition

Impairment reflects the difference between amortized cost and the present value of discounted estimated future cash flows. Discounting is carried out at the initial effective interest rate of the loan for fixed-rate loans and at the last effective interest rate set according to the contractual terms and conditions for variable-rate loans. In practice, future flows are discounted only if the impact of discounting is material compared to their estimated amounts. Consequently, the provisions are discounted. In the income statement, changes in impairment are recorded under "cost of risk" except for reversals related to the effects of the reversal of discounting, which are recorded under "Interest and similar income."

- Originated credit-impaired financial assets

These are contracts with incurred credit losses on the date of initial recognition or acquisition. These financial assets are subject to specific recognition under the provisions of IFRS 9

At the reporting date, these contracts are identified in an «originated credit-impaired assets» category and provisioned based on the same method used for exposures in bucket 2, i.e. an expected loss over the residual maturity of the contract.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss are divided into those held for trading and those assigned to this category under the option afforded by IFRS 9. This allows financial instruments to be designated at fair value through profit or loss on initial recognition in the following cases:

- hybrid instruments containing one or more embedded derivatives,
- groups of assets or liabilities measured and managed at fair value,
- substantial elimination or reduction of an accounting treatment inconsistency.

The Cr dit Mutuel Ark a uses this option to record at fair value through profit or loss issues of liabilities originated and structured on behalf of clients whose risks and any hedging thereof are managed as part of the same whole.

Initially, financial liabilities at fair value through profit or loss are recognized at their fair value excluding acquisition costs and including accrued dividends. At the reporting date, they are measured at fair value and changes in fair value are recognized:

- under "Gains or losses recognized directly in non-recyclable equity", for the portion corresponding to own credit risk;

- in profit or loss for the period under “Net gain (loss) on financial instruments at fair value through profit or loss”, for the remaining portion..

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, satisfies the definition of a derivative. It is designed to affect certain cash flows, much like a standalone derivative.

This derivative is split off from the host contract and accounted for separately as a derivative instrument at fair value through profit or loss when the following three conditions are met:

- the hybrid instrument that hosts the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and its related risks are not considered to be closely linked to those of the host contract;
- the separate measurement of the embedded derivative to be separated is sufficiently reliable to provide an accurate assessment.

Realized and unrealized gains and losses are recognized on the income statement under “Net gain (loss) on financial instruments at fair value through profit or loss”.

Amounts owed to credit institutions and customers

At inception, amounts owed to credit institutions and customers are recognized at fair value. This is normally the net amount received initially less transaction costs that can be directly attributed to the transaction when they are significant. On the closing date, such

amounts are valued at their amortized cost according to the effective interest rate method.

By their nature, regulated savings products earn interest at the market rate. Housing savings plans and housing savings accounts are subject to a provision when necessary.

Related receivables or interest due on amounts due to credit institutions and customers are recorded on the income statement under “Interest and similar expense.”

Debt securities

Debt securities are broken down by type of security (certificates of deposit, interbank market securities and negotiable debt instruments, bonds and similar).

They are initially recognized at fair value i.e. at their issue price less any transaction costs that can be directly attributed to the transaction when they are significant. On the closing date, such amounts are valued at their amortized cost according to the effective interest rate method. Related receivables or interest due on debt securities is recorded in the income statement under “Interest and similar expense.”

Subordinated debt

Subordinated debt includes fixed or indefinite term debt that may or may not be represented by a certificate and that differs from receivables or bonds because in the event of the liquidation of the debtor, repayment will only occur after all secured creditors have been paid. This debt is valued according to the amortized cost method. Related receivables or interest owed on subordinated debt is recorded on the income statement under “Interest and similar expense.”

Renegotiated debt

Renegotiation of a debt with an existing borrower can, depending on the circumstances, be considered to be a modification of the terms of the debt or an extinction of the debt.

Under the standard, when a financial debt is modified because the duration, interest rate or contractual terms and conditions have been adjusted, an assessment must be made of the materiality of said change (10% threshold). This assessment is based on a quantitative test that may be supplemented by a more qualitative test.

The quantitative test consists of comparing the value of the future cash flows under the new terms and conditions discounted at the effective interest rate of the original loan with the discounted value of the residual cash flows of the initial liability.

The quantitative test is supplemented by a qualitative test when the result is less than 10%. In particular, this qualitative test enables a significant change in the debt's risk profile to be taken into consideration (change of currency of the debt, type of interest rate or very substantial extension of the duration of the loan) which the quantitative test does not take into account, and to analyze, if appropriate, the change as an extinction of the debt.

A renegotiated debt that does not result in derecognition must be maintained at its original effective interest rate and the impact related to renegotiation (gain or loss) recognized immediately through profit or loss.

Accounting principles for the insurance business

The insurance activity may defer application of IFRS 9 until 2022, as provided for by the amendment to IFRS 4 as adopted by the European Union.

The financial assets and liabilities of the insurance companies are subject to the provisions of IAS 39, as described below. They are presented under «Investments of insurance activities» and «Liabilities related to contracts of insurance activities», respectively, on the balance sheet.

Income and expenses related to the insurance activities are presented under «Net income from insurance activities» in the income statement, within which:

Income and expenses recognized in respect of insurance contracts issued are presented under «Other income/expense related to insurance activities».

- Income and expenses relating to the insurance entities' proprietary activities are recognized under the appropriate line items.

When they are significant, the disclosures required under IFRS 7 are produced separately for the insurance entities.

In accordance with the adoption regulation of November 3, 2017, the group has taken the necessary measures to ensure that there are no transfers of financial instruments that could lead to derecognition, between the insurance segment and the group's other segments, other than those measured at fair value through profit or loss in both segments.

The accounting policies applied to assets and liabilities arising from the issuance of insurance policies are established in accordance with IFRS 4. This standard also applies to reinsurance contracts subscribed and financial contracts that include a discretionary profit-sharing provision.

Excepting the cases described above, the other assets held and liabilities issued by insurance companies follow the rules common to all of the group's assets and liabilities.

The same assumptions were used in both fiscal years to value assets under insurance contracts and insurance liabilities.

Financial assets at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are divided into those held for trading and those assigned to this category under the option afforded by IAS 39. This allows financial instruments to be designated at fair value through profit or loss on initial recognition in the following cases:

- hybrid instruments containing one or more embedded derivatives;
- groups of assets measured and managed at fair value;
- substantial elimination or reduction of an accounting treatment

inconsistency.

The group uses this option to record the following financial instruments at fair value through profit or loss:

- investments serving as cover for unit-linked life insurance contracts in order to eliminate the inconsistency in accounting treatment with the related insurance liabilities,
- shares of mutual funds whose management company is part of the group,
- certain structured or restructured products (CDOs, convertible bonds),

Financial assets representative of unit-linked insurance contracts include bonds issued by group entities that have not been eliminated through consolidation, in order to maintain the matching of technical provisions on unit-linked contracts with the fair value of the identified assets, which are themselves recognized at fair value. Non-eliminated fixed-income securities totaled €98 million at December 31, 2018. Their elimination would have had an impact of €8 million on net income in the year to December 31, 2018.

Financial assets representing the technical provisions on unit-linked contracts are presented in "Financial assets at fair value through profit or loss" (insurance activities).

The accounting treatment described in the banking section also applies to derivatives.

Financial assets at fair value through profit or loss are initially recognized at fair value excluding acquisition costs and including accrued dividends.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading "Interest and similar income" (insurance activities). Dividends from variable-income securities are recognized in the income statement under the heading "Net gain (loss) on financial instruments at fair value through profit and loss" (Insurance activity).

Changes in fair value during the period, at the reporting date, as well as capital gains or losses on assets in this category are also recognized in «Net gain (loss) on financial instruments at fair value through profit or loss" (insurance activity).

No impairment is recognized on the assets at fair value through profit or loss as the counterparty risk is included in the market value.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, satisfies the definition of a derivative. It is designed to affect certain cash flows, much like a standalone derivative.

This derivative is split off from the host contract and accounted for separately as a derivative instrument at fair value through profit or loss when the following three conditions are met:

- the hybrid instrument that hosts the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and its related risks are not considered to be closely linked to those of the host contract;
- the separate measurement of the embedded derivative to be separated is sufficiently reliable to provide an accurate assessment.

Realized and unrealized gains and losses are recognized on the income statement under "Net gain (loss) on financial instruments at fair value through profit or loss" (insurance activity)

Derivative financial hedging instruments – assets and liabilities

The treatment described in the accounting principles for banking activities also applies to derivative financial hedging instruments.

Available-for-sale financial assets

IAS 39 defines available-for-sale financial assets (AFS) as a residual category containing both fixed- and variable-income securities that are neither financial assets at fair value through profit or loss, financial assets held to maturity nor loans.

Available-for-sale securities are recognized initially at their fair value i.e. the purchase price, including acquisition costs – if they are material – and accrued dividends. At the end of the reporting period, such securities are measured at their fair value, with any changes in value recognized in equity under "Unrealized gains (losses) recognized directly in equity".

Such unrealized gains or losses recognized in equity are only recognized in the income statement if the securities are sold or if there is permanent impairment.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading "Interest and similar income" (insurance activity) using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the financial asset or liability. Dividends from variable-income securities are recognized in the income statement under the heading "Net gain (loss) on financial instruments available-for-sale."

Impairment of securities

Impairment is recorded when objective indicators of impairment for the securities exist. Such indicators are evidenced by a long-term, material decline in the value of shares or by the appearance of a material decline in credit risk due to default risk on debt securities.

In the case of equity securities, the group employs a quantitative criterion to identify material and long-term declines: impairment is recognized when a security has lost at least 50% of its value compared with its initial cost or over a period of more than 24 consecutive months. Analysis is performed line by line. Securities that do not meet the aforementioned criteria are nevertheless assessed for impairment if management believes that the amount invested cannot reasonably be expected to be collected in the near future. The loss is recognized in the income statement under "Net gain (loss) on financial instruments available-for-sale". Any subsequent decline in value results in an increase in impairment charged against income. An increase in value does not lead to the provision being reversed through profit.

In the case of on debt securities, impairment is recorded in "Cost of risk," (insurance activity) and may be reversed through profit when the market value of the security has increased due to some objective event that has taken place since the most recent impairment.

Held-to-maturity financial assets

Held-to-maturity financial assets are primarily fixed-income or determinable income securities with a fixed maturity that the insurance entities intend and are able to hold to maturity.

Initially, they are recognized at their acquisition price including acquisition costs – when material – and accrued dividends. At the end of the reporting period, they are valued according to the amortized cost method at the effective interest rate and may be the subject of impairment when necessary.

Loans and receivables due from credit institutions and loans and receivables related to the insurance activities

"Loans and receivables" are financial assets with fixed or determinable payments that are not quoted on an active market. All loans and receivables due from credit institutions and those related to the insurance activities which are not intended for sale from their origination are recognized in the «Loans and receivables» (insurance activity) category.

The treatment of these financial assets (excluding impairment) is identical to the treatment applied to loans and receivables due from credit institutions and from customers at amortized cost under IFRS 9.

Impairment of loans and receivables

Individually impaired receivables

Recorded in the cost of risk, impairment losses are recognized on all types of receivables, even those with guarantees, once there is an established credit risk corresponding to one of the following situations:

- there are one or more delinquent payments for three months;
- the position of a counterparty presents characteristics such that

even in the absence of delinquent payments, we can conclude that there is a known risk;

- the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganization/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy and liquidation of property, including a summons to appear before an international court.

Impairment reflects the difference between amortized cost and the present value of discounted estimated future cash flows. Discounting is carried out at the initial effective interest rate of the loan for fixed-rate loans and at the last effective interest rate set according to the contractual terms and conditions for variable-rate loans. In the income statement, impairment loss movements are recorded under the heading "cost of risk" (insurance activities).

Financial liabilities

With regard to financial liabilities, the rules for the accounting treatment of financial liabilities at fair value through profit or loss, liabilities with credit institutions and customers, debt securities and subordinated debt are the same under IAS 39 and IFRS 9 (excluding recognition of renegotiated debts).

Insurance liabilities, representing commitments to policyholders and beneficiaries, are reported on the line "Insurance companies' technical reserves". They are valued, recognized and consolidated in accordance with French GAAP.

Technical provisions on life insurance contracts consist primarily of mathematical provisions representing the difference between the present value of the commitments undertaken respectively by the insurer and the policyholders. The risks covered include primarily death, disability and the inability to work (for borrower's insurance).

Life insurance provisions are estimated conservatively on the basis of contractually-defined technical rates.

Technical provisions on unit-linked contracts are valued at the reporting date, based on the value of the assets used to support these contracts.

Technical provisions on non-life insurance contracts include unearned premiums (portion of premiums issued pertaining to later years), provisions for increasing risks (difference between the present value of the commitments undertaken respectively by the insurer and the policyholder) and claims payable.

Technical provisions are calculated gross of reinsurance, and the reinsurers' share is stated in assets.

Insurance contracts and financial contracts with a discretionary profit-sharing provision are subject to "shadow accounting." The provision for deferred profit-sharing represents the share of capital gains and losses on assets attributable to the policyholders. This provision is presented on either the liability or the asset side of the balance sheet. On the asset side, it appears as a separate item.

At the reporting date, an adequacy test is performed on the liabilities associated with these contracts (net of other items involving related assets or liabilities, such as deferred acquisition costs and the portfolio securities acquired). A verification is performed to ensure that the liability recorded is adequate to cover the future cash flows projected at that date. Any shortfall in the technical provisions is shown through a loss for the period (and potentially reversed at a subsequent date).

Common accounting principles for banking and insurance activities

Shareholders' equity

Difference between liabilities and equity

A debt instrument or financial liability is defined as a contractual obligation to deliver cash or another financial asset or to exchange financial instruments under potentially unfavorable conditions.

An equity instrument is defined as a contract containing a residual interest in an enterprise after subtracting all its debts (net assets).

Shares

Pursuant to these definitions, the shares issued by the Crédit Mutuel savings banks are considered shareholders' equity within the meaning of IAS 32 and IFRIC 2 and are treated as such in the group's consolidated financial statements.

Measurement of the fair value of financial instruments

Fair value is defined by IFRS 13 as «*the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date*». Initially, fair value is usually the transaction price.

Financial assets and liabilities measured at fair value are assessed and recognized at fair value as of their first-time consolidation as well as at subsequent measurement dates. These assets and liabilities include:

- financial assets and liabilities at fair value through profit or loss;
- financial assets at fair value through equity;
- available-for-sale financial assets;
- derivatives

Other financial assets and liabilities are initially recognized at fair value. They are subsequently recognized at their amortized cost and are subjected to valuations whose methods are disclosed in the notes to the financial statements. These other financial assets and liabilities include:

- loans and receivables with credit institutions and with customers at amortized cost under IAS 39 and IFRS 9 (including loans and receivables related to the insurance activities);
- debt securities at amortized cost;
- held-to-maturity securities
- liabilities to credit institutions and customers;
- debt securities;
- subordinated debt.

Assets and liabilities are also classified in three hierarchical levels corresponding to the level of judgment used in valuation techniques to determine fair value.

Level 1: *Assets and liabilities whose fair value is calculated using prices quoted (unadjusted) to which the entity has access on the measurement date on active markets for identical assets or liabilities.*

An active market is one which, for the asset or liability being measured, has transactions occurring with sufficient frequency and volume so as to provide price information on a continuous basis.

This category includes notably equities, bonds and shares of mutual funds listed on an active market.

Level 2: *Assets and liabilities whose fair value is calculated based on adjusted prices or using data other than quoted prices that are observable either directly or indirectly.*

In the absence of any such quotation, fair value is determined using "observable" market data. These valuation models are based on techniques widely used by market operators, such as the discounting of future cash flows or the Black & Scholes model.

This category includes notably the following financial instruments:

- equities and bonds listed on a market that is considered inactive or that are unlisted;
- over-the-counter derivative instruments such as swaps and options,
- venture capital funds, innovation funds and real estate investment vehicles;
- structured products.

The fair value of loans and receivables, liabilities to credit institutions and debt securities (including subordinated debt) are also included in this level.

Loans and receivables and liabilities to credit institutions are measured using two methods:

- the fair value of fixed-rate items, such as fixed-rate loans and deposits, is measured by discounting the expected future cash flows;
- the fair value of variable-rate items, such as adjustable-rate loans with a maturity of more than one year, is measured using the Black & Scholes model..

The fair value of traditional fixed-rate loans, borrowings, debt securities and subordinated debt is obtained by discounting future cash flows and using dedicated yield curve spreads.

The fair value of variable-rate loans, borrowings, debt securities and subordinated debt is obtained by discounting future cash flows with the calculation of a forward rate and the use of dedicated yield curve spreads.

The group's counterparty default risk is factored into the yield curve used to value debt securities and subordinated debt.

For current receivables and liabilities (less than one year), fair value is considered equivalent to their nominal value.

Level 3: *Assets and liabilities whose fair value is calculated using information on assets or liabilities not based on observable market data.*

Valuation methods using unobservable market data are used only in the following cases:

- loans and receivables, and liabilities to customers,
- equity securities not listed on an active market,
- certain specialized financings,

- securities held by private equity companies.

Thus, for example, equity investments not listed on an official market are measured internally:

- in most cases, these holdings are measured on the basis of their revalued net assets or their carrying amount, on an entity-by-entity basis.

Similarly, the valuation methods used by private equity companies generally include:

- the transaction price for recent acquisitions
- the historical multiples method for mature companies
- adjusted net asset value for portfolio companies (holding companies) and investment firms (funds).

Given the diversity of the instruments valued and the reasons for their inclusion in this category, any calculation of the sensitivity of the fair value to changes in parameters would not provide relevant information.

The valuation provided by the models is adjusted to reflect liquidity risk. Using the valuations produced on the basis of a median market price, prices are adjusted to reflect the net position of each financial instrument at the bid or ask price (on selling or buying positions, respectively).

The day-one profit, i.e. the difference between the transaction price and the valuation of the instrument using valuation techniques, is considered null: transactions carried out by the group for its own account are recognized at their fair value. For transactions carried out on behalf of customers, the part of the margin not yet recognized is recorded in income when the parameters are observable.

Use of judgments and estimates in the preparation of financial statements

Preparation of the group's financial statements requires making assumptions and estimates whose future realization involves certain risks and uncertainties. Accounting estimates requiring the use of assumptions are used primarily for measuring the following:

- fair value of financial instruments not quoted on an active market and measured at fair value,
- impairment of financial assets and guarantee and financing commitments subject to impairment,
- impairment tests of intangible assets,
- deferred tax assets,
- provisions.

The conditions for using any judgments or estimates are specified in the accounting policies described below.

Property, plant and equipment, intangible assets and investment property

Pursuant to IAS 16, IAS 38 and IAS 40, property, plant and equipment or investment property is recognized as an asset if:

- it is likely that the future economic benefits from this asset will accrue to the company, and
- the cost of said asset can be measured reliably.

Pursuant to IAS 40, the group's property is classified as "investment property" (banking scope or insurance scope) when it is held primarily to generate rental income or capital appreciation. Property held primarily to be occupied by the group for administrative or sales uses is classified as "property, plant and equipment."

Property, plant and equipment and investment property are recorded on the balance sheet at cost plus expenses that can be directly attributable to the purchase of the property (e.g. transfer duties, fees, commissions, legal fees).

After the initial recognition, property, plant and equipment and investment property are valued at cost minus accumulated depreciation and any impairment losses.

The fair value of investment properties, disclosed in the notes, is subject to an expert valuation.

The method used to account for internally developed software is as follows:

- all software-related expenses that do not satisfy the conditions for capitalization (notably preliminary research and functional analysis expenses) are recognized as expenses in accordance with IAS 38;
- all software expenses incurred after the start of the production process (detailed analysis, development, validation, documentation) are capitalized if they meet the criteria of a self-created asset established by IAS 38.

In cases where the software is used in connection with a commercial contract, the amortization period may exceed five years; it is defined on the basis of the contract term.

If one or more components of property, plant and equipment or investment property have a different use or earn economic rewards at a different pace than that of the property, plant and equipment or investment property as a whole, said components are depreciated according to their own useful life. The group applied this accounting method for its operating and investment properties. The following components and depreciation periods have been adopted by the group:

COMPONENT	DEPRECIATION PERIODS
Land	Not depreciable
Building shell	Corporate buildings and investment properties: 50 years Branches: 25 years
Roof and siding	25 years
Technical work packages	20 years
Fixtures	3 to 10 years

The other tangible and intangible assets are depreciated and amortized according to their own useful lives:

	DEPRECIATION PERIODS
Movable goods	10 years
Electronic equipment	3 to 5 years
Created or acquired software	2 to 5 years
Portfolio of acquired customer contracts	6 to 13 years

Amortization is calculated using the straight-line method. For property, plant and equipment and intangible assets, amortization is recorded on the income statement under "Depreciation, amortization and impairment of property, plant and equipment and intangible assets". For investment property, it is recorded under "Expense from other activities."

Indefinite-life assets are not depreciated but are tested for impairment at least once a year.

Capital gains or losses on the disposal of operating property, plant and equipment are recorded in the income statement under "Gains or losses on other assets". Capital gains or losses on the disposal of investment property are recorded under "Income or expense from other activities."

With respect to goodwill, if the recoverable amount of the related cash-generating unit (CGU) is less than its carrying amount, an irreversible provision for goodwill impairment loss is recognized. Impairment is equal to the difference between the carrying amount and the recoverable amount. The recoverable amount is calculated by applying the most appropriate valuation method at the level of the CGU.

Most valuations are performed using the discounted cash flow (DCF) method. This method uses assumptions about projected revenue streams and expenses on the basis of medium-term plans, extrapolated to infinity using discounted growth rates.

The cash flows used are determined on the basis of each cash generating unit's business plans made over a specific horizon of

between three and five years. The discount rates used correspond to the cost of capital determined using the capital asset pricing model. This method is based on a risk-free interest rate, to which a risk premium is added that depends on the underlying activity of the corresponding CGU. The discount rates used in 2018 ranged between 8.08% and 9.52% while the growth rates to infinity were between 1% and 2.5%.

In addition, sensitivity tests are performed to measure the impact on the recoverable amount of changes in certain assumptions such as the discount rate or the growth rate to infinity. These measures led to the following results:

- a 50 basis point increase in the discount rate would result in a 7.4% overall reduction in the recoverable amounts without precipitating any impairment of a CGU;
- a 50 basis point decrease in the growth rate to infinity would result in a 5.6% overall reduction in the recoverable amounts without precipitating any impairment of a CGU.

Non-current assets held for sale

A non-current asset (or group of assets) satisfies the criteria for assets held for sale if it is available for sale and if the sale is highly likely to occur within 12 months.

The related assets and liabilities are shown separately in the statement of financial position, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". Items in this category are recorded at the lower of their carrying amount and fair value less costs to sell and are no longer amortized.

When non-current assets held for sale or associated liabilities become impaired, an impairment loss is recognized in the income statement.

Discontinued operations include operations which are held for sale or have been shut down, and subsidiaries acquired exclusively with a view to resale. They are shown separately in the income statement, on the line "After-tax income (loss) from discontinued operations."

Provisions

Provisions are established for the group's commitments when it is likely that an outflow of resources will be needed for their settlement and when their amount or due date is uncertain but may be estimated reliably. In particular, such provisions cover employee-related commitments, home savings product risks and disputes.

Provisions for pension obligations

Pension plans include defined contribution plans and defined benefit plans. Defined contribution plans do not give rise to an obligation for the group and consequently do not require a provi-

sion. The amount of employer's contributions payable during the period is recognized as an expense and recognized under "Personnel expenses." Defined benefit plans are those for which the group has agreed to provide a benefit amount or level. This commitment constitutes a medium- or long-term risk. Obligations related to plans that are not defined contribution plans are fully provisioned under "Provisions." End-of-service benefits, supplementary retirement plans, time savings accounts and length-of-service benefits are recorded in this item.

The group's pension obligation is calculated using the projected unit credit method based on demographic and financial assumptions. Specifically, the December 2018 calculations used a discount rate of 1.63%, which was determined by reference to the iBoxx corporate AA 10+ euro zone index for corporate bonds. The calculations also include an employee turnover rate of between 0.19% and 6.54% and a salary increase rate of between 2.52% and 3.83%¹. Commitments are calculated using the TH00-02 and TF00-02 life expectancy tables for the obligation accrual phase and the TGH05 and TGF05 life expectancy tables for the pay-out phase.

Actuarial gains and losses represent the differences arising from changes in assumptions or differences between earlier assumptions and actual results.

For the category of other long-term benefits, differences are recognized immediately through profit or loss.

As for post-employment benefits, actuarial differences are recognized under "Gains and losses recognized directly in equity".

Provisions for home savings accounts and plans

The purpose of the home savings provision is to cover the risks related to:

- the commitment to extend home loans to account holders and subscribers of home savings plans at a regulated interest rate that may be lower than the prevailing market rate.
- the obligation to pay interest for an indeterminate period of time on the savings in home savings plans at a rate set when the contract is signed (this rate can be higher than future market rates).

This provision is computed by generation of home savings plans (plans at the same rate at opening are considered a generation) and for all the home savings accounts (which are a single generation). The commitments between different generations are not offset. The commitments are computed based on a model that

factors in:

- historical data on subscriber behavior,
- the yield curve and a stochastic modeling of changes thereto.

Provision allocations and reversals are recognized in the income statement under "Interest and similar income" and "Interest and similar expense" (banking activity).

¹Arkade and Arkéa-SCD UES rate, representing 95% of the obligation..

Consolidation principles and methods

Consolidation scope and method

Consolidating entity

The consolidating entity of the Crédit Mutuel Arkéa is the credit institution Crédit Mutuel Arkéa as defined in the collective license issued by the French Prudential Supervisory and Resolution Authority. This credit institution consists of:

- the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations,
- the Crédit Mutuel savings banks that are members of said federations,
- Crédit Mutuel Arkéa.

Entities included in the consolidation scope are those over which the group exercises exclusive or joint control or significant influence and whose financial statements have a material impact on the group's consolidated financial statements, in particular with respect to total assets and net income contribution.

Investments held by private equity companies and over which joint control or significant influence is exercised are excluded from the consolidation scope. These investments are recognized at fair value through profit or loss.

Controlled entities

Control exists when the group (i) has power over an entity, (ii) is exposed or has a claim on variable returns through its ties to the entity, and (iii) has the ability to exercise its power over the entity in such a way as to influence the amount of the return it obtains.

The consolidation of a subsidiary in the group's consolidated financial statements begins on the date when the group obtains control and ceases on the date the group relinquishes control over this entity.

Companies under exclusive control are fully consolidated. Full consolidation consists in substituting the value of the shares with the assets and liabilities of each subsidiary. The share of non-controlling interests in shareholders' equity and net income is recorded separately in the consolidated balance sheet and consolidated income statement, respectively.

Investments in associates and joint ventures

An associate is an entity in which the group exercises significant influence. Such influence is characterized by the ability to participate in the entity's financial and operating decisions without necessarily controlling or jointly controlling these policies.

Significant influence is presumed if the group holds, directly or indirectly, 20% or more of the voting rights in an entity. If more than 20% of the voting rights are held, the absence of significant influence may be shown through the absence of representation in the governance bodies or the lack of participation in the process for setting policies.

A joint venture is a partnership in which the parties who exercise joint control over the entity have rights to the entity's net assets.

Joint control involves the contractually agreed-upon sharing of control exercised over an entity, which exists only in the event that decisions regarding the relevant activities require unanimous consent of the parties sharing control.

The earnings, assets and liabilities of associates or joint ventures are recognized in the group's consolidated financial statements using the equity method.

Under this method, an investment in an associate or joint venture is initially recognized at its acquisition cost and subsequently adjusted to reflect the group's share of the earnings and other comprehensive income of the associate or joint venture.

An investment is recognized under the equity method starting on the date the entity becomes an associate or joint venture. At the time of acquisition of an associate or joint venture, the difference between the cost of the investment and the group's share of the fair value of the entity's identifiable net assets and liabilities is recognized as goodwill. If the net fair value of the entity's identifiable assets and liabilities exceeds the cost of the investment, the difference is shown through profit.

Investment in joint ventures

A joint venture is a partnership in which the parties exercising control over the entity have direct rights over the assets and obligations with respect to the liabilities involving this entity.

Main changes in the scope of consolidation

Crédit Mutuel Arkéa's holding in the Primonial group was diluted following the rights issue staged by Primonial in the context of the acquisition of 40% of La Financière de l'Echiquier.

On June 1, 2018, Financo, the group's subsidiary specializing in consumer credit, purchased the auto financing activity of My Money Bank in mainland France.

The group's Fintech investments have entered the consolidation scope. Jivai, Linxo Group, Finansemble, La Compagnie Française des Successions, Vivienne Investissement and Yomoni are consolidated using the equity method.

Lastly, Arkéa Capital Managers Holding SLP is consolidated using the full consolidation method. The aim of this fund is to help management teams with their growth projects or to take control of their company.

The companies included in the Crédit Mutuel Arkéa's consolidation scope are presented in note 48.



Consolidation rules

Closing date

The closing date for all consolidated companies is December 31.

Inter-company transactions

Reciprocal receivables, payables and commitments and significant reciprocal expenses and income are completely eliminated among fully consolidated companies.

Accounting for acquisitions and goodwill

The group applies IFRS 3 (revised) for business combinations. The acquisition cost is the sum of the fair values, at the business combination date, of the assets contributed, liabilities incurred or assumed and equity instruments issued.

IFRS 3 (revised) allows the recognition of total or partial goodwill, as selected for each business combination. In the first case, non-controlling interests are measured at fair value (the so-called total goodwill method); in the second, they are based on their proportional share of the values assigned to the assets and liabilities of the acquired company (partial goodwill).

If goodwill is positive, it is recorded on the balance sheet under "Goodwill"; if negative, it is recorded immediately in the income statement through "Goodwill variations".

Goodwill is subject to an impairment test at least once a year and whenever evidence of impairment exists.

Each goodwill item is allocated to a cash generating unit or group of cash generating units that stands to benefit from the acquisition. Any goodwill impairment is determined based on the recoverable

amount of the cash generating unit to which it was allocated. Cash generating units are defined based on the group's organizational and management methods and take into account the independent nature of these units.

When the group increases its ownership interest in a company that is already controlled, the difference between the purchase price of the shares and the additional share of the consolidated shareholders' equity that these securities represent on the acquisition date is recognized in shareholders' equity.

If the group reduces its ownership interest without giving up control, the impact of the change in ownership interest is also recognized in shareholders' equity.

Leases, leases with a buy-out clause and financial leases

Lease transactions, leases with a buy-out clause and financial leases are restated in such a way as to take financial accounting into consideration.

Translation of foreign currency denominated financial statements

The balance sheets of entities whose financial statements are denominated in a foreign currency are translated using the official foreign exchange rate as of the closing date. Exchange differences on share capital, reserves and retained earnings are recorded in other comprehensive income in the "Translation reserves" account. Income statement items are translated using the average exchange rate during the fiscal year. Translation differences are recorded directly in the "Translation reserves" account.

Taxes

IFRIC interpretation 21 "Levies" sets out the conditions for recognizing a tax-related liability. An entity must recognize this liability only when the obligating event occurs in accordance with the relevant legislation. If the obligating event occurs over a period of time, the liability is recognized progressively over the same period. Lastly, if the obligating event is triggered on reaching a threshold, the liability is recognized when the minimum threshold is reached.

Deferred taxes

Deferred taxes are recognized on the temporary differences between the carrying amount of an asset or liability and its tax base. They are calculated using the liability method at the corporate tax rate known at the closing date for the period and applicable when the temporary difference is used.

Deferred tax assets are recognized only if there is a probability that

the tax entity in question will recover these assets within a given time period, particularly by deducting these differences and carry-over losses from future taxable income.

Deferred taxes are recognized as income or expense, except for those related to unrealized or deferred gains or losses, for which the deferred tax is booked directly to other comprehensive income. Deferred taxes are also recorded in respect of tax losses from prior years when there is convincing evidence of the likelihood that such taxes will be collected.

Deferred taxes are not discounted.

The regional economic contribution (CET) and the companies' value-added contribution (CVAE) are treated as operating expenses and do not entail the recognition of deferred taxes in the consolidated financial statements.

Notes to the balance sheet

Note 1. Cash, due from central banks Loans and receivables - credit institutions

(in € thousands)

	12.31.2018	01.01.2018
CASH, DUE FROM CENTRAL BANKS		
Due from central banks	3,104,473	4,046,381
Cash	132,115	136,384
Related receivables	0	0
TOTAL	3,236,588	4,182,765
LOANS AND RECEIVABLES - CREDIT INSTITUTIONS		
Current accounts	6,017,669	5,477,859
Loans	1,420,561	814,840
Guarantee deposits paid	400,726	425,078
Repurchase agreements	1,099,520	835,346
Individually impaired receivables (B3)	0	0
Related receivables	50,504	48,120
Impairment on performing loans (B1/B2)	-2,147	-1,700
Other impairment (B3)	0	0
TOTAL	8,986,833	7,599,543
of which deposits and demand loans with credit institutions	1,065,914	458,459

Note 2. Financial assets at fair value through profit or loss

(in € thousands)

	12.31.2018	01.01.2018
Assets held for trading purposes	404,958	363,253
Assets classified at fair value option	16,926	9,382
Other assets classified at fair value	757,379	748,335
TOTAL	1,179,263	1,120,970

Note 2a. Financial assets held for trading purposes

(in € thousands)

	12.31.2018	01.01.2018
Securities	0	0
■ Treasury bills, notes and government bonds	0	0
■ Bonds and other fixed-income securities	0	0
Listed	0	0
Unlisted	0	0
Including UCI	0	0
■ Stocks and other variable-income securities	0	0
Listed	0	0
Unlisted	0	0
Derivatives held for trading purposes	404,958	363,253
Loans and receivables	0	0
of which repurchase agreements	0	0
TOTAL	404,958	363,253

Trading derivatives are held for the purpose of hedging customer transactions.

Note 2b. Assets classified at fair value option

(in € thousands)

	12.31.2018	01.01.2018
Securities	0	0
■ Treasury bills, notes and government bonds	0	0
■ Bonds and other fixed-income securities	0	0
Listed	0	0
Unlisted	0	0
Related receivables	0	0
Including UCI	0	0
■ Stocks and other variable-income securities	0	0
Listed	0	0
Unlisted	0	0
Loans and receivables	16,926	9,382
of which guarantee deposits paid	0	0
of which repurchase agreements	0	0
TOTAL	16,926	9,382

The maximum non-recoverable amount of loans classified at fair value through profit or loss by option was €16,778,000. This amount was not hedged through the use of credit derivatives.

Note 2c. Other financial assets at fair value through profit or loss

(in € thousands)

	12.31.2018	01.01.2018
Securities	693,626	684,948
■ Treasury bills, notes and government bonds	0	55,376
■ Bonds and other fixed-income securities	306,423	366,502
Listed	0	56,770
Unlisted	298,374	303,502
Related receivables	8,049	6,230
Including UCI	165,020	154,536
■ Stocks and other variable-income securities	387,203	263,070
Listed	1,978	2,744
Unlisted	385,225	260,326
Loans and receivables	63,753	63,387
of which repurchase agreements	0	0
Guarantee deposits paid	0	0
TOTAL	757,379	748,335

Note 3. Information relating to hedging
Derivatives used for hedging purpose

(in € thousands)

	12.31.2018			
	FAIR VALUE HEDGING		CASH FLOW HEDGING	
	Book value	Nominal value	Book value	Nominal value
Interest-rate risks:				
Hedging derivatives				
Hedging derivatives - assets	691,478	16,724,251	1,086	30,000
Hedging derivatives - liabilities	422,949	23,192,544	4,786	37,500
Change in the fair value of the hedging instrument used to recognize the ineffectiveness of the hedges over the period	-17,529		-517	
Currency risk				
Hedging derivatives				
Hedging derivatives - assets				
Hedging derivatives - liabilities				
Change in the fair value of the hedging instrument used to recognize the ineffectiveness of the hedges over the period				

Note 4a. Financial assets at fair value through equity

(in € thousands)

	12.31.2018	01.01.2018
TREASURY BILLS, NOTES AND GOVERNMENT BONDS	4,931,080	5,147,502
BONDS AND OTHER FIXED-INCOME SECURITIES	5,953,599	4,991,529
■ Listed	4,963,447	4,055,397
■ Unlisted	955,927	907,609
Related receivables	34,225	28,523
SUBTOTAL GROSS VALUE OF DEBT INSTRUMENTS	10,884,679	10,139,031
Impairment on performing loans (B1/B2)	-6,758	-4,783
Other impairment (B3)	0	0
SUBTOTAL NET VALUE OF DEBT INSTRUMENTS	10,877,921	10,134,248
LOANS AND RECEIVABLES	0	0
■ Loans and receivables due from credit institutions	0	0
■ Loans and receivables due from customers	0	0
Related receivables	0	0
SUBTOTAL GROSS VALUE OF LOANS	0	0
Impairment on performing loans (B1/B2)	0	0
Other impairment (B3)	0	0
SUBTOTAL NET VALUE OF LOANS	0	0
STOCKS AND OTHER VARIABLE-INCOME SECURITIES	89,185	103,036
■ Listed	74,727	94,396
■ Unlisted	14,458	8,640
Related receivables	0	0
EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT	356,589	370,324
■ Long-term investments	301,103	310,675
■ Other long-term investments	55,282	59,307
■ Shares in associates	204	302
■ Translation adjustments	0	0
■ Loaned securities	0	0
Related receivables	0	40
SUBTOTAL EQUITY INSTRUMENTS	445,774	473,360
TOTAL	11,323,695	10,607,608
Of which unrealized capital gains/losses recognized in equity	88,503	136,547
Of which securities sold under repurchase agreements	0	0
Of which listed long-term investments	101,728	112,823

Equity instruments at fair value through equity mainly include investments in associates and the group's other long-term investments. They are identified on a case-by-case basis and submitted to a committee for validation. The accumulated loss at the time of disposal was €9,334,000.

Note 4b. Available-for-sale financial assets

(in € thousands)

	12.31.2017
TREASURY BILLS, NOTES AND GOVERNMENT BONDS	14,999,774
BONDS AND OTHER FIXED-INCOME SECURITIES	20,467,716
■ Listed	18,286,851
■ Unlisted	2,180,865
STOCKS AND OTHER VARIABLE-INCOME SECURITIES	1,368,661
■ Listed	727,906
■ Unlisted	640,755
EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT	847,638
■ Long-term investments	587,501
■ Other long-term investments	259,834
■ Shares in associates	303
■ Translation adjustments	0
■ Loaned securities	0
RELATED RECEIVABLES	347,468
TOTAL	38,031,257
Of which unrealized capital gains/losses recognized in equity	453,678
Of which securities sold under repurchase agreements	0
Of which impaired assets	0
Of which risky bonds	19,172
Of which impairment loss	-41,678
Of which listed long-term investments	175,287

Note 5. Securities at amortized cost

(in € thousands)

	12.31.2018	01.01.2018
TREASURY BILLS, NOTES AND GOVERNMENT BONDS	0	0
BONDS AND OTHER FIXED-INCOME SECURITIES	168,970	159,008
■ Listed	48,700	60,343
■ Unlisted	104,380	97,571
Related receivables	15,890	1,094
GROSS TOTAL	168,970	159,008
of which impaired assets (B3)	5,542	0
Impairment on performing loans (B1/B2)	-818	-1,271
Other impairment (B3)	-4,203	0
NET TOTAL	163,949	157,737

Note 6. Loans and receivables due from customers

(in € thousands)

	12.31.2018	01.01.2018
Performing receivables (B1/B2)	53,491,691	47,905,366
■ Commercial receivables	141,490	137,515
■ Other loans to customers	53,233,100	47,653,269
Housing loans	29,363,811	26,093,575
Other loans and various receivables, including repurchase agreements	23,820,462	21,559,694
Guarantee deposits paid	48,827	0
■ Related receivables	117,101	114,582
Individually impaired receivables (B3)	1,360,860	1,410,582
GROSS RECEIVABLES	54,852,551	49,315,948
Impairment on performing loans (B1/B2)	-231,256	-216,715
Other impairment (B3)	-783,459	-802,260
SUBTOTAL I	53,837,836	48,296,973
Finance leases (net investment)	1,706,380	1,839,822
■ Movable goods	954,883	1,100,094
■ Real property	751,497	739,728
Individually impaired receivables (B3)	67,387	70,937
GROSS RECEIVABLES	1,773,767	1,910,759
Impairment on performing loans (B1/B2)	-17,066	-23,240
Other impairment (B3)	-20,001	-48,610
SUBTOTAL II	1,736,700	1,838,909
TOTAL	55,574,536	50,135,882
Of which equity loans with no voting rights	12,165	12,165
Of which subordinated debt	0	0

Note 6a. Information on delinquent payments

(in € thousands)

	PAYMENT ARREARS			GUARANTEES RELATING TO PAYMENT ARREARS
	≤ 30 DAYS	> 31 DAYS ≤ 90 DAYS	≤ 91 DAYS	
EQUITY INSTRUMENTS	0	0	0	0
DEBT INSTRUMENTS	0	0	0	0
Central governments				
Credit institutions				
Other financial companies				
Non-financial companies				
Retail customers				
LOANS AND ADVANCES	247,851	115,466	47,961	167,777
Central governments	0	8	3	4
Credit institutions	0	0	0	0
Other financial companies	482	354	235	437
Non-financial companies	89,662	49,166	39,445	72,725
Retail customers	157,707	65,938	8,278	94,611
AUTRES ACTIFS FINANCIERS	0	0	0	0
TOTAL	247,851	115,466	47,961	167,777
Unallocated guarantees				0

This table includes outstandings considered performing but on which one or more delinquent payments have been observed.

The reported amount consists of the total value of the commitment on which a delinquent payment has been observed, not merely the delinquent payment amount.

The age of the delinquent payment is calculated from the date on which the first delinquent payment was observed on the outstanding amount in question.

Note 6b. Restructured outstandings by type

(in € thousands)

RESTRUCTURED OUTSTANDINGS BY TYPE AS OF 12/31/2018	RENEGOTIATION OF CONTRACT	TOTAL OR PARTIAL REFINANCING OF OUTSTANDING	TOTAL
PERFORMING OUTSTANDINGS	43,951	37,308	81,259
Non-performing outstandings - gross amounts	245,560	129,485	375,045
Restructured non-performing outstandings - impairment loss	-119,134	-74,309	-193,443
NET NON-PERFORMING OUTSTANDINGS	126,426	55,176	181,602

Note 7. Placement of insurance activities and reinsurers' shares in technical provisions (in € thousands)

	12.31.2018	01.01.2018
Financial assets at fair value through profit or loss	22,882,853	22,395,643
Available-for-sale financial assets	25,981,518	26,958,487
Loans and receivables - credit institutions	22,542	20,267
Loans and receivables linked to insurance activities	499,427	436,659
Held-to-maturity financial assets	3,534	6,708
Investment property	340,535	346,557
Share of reinsurers in technical provisions and other insurance assets	459,883	436,131
TOTAL	50,190,292	50,600,452

Note 7a. Financial assets at fair value through profit or loss (in € thousands)

	31.12.2018	01.01.2018
FINANCIAL ASSETS HELD FOR TRADING PURPOSES	1	686
Derivatives held for trading purposes	1	686
SUBTOTAL I	1	686
ASSETS CLASSIFIED AT FAIR VALUE OPTION	22,882,852	22,394,957
Securities	22,882,852	22,394,957
Bonds and other fixed-income securities	6,026,576	5,776,248
■ Listed	5,464,274	5,290,964
■ Unlisted	505,023	426,789
■ Related receivables	57,279	58,495
Stocks and other variable-income securities	16,856,276	16,618,709
■ Listed	9,124,949	9,527,151
■ Unlisted	7,709,267	7,072,905
■ Related receivables	22,060	18,653
SUBTOTAL II	22,882,852	22,394,957
TOTAL	22,882,853	22,395,643

At December 31, 2018, the fair value of financial assets at fair value through profit or loss whose cash flows resembled those of a basic loan totaled €374 million. The change in the fair value of these assets during the period was €-0.2 million.

Note 7b. Available-for-sale financial assets

(in € thousands)

	12.31.2018	01.01.2018
TREASURY BILLS, NOTES AND GOVERNMENT BONDS	9,272,247	9,982,449
BONDS AND OTHER FIXED-INCOME SECURITIES	15,496,279	15,475,323
■ Listed	12,480,228	14,208,623
■ Unlisted	2,844,693	1,083,446
Related receivables	171,358	183,254
SUBTOTAL GROSS VALUE OF DEBT INSTRUMENTS	24,768,526	25,457,772
Impairment	-267	-486
SUBTOTAL NET VALUE OF DEBT INSTRUMENTS	24,768,259	25,457,286
SHARES AND OTHER VARIABLE-INCOME SECURITIES	725,878	1,065,974
■ Listed	292,968	636,163
■ Unlisted	427,167	424,622
Related receivables	5,743	5,189
EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT	489,612	440,624
■ Long-term investments	268,212	276,368
■ Other long-term investments	221,400	164,256
■ Shares in associates	0	0
SUBTOTAL GROSS VALUE OF EQUITY INSTRUMENTS	1,215,490	1,506,598
Impairments	-2,231	-5,397
SUBTOTAL NET VALUE OF EQUITY INSTRUMENTS	1,213,259	1,501,201
TOTAL	25,981,518	26,958,487
Of which unrealized capital gains/losses recognized in equity	164,117	259,826
Of which listed long-term investments	54,422	62,464

At December 31, 2018, the fair value of available-for-sale financial assets whose cash flows resembled those of a basic loan totaled €21,491 million. The change in the fair value of these assets during the period was €-82 million.

Note 7c. Securities at amortized cost

(in € thousands)

	31.12.2018	01.01.2018
TREASURY BILLS, NOTES AND GOVERNMENT BONDS	3,534	
BONDS AND OTHER FIXED-INCOME SECURITIES		6,708
■ Listed		6,600
■ Unlisted		
Related receivables		108
GROSS TOTAL	3,534	6,708
of which impaired assets		
Impairment		
NET TOTAL	3,534	6,708

At December 31, 2018, the carrying amount of securities at amortized cost whose cash flows resembled those of a basic loan totaled €3.5 million.

Note 7d. Loans and receivables - credit institutions

(in € thousands)

	31.12.2018	01.01.2018
LOANS AND RECEIVABLES - CREDIT INSTITUTIONS		
Other regular accounts	22,291	20,264
Loans	250	3
Guarantee deposits paid	0	0
Repurchase agreements	0	0
Related receivables	1	0
TOTAL	22,542	20,267
of which deposits and demand loans with credit institutions	22,541	20,267

At December 31, 2018, loans and receivables due from credit institutions whose cash flows resembled those of a basic loan totaled €22 million.

Note 7e. Loans and receivables linked to insurance activities

(in € thousands)

	12.31.2018	01.01.2018
PERFORMING RECEIVABLES	499,427	436,659
Loans to customers	495,782	436,658
■ Housing loans	0	0
■ Other loans and various receivables, including repurchase agreements	495,782	436,658
Related receivables	3,645	1
Individually impaired receivables	54	11
GROSS RECEIVABLES	499,481	436,670
Impairment	-54	-11
TOTAL	499,427	436,659

At December 31, 2018, loans and receivables linked to insurance activities and whose cash flows resembled those of a basic loan totaled €499 million.

Note 7f. Investment property

(in € thousands)

	01.01.2018	Increase	Decrease	Other	12.31.2018
Historical cost	520,956	536,408	-528,893	0	528,471
Amortization	-174,399	-16,597	3,060	0	-187,936
NET AMOUNT	346,557	519,811	-525,833	0	340,535

The fair value of investment real estate recognized at cost amounted to €715 million at December 31, 2018 compared with €659 million at December 31, 2017.

Note 7g. Share of reinsurers in technical provisions and other insurance assets

	12.31.2018	01.01.2018
Technical provisions - Reinsurers' share	87,473	77,318
Other insurance assets	372,410	358,813
TOTAL	459,883	436,131

Note 8. Current taxes

(in € thousands)

	12.31.2018	01.01.2018
Assets (through profit or loss)	224,673	209,444
Liabilities (through profit or loss)	127,008	119,391

Note 9. Deferred taxes

(in € thousands)

	12.31.2018	01.01.2018
Assets (through profit or loss)	73,890	35,599
Assets (through equity)	75,556	14,236
Liabilities (through profit or loss)	29,848	-8,978
Liabilities (through equity)	103,717	106,966

Breakdown of deferred tax by major category

(in € thousands)

	12.31.2018	01.01.2018
Loss carryforwards	8,401	7,804
Temporary differences on:		
Deferred capital gains or losses on available-for-sale securities	-44,456	-90,725
Deferred capital gains or losses on securities at fair value through equity	-14,409	-32,922
Change in credit risk of liabilities at fair value through profit or loss by option	-2,323	7
Unrealized gains or losses on cash flow hedges	1,131	1,396
Unrealized gains or losses on actuarial differences	31,896	29,513
Provisions for non-deductible contingencies and charges	84,432	29,754
Unrealized reserves of finance leases	-25,728	-21,369
Other temporary differences	-23,063	28,389
TOTAL NET DEFERRED TAXES	15,881	-48,153

Note 10. Accruals, prepayments and sundry assets

(in € thousands)

	12.31.2018	01.01.2018
ACCRUALS – ASSETS		
Receivables collection	268,077	475,727
Foreign currency adjustment accounts	13,796	5,522
Accrued income	114,256	114,951
Miscellaneous accrual accounts	183,678	231,334
SUBTOTAL	579,807	827,534
OTHER ASSETS*		
Settlement accounts for securities transactions	98,289	96,676
Various debtors	187,989	135,707
Inventories and similar	1,748	2,009
Other miscellaneous applications of funds	3,046	3,712
SUBTOTAL GROSS VALUE OF OTHER ASSETS	291,072	238,104
Impairment on performing loans (B1/B2)		
Other impairment (B3)	-3,752	-10,746
SUBTOTAL NET VALUE OF OTHER ASSETS	287,320	227,358
TOTAL	867,127	1,054,892

*Includes "other assets" not specific to insurance within the insurance scope; the "other assets" specific to the insurance activity within the insurance scope are included in note 7g.

Note 10a. Deferred profit-sharing

(in € thousands)

	12.31.2018	01.01.2018
Deferred profit-sharing	0	0
TOTAL	0	0

Note 11. Investments in associates

	12.31.2018			01.01.2018		
	INVESTMENT AMOUNT	SHARE OF EARNINGS	DIVIDENDS RECEIVED	INVESTMENT AMOUNT	SHARE OF EARNINGS	DIVIDENDS RECEIVED
Caisse Centrale du Crédit Mutuel	137,177	2,753	0	138,093	24,387	0
Primonial Holding	5,460	5,460	0	0	0	0
Younited Credit	10,455	-3,987	0	11,293	-3,834	0
New Port	31,262	2,200	0	40,954	3,365	0
Other	17,422	-6,177	0	0	0	0
GROSS TOTAL	201,775	248	0	190,340	23,919	0

Financial data of the main equity-accounted affiliates (IFRS)

	TOTAL ASSETS	NBI	GROSS OPERATING INCOME	NET INCOME	OCI	SHAREHOLDERS' EQUITY
Caisse Centrale du Crédit Mutuel	4,700,419	16,307	10,598	8,610	9,336	661,087
Primonial Holding	1 244 549	123,651	-5,477	16,638	0	264,723
Younited Credit	337,295	24,982	-15,978	-15,454	0	38,894
New Port	178,532	7,264	7,132	7,132	17,207	101,202
Other	38,967	10,613	-9,963	-9,160	0	27,135

Note 12. Investment real estate - banking activity

(in € thousands)

	01.01.2018	INCREASE	DECREASE	OTHER	12.31.2018
Historical cost	223,858	181	-11,992	-	212,047
Amortization and impairment	-55,020	-7,550	4,759	-	-57,811
NET AMOUNT	168,838	-7,369	-7,233	-	154,236

The fair value of investment real estate recognized at cost amounted to €164 million at December 31, 2018 compared with €174 million at December 31, 2017.

Note 13. Property, plant and equipment

(in € thousands)

	01.01.2018	INCREASE	DECREASE	OTHER	12.31.2018
HISTORICAL COST					
Land	22,084	225	-136	-	22,173
Plant	575,579	24,091	-5,408	310	594,572
Other property, plant and equipment	229,044	27,479	-10,273	-2,350	243,900
TOTAL	826,707	51,795	-15,817	-2,040	860,645
AMORTIZATION AND IMPAIRMENT					
Land	-	-	-	-	-
Plant	-390,776	-22,162	4,921	-	-408,017
Other property, plant and equipment	-182,846	-16,956	3,613	1,322	-194,867
TOTAL	-573,622	-39,118	8,534	1,322	-602,884
NET AMOUNT	253,085	12,677	-7,283	-718	257,761

Note 14. Intangible assets

(in € thousands)

	01.01.2018	INCREASE	DECREASE	OTHER	12.31.2018
HISTORICAL COST					
Self-produced assets	424,247	51,161	-902	1,482	475,988
Acquired assets	725,832	78,429	-39,129	-24,537	740,595
Software	359,045	22,432	-54	-5,319	376,104
Other	366,787	55,997	-39,075	-19,218	364,491
TOTAL	1,150,079	129,590	-40,031	-23,055	1,216,583
AMORTIZATION AND IMPAIRMENT					
Self-produced assets	-307,984	-49,682	74	-	-357,592
Acquired assets	-414,515	-29,675	766	20,191	-423,233
Software	-317,600	-17,728	54	4,222	-331,052
Other	-96,915	-11,947	712	15,969	-92,181
TOTAL	-722,499	-79,357	840	20,191	-780,825
NET AMOUNT	427,580	50,233	-39,191	-2,864	435,758

Note 15. Goodwill

(in € thousands)

	01.01.2018	INCREASE	DECREASE	OTHER	12.31.2018
Gross goodwill	572,684	0	0	-34,223	538,461
Impairment	0	0	0	0	0
NET GOODWILL	572,684	0	0	-34,223	538,461

Allocation by Division

(in € thousands)

DIVISION	ENTITIES	12.31.2018	01.01.2018
Retail customers	Arkéa Direct Bank	259,757	259,757
Corporate and institutional customers	Leasecom Leasecom Car	0	32,723
B2B and Specialized Services	CFCAL Banque	38,216	38,216
B2B and Specialized Services	Monext	100,250	100,250
B2B and Specialized Services	Procapital	63,000	63,000
B2B and Specialized Services - Fintech	Leetchi SA Mangopay	25,682	25,682
	Pumpkin	10,974	10,974
Products	Izimmo	17,964	19,464
Products	Schelcher Prince Gestion	11,649	11,649
Products	Suravenir Assurances	10,969	10,969
NET GOODWILL		538,461	572,684

Note 16. Central banks - Due to credit institutions

(in € thousands)

	12.31.2017	12.31.2016
DUE FROM CENTRAL BANKS	0	0
LIABILITIES TO CREDIT INSTITUTIONS	7,117,358	7,999,171
Current accounts	403,600	330,690
Loans	1,432,850	2,031,803
Guarantee deposits received	268,466	314,952
Other liabilities	39,829	48,481
Repurchase agreements	4,994,676	5,275,151
Related receivables	-22,063	-1,906
TOTAL	7,117,358	7,999,171
of which deposits and demand loans with credit institutions	493,261	777,519

Note 17. Financial liabilities at fair value through profit or loss

(in € thousands)

	12.31.2018	01.01.2018
FINANCIAL LIABILITIES HELD FOR TRADING PURPOSES	450,009	384,997
Short selling of securities	0	0
■ Treasury bills, notes and government bonds	0	0
■ Bonds and other fixed-income securities	0	0
■ Stocks and other variable-income securities	0	0
Payables on securities sold under repurchase agreements	0	0
Derivatives	450,009	384,997
Other financial liabilities held for trading purposes	0	0
FAIR VALUE OPTION FINANCIAL LIABILITIES THROUGH PROFIT OR LOSS	361,062	173,820
Liabilities to credit institutions	1,895	14
Liabilities to customers	6,243	5,096
Debt securities	352,924	168,710
Subordinated debt	0	0
TOTAL	811,071	558,817

The settlement value of financial liabilities at fair value through profit or loss was €844,536,000 at December 31, 2018 versus €564,359,000 at January 1, 2018.

Note 17a. Fair value option financial liabilities through profit or loss

(in € thousands)

	12.31.2018			01.01.2018		
	CARRYING AMOUNT	AMOUNT DUE AT MATURITY	DIFFERENCE	CARRYING AMOUNT	AMOUNT DUE AT MATURITY	DIFFERENCE
Liabilities to credit institutions	1,895	1,868	27	14	108	-94
Liabilities to customers	6,243	6,239	4	5,096	5,098	-2
Debt securities	352,924	386,420	-33,496	168,710	174,156	-5,446
Subordinated debt	0	0	0	0	0	0
TOTAL	361,062	394,527	-33,465	173,820	179,362	-5,542

Note 17b. Actifs et passifs financiers faisant l'objet d'une compensation, d'une convention-cadre de compensation exécutoire ou d'un accord similaire

12.31.2018

	GROSS AMOUNT OF FINANCIAL ASSETS / LIABILITIES RECOGNIZED	GROSS AMOUNT OF FINANCIAL ASSETS / LIABILITIES RECOGNIZED AND NETTED ON THE BALANCE SHEET	NET AMOUNT OF FINANCIAL ASSETS / LIABILITIES SHOWN ON THE BALANCE SHEET
ASSETS			
Derivatives	1,097,523	0	1,097,523
Reverse repurchase agreements of securities, securities borrowing or similar agreements	1,183,315	0	1,183,315
Other financial instruments	0		0
TOTAL ASSETS	2,280,838	0	2,280,838
LIABILITIES			
Derivatives	980,882	0	980,882
Repurchase agreements of securities, securities lending or similar agreements	6,305,368	0	6,305,368
Other financial instruments	0		0
TOTAL LIABILITIES	7,286,250	0	7,286,250

(in € thousands)

12.31.2018

	RELATED AMOUNTS NOT NETTED ON THE BALANCE SHEET			NET AMOUNT
	IMPACT OF MASTER NETTING AGREEMENTS	FINANCIAL INSTRUMENTS RECEIVED/GIVEN AS GUARANTEES	CASH COLLATERA	
	-472,293	0	-257,564	367,666
	0	-1,090,216	0	93,099
	0	0	0	0
	-472,293	-1,090,216	-257,564	460,765
	-472,293	0	-402,833	105,756
	0	-6,297,896	-4,720	2,752
	0	0	0	0
	-472,293	-6,297,896	-407,553	108,508

Note 18. Debt securities

(in € thousands)

	12.31.2018	01.01.2018
Certificates of deposit	7,318	13,643
Interbank market securities and negotiable debt securities	2,617,491	2,642,665
Bond issues	9,514,284	7,396,403
Non-preferred senior debt	500,641	506,146
Related receivable	130,944	179,002
TOTAL	12,770,678	10,737,859

Note 19. Liabilities to customers

(in € thousands)

	12.31.2018	01.01.2018
Savings accounts governed by special regulations	26,009,281	24,917,866
Sight accounts	20,572,450	19,576,834
Term accounts	5,436,831	5,341,032
Related receivable on savings accounts	214,302	208,743
SUBTOTAL	26,223,583	25,126,609
Current accounts	20,145,779	18,332,715
Term accounts and term loans	8,130,328	5,862,614
Repurchase agreements	0	0
Related receivables	53,967	55,855
Guarantee deposits received	1,506	1,899
SUBTOTAL	28,331,580	24,253,083
TOTAL	54,555,163	49,379,692

Note 20. Accruals, deferred income and sundry liabilities

(in € thousands)

	12.31.2018	01.01.2018
ACCRUALS – LIABILITIES		
Blocked accounts for collection operations	409,600	518,315
Foreign currency adjustment accounts	8,846	8,077
Accrued expenses	184,645	182,969
Deferred income	299,951	288,516
Miscellaneous accrual accounts	314,353	87,260
SUBTOTAL	1,217,395	1,085,137
OTHER LIABILITIES		
Settlement accounts for securities transactions	312,436	302,115
Outstanding payments on securities	7,510	5,597
Miscellaneous creditors	526,293	612,664
SUBTOTAL	846,239	920,376
TOTAL	2,063,634	2,005,513

Note 21. Liabilities - insurance activity

(in € thousands)

	12.31.2018	01.01.2018
Financial liabilities at fair value through profit or loss	103,138	100,838
Liabilities to credit institutions	1,340,999	2,127,987
Debt securities	0	0
Insurance companies' technical reserves	43,480,679	42,807,688
Other insurance liabilities	3,107,678	3,209,966
Subordinated debt	554	654
TOTAL	48,033,048	48,247,133

Note 21a. Financial liabilities at fair value through profit or loss

(in € thousands)

	12.31.2018	01.01.2018
FINANCIAL LIABILITIES HELD FOR TRADING PURPOSES		
Derivatives	103,138	100,838
Other financial liabilities held for trading purposes	0	0
FAIR VALUE OPTION FINANCIAL LIABILITIES THROUGH PROFIT OR LOSS		
Liabilities to credit institutions	0	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	103,138	100,838

Note 21b. Liabilities to credit institutions

(in € thousands)

	12.31.2018	01.01.2018
LIABILITIES TO CREDIT INSTITUTIONS		
Current accounts	0	9,793
Loans	0	0
Guarantee deposits received from credit institutions	0	0
Other liabilities	0	0
Repurchase agreements	1,340,999	2,118,194
Related receivables	0	0
TOTAL	1,340,999	2,127,987
of which deposits and demand loans with credit institutions	0	9,793

Note 21c. Insurance companies' technical reserves

(in € thousands)

	12.31.2018	01.01.2018
Life insurance, excluding unit-linked contracts	32,012,177	31,728,589
<i>of which profit-sharing</i>	2,129,752	2,735,486
Non-life insurance	470,912	475,852
Unit-linked contracts	10,841,617	10,455,218
Other	155,973	148,029
TOTAL	43,480,679	42,807,688
Active deferred profit-sharing	0	0
Reinsurers' share	-87,473	-77,318
NET TECHNICAL PROVISIONS	43,393,206	42,730,370

Note 21d. Other insurance liabilities

(in € thousands)

	12.31.2018	01.01.2018
Security deposits and guarantees received	27,195	25,225
Insurance and reinsurance liabilities	54,408	58,379
Other	3,026,075	3,126,362
TOTAL	3,107,678	3,209,966

Note 22. Provisions

(in € thousands)

	01.01.2018	ALLOCATIONS	Write-backs (used)	Write-backs (unused)	OTHER	12.31.2018
Provisions for pension obligations	272,840	56,027	-15,425	0	633	314,075
Provisions for home savings accounts and plans	22,524	0	0	-4,054	0	18,470
Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope	48,835	15,632	-3	-20,759	9	43,714
Provisions for execution of guarantee commitments	0	0	0	0	0	0
Provisions for taxes	14,675	1,642	-6,970	0	0	9,347
Provisions for lawsuits	11,493	2,155	-1,576	-3,861	-470	7,741
Provisions for contingencies	4,573	1,344	-1,263	-1,112	0	3,542
Other	38,333	4,899	-5,936	-10,521	-113	26,662
TOTAL	413,273	81,699	-31,173	-40,307	59	423,551

Note 22a. Pension obligations and similar benefits**Defined benefit pension obligations and other long-term benefits**

(in € thousands)

	01.01.2018	ALLOCATIONS	WRITE-BACKS	OTHER	12.31.2018
Retirement benefits	53,016	11,777	-3,855	633	61,571
Retirement pension supplements	112,895	30,459	-9,282	-	134,072
Length-of-service awards	38,476	7,514	-2,288	-	43,702
Time savings accounts	68,453	6,277	-	-	74,730
TOTAL	272,840	56,027	-15,425	633	314,075

Note 22b. Provisions for regulated savings product risks**Home savings accounts and plans during the savings phase: deposits and provisions**

(in € thousands)

	12.31.2018		01.01.2018	
	DEPOSITS	PROVISIONS	DEPOSITS	PROVISIONS
Home savings plans	5,160,762	18,144	5,010,056	21,940
Under 4 years old	1,045,703	8	1,126,140	11
Between 4 and 10 years old	2,252,717	2,834	1,978,265	3,784
Over 10 years old	1,862,342	15,302	1,905,651	18,145
Home savings accounts	686,426	1	678,021	44
TOTAL	5,847,188	18,145	5,688,077	21,984

Loans granted under home savings accounts and plans: deposits and provisions

(in € thousands)

	12.31.2018		01.01.2018	
	DEPOSITS	PROVISIONS	DEPOSITS	PROVISIONS
Home savings plans	3 844	13	5 718	21
Home savings accounts	34 076	312	52 094	518
TOTAL	37,920	325	57,812	539

Note 22c. Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope

(in € thousands)

COMMITMENTS GIVEN	01.01.2018	ALLOCATIONS	WRITE-BACKS	OTHER	12.31.2018
	12-month expected losses	14,619	8,329	-10,961	5
Lifetime expected losses for non-impaired assets	3,798	2,661	-3,536	5	2,928
Lifetime expected losses for impaired assets (instruments impaired or not at acquisition/creation)	30,418	4,642	-6,265	-1	28,794
TOTAL	48,835	15,632	-20,762	9	43,714

Note 23. Subordinated debt

(in € thousands)

	12.31.2018	01.01.2018
Subordinated debt	1,538,910	1,758,502
Equity loans with no voting rights	2,693	2,693
Undated subordinated debt	97,199	97,205
Other liabilities	0	0
Related receivables	28,286	33,719
TOTAL	1,667,088	1,892,119

Main subordinated debt at December 31, 2018

ISSUER	ISSUE DATE	AMOUNT	CURRENCY	INTEREST RATE	DUE DATE
Crédit Mutuel Arkéa	7/5/2004	97,314	Euro	10-year CMS + 0.10	Undated
Crédit Mutuel Arkéa	6/1/2016	500,000	Euro	3,25%	01.06.2026
Crédit Mutuel Arkéa	02/09/17	500,000	Euro	3,50%	09.02.2029
Crédit Mutuel Arkéa	10/25/2017	500,000	Euro	1,88%	25.10.2029
TOTAL		1,597,314			

Note 24. Share capital and additional paid-in capital - Consolidated reserves

(in € thousands)

	12.31.2018	01.01.2018
Share capital	2,260,952	2,202,426
Additional paid-in capital	5,438	5,438
Consolidated reserves	3,896,397	3,941,308
Legal reserve	495,763	421,583
Reserves provided for in the by-laws and contractual reserves	2,186,859	1,783,760
Regulated reserves	-	-
Translation adjustments	-	-
Other reserves	1,153,330	1,675,561
Retained earnings	60,445	60,404
TOTAL	6,162,787	6,149,172

The group's share capital consists of shares held by the credit institution's customer shareholders.

Note 25. Gains and losses recognized directly in equity

(in € thousands)

	12.31.2018	01.01.2018
Available-for-sale assets	119,659	169,099
Non-recyclable equity instruments at fair value through equity by option	50,559	71,697
of which gains or losses on equity securities derecognized during the period.		
Recyclable debt instruments at fair value through equity	22,740	52,008
of which gains or losses reclassified to net income on debt securities derecognized during the period		
Change in fair value attributable to credit risk presented in other items of comprehensive income for the liabilities	4,933	-14
of which change on derecognition, for all liabilities derecognized during the period		
Cash flow hedge derivatives	-2,399	-2,651
Real property	-	-
Other	-91,120	-56,193
TOTAL	104,372	233,946

Note 26a. Breakdown of financial liabilities according to maturity - banking activity

(in € thousands)

	RESIDUAL MATURITY					TOTAL
	LESS THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	INDEFINITE	
Liabilities at fair value through profit or loss	69,553	100,004	119,438	522,076	-	811,071
Derivatives used for hedging purposes					427,735	427,735
Liabilities to credit institutions	1,529,059	390,444	3,796,352	1,401,418	-	7,117,273
Liabilities to customers	43,890,144	1,538,577	5,250,465	3,875,973	-	54,555,159
Debt securities	1,463,758	2,608,993	4,390,643	4,307,284	-	12,770,678
Subordinated debt	-	-	-	1,569,889	97,199	1,667,088

The items shown in this table are broken down according to their contractual maturity and not discounted.

Note 26b. Breakdown of financial liabilities by maturity - insurance

(in € thousands)

	RESIDUAL MATURITY					TOTAL
	LESS THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	INDEFINITE	
Derivatives used for hedging purposes					103,138	103,138
Liabilities to credit institutions	400,427	940,572	-	-	-	1,340,999
Subordinated debt	554	-	-	-	-	554

Note 27. Non-current assets held for sale and related liabilities

The group is in the process of selling Leasecom and Leasecom Car.

The Leasecom group's contribution is accounted for in the consolidated financial statements for the year ended December 31, 2018 in accordance with IFRS 5 relating to entities held for sale.

The disposal is scheduled to take place in the first half of 2019.

The main categories of assets and liabilities reclassified on the two lines of the statement of financial position are presented below:

(in € thousands)

	31.12.2018
ASSETS	
Financial liabilities	392,920
■ Financial assets at fair value through profit or loss	0
■ Financial assets at fair value through equity	29
■ Loans and receivables - credit institutions, at amortized cost	173
■ Loans and receivables - customers, at amortized cost	392,718
Other assets	16,735
Property, plant and equipment and intangible assets	34,575
TOTAL ACTIF	444,230

(in € thousands)

	31.12.2018
LIABILITIES	
Financial liabilities	890
■ Financial liabilities at fair value through profit or loss	0
■ Due to banks	74
■ Liabilities to customers	816
Other liabilities	17,917
Provisions	635
TOTAL LIABILITIES	19,442

Note 28a. Fair value ranking – banking activity

(in € thousands)

12.31.2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS				
FVOCI	8,652,074	2,404,722	266,899	11,323,695
- Treasury bills and similar securities - FVOCI ⁽¹⁾	4,201,642	726,173	0	4,927,815
- Bonds and other fixed-income securities - FVOCI ^{(2) (3)}	4,273,977	1,676,129	0	5,950,106
- Stocks and other variable-income securities - FVOCI ⁽⁴⁾	74,727	2,420	12,038	89,185
- Equity investments and other long-term investments - FVOCI	101,728	0	254,657	356,385
- Shares in associates - FVOCI	0	0	204	204
- Loans and receivables due from credit institutions - FVOCI	0	0	0	0
- Loans and receivables due from customers - FVOCI	0	0	0	0
TRADING/FVO/OTHER FVTPL	11,922	623,997	543,344	1,179,263
- Treasury bills and similar securities - Trading	0	0	0	0
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Treasury bills and similar securities - Other FVTPL	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Other FVTPL ⁽⁵⁾	9,944	138,360	158,119	306,423
- Stocks and other variable-income securities - Held for trading	0	0	0	0
- Stocks and other variable-income securities - Other FVTPL	1,978	0	385,225	387,203
- Loans and receivables due from credit institutions - Fair value option	0	1,895	0	1,895
- Loans and receivables due from credit institutions - Other FVTPL	0	63,160	0	63,160
- Loans and receivables due from customers - Fair value option	0	15,031	0	15,031
- Loans and receivables due from customers - Other FVTPL	0	593	0	593
- Derivatives and other financial assets - Held for trading	0	404,958	0	404,958
DERIVATIVES USED FOR HEDGING PURPOSES	0	692,564	0	692,564
TOTAL	8,663,996	3,721,283	810,243	13,195,522
FINANCIAL LIABILITIES				
TRANSACTION / JVO	0	811,071	0	811,071
- Amounts due to credit institutions - Fair value option	0	1,895	0	1,895
- Amounts due to customers - Fair value option	0	6,243	0	6,243
- Debt securities - Fair value option	0	352,924	0	352,924
- Derivatives and other financial liabilities - Held for trading	0	450,009	0	450,009
DERIVATIVES USED FOR HEDGING PURPOSES	0	427,735	0	427,735
TOTAL	0	1,238,806	0	1,238,806

(1) Transfers from level 1 to level 2 were made in the amount of €142 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

(2) Transfers from level 1 to level 2 were made in the amount of €167 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

(3) Transfers from level 2 to level 1 were made in the amount of €4 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

(4) Transfers from level 3 to level 2 were made in the amount of €2 million. They consisted mainly of equities whose characteristics correspond to level 2 criteria.

(5) Transfers from level 3 to level 2 were made in the amount of €89 million. They concerned mainly innovation funds, venture capital funds and real estate investment vehicles. These are measured using recognized valuation methods (PER multiples, etc.) by counterparties (management companies) that are specialized in these methods. In this context, this type of asset has been classified in level 2.

Note 28b. Fair value ranking – insurance activity

(in € thousands)

12.31.2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS				
AVAILABLE-FOR-SALE ASSETS	21,368,477	2,579,812	2,033,229	25,981,518
- Treasury bills and similar securities - AFS	9,272,247	0	0	9,272,247
- Bonds and other fixed-income securities - AFS ^{(1) (2)}	11,813,936	2,160,922	1,521,154	15,496,012
- Stocks and other variable-income securities - AFS (3)	227,872	418,890	76,885	723,647
- Equity investments and other long-term investments - AFS	54,422	0	435,190	489,612
- Shares in associates - AFS	0	0	0	0
TRADING/FVO	9,703,406	8,307,266	4,872,181	22,882,853
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	104,878	5,411,545	510,153	6,026,576
- Stocks and other variable-income securities - Fair value option (4) (5)	9,598,528	2,895,720	4,362,028	16,856,276
- Loans and receivables due from credit institutions - Fair value option	0	0	0	0
- Derivatives and other financial assets - Held for trading	0	1	0	1
DERIVATIVES USED FOR HEDGING PURPOSES	0	0	0	0
TOTAL	31,071,883	10,887,078	6,905,410	48,864,371
FINANCIAL LIABILITIES				
TRADING/FVO	0	103,138	0	103,138
- Amounts due to credit institutions - Fair value option	0	0	0	0
- Debt securities - Fair value option	0	0	0	0
- Derivatives and other financial liabilities - Held for trading	0	103,138	0	103,138
DERIVATIVES USED FOR HEDGING PURPOSES	0	0	0	0
TOTAL	0	103,138	0	103,138

(1) Transfers from level 2 to level 1 were made in the amount of €149 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

(2) Transfers from level 1 to level 2 were made in the amount of €213 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

(3) Transfers from level 3 to level 2 were made in the amount of €412 million. They consisted mainly of equities whose characteristics correspond to level 2 criteria.

(4) Transfers from level 2 to level 1 were made in the amount of €18 million. They consisted mainly of equities whose characteristics correspond to level 1 criteria.

(5) Transfers from level 3 to level 2 were made in the amount of €2,865 million. They concerned mainly mutual funds and venture capital funds. These are measured using recognized valuation methods (EPR Multiples, etc.) by counterparties (management companies) that are specialized in these methods. In this context, this type of asset has been classified in level 2.

Note 28c. Fair value ranking – details of level 3 - banking activity

(in € thousands)

	OPENING BALANCE	PURCHASES	ISSUES	SALES
FINANCIAL ASSETS				
FVOCI	265,775	10,408	8,131	-9,085
- Treasury bills and similar securities - FVOCI	0	0	0	0
- Bonds and other fixed-income securities - FVOCI	0	0	0	0
- Stocks and other variable-income securities - FVOCI	8,608	0	0	0
- Equity investments and other long-term investments - FVOCI	256,824	10,407	8,131	-9,085
- Shares in associates - FVOCI	343	1	0	0
- Loans and receivables due from credit institutions - FVOCI	0	0	0	0
- Loans and receivables due from customers - FVOCI	0	0	0	0
TRADING/FVO/OTHER	508,157	189,956	50	-80,064
- Treasury bills and similar securities - Trading	0	0	0	0
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Treasury bills and similar securities - Other FVTPL	825	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Other FVTPL	247,005	44,989	50	-9,879
- Stocks and other variable-income securities - Held for trading	0	0	0	0
- Stocks and other variable-income securities - Other FVTPL	260,327	144,967	0	-70,185
- Loans and receivables due from credit institutions - Fair value option	0	0	0	0
- Loans and receivables due from credit institutions - Other FVTPL	0	0	0	0
- Loans and receivables due from customers - Fair value option	0	0	0	0
- Loans and receivables due from customers - Other FVTPL	0	0	0	0
- Derivatives and other financial assets - Held for trading	0	0	0	0
DERIVATIVES USED FOR HEDGING PURPOSES	0	0	0	0
TOTAL	773,932	200,364	8,181	-89,149
FINANCIAL LIABILITIES				
TRADING/FVO	0	0	0	0
- Amounts due to credit institutions - Fair value option	0	0	0	0
- Amounts due to customers - Fair value option	0	0	0	0
- Debt securities - Fair value option	0	0	0	0
- Derivatives and other financial liabilities - Held for trading	0	0	0	0
DERIVATIVES USED FOR HEDGING PURPOSES	0	0	0	0
TOTAL	0	0	0	0

Note 28d. Fair value ranking – details of level 3 - insurance activity

(in € thousands)

	OPENING BALANCE	PURCHASES	ISSUES	DISPOSALS
FINANCIAL ASSETS				
AVAILABLE-FOR-SALE ASSETS	1,970,395	2,139,023	0	-1,622,528
- Treasury bills and similar securities - AFS	0	0	0	0
- Bonds and other fixed-income securities - AFS	1,096,720	2,084,316	0	-1,618,646
- Stocks and other variable-income securities - AFS	495,424	0	0	-3,882
- Equity investments and other long-term investments - AFS	378,161	54,707	0	0
- Shares in associates - AFS	90	0	0	0
TRADING/FVO	6,345,847	443,311	0	-66,534
- Treasury bills and similar securities - Trading	0	0	0	0
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	429,988	92,395	0	-8,242
- Stocks and other variable-income securities - Held for trading	0	0	0	0
- Stocks and other variable-income securities - Fair value option	5,915,859	350,916	0	-58,292
- Derivatives and other financial assets - Held for trading	0	0	0	0
DERIVATIVES USED FOR HEDGING PURPOSES	0	0	0	0
TOTAL	8,316,242	2,582,334	0	-1,689,062
FINANCIAL LIABILITIES				
TRANSACTION / JVO	0	0	0	0
- Amounts due to credit institutions - Fair value option	0	0	0	0
- Debt securities - Fair value option	0	0	0	0
- Derivatives and other financial liabilities - Held for trading	0	0	0	0
DERIVATIVES USED FOR HEDGING PURPOSES	0	0	0	0
TOTAL	0	0	0	0

Note 29a. Fair value ranking of financial assets and liabilities recognized at amortized cost - banking activity

(in € thousands)

12.31.2018						
	MARKET VALUE	CARRYING AMOUNT	UNREALIZED CAPITAL GAINS AND LOSSES	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS	65 607 962	64 725 318	882 644	0	9 019 929	56 588 033
Financial assets at amortized cost						
Loans and receivables due from credit institutions	9 019 929	8 986 833	33 096	0	9 019 929	0
Loans and receivables due from customers	56 427 084	55 574 536	852 548	0	0	56 427 084
Securities	160 949	163 949	-3 000	0	0	160 949
LIABILITIES	76 866 614	76 110 287	756 327	0	22 312 031	54 554 583
Liabilities to credit institutions	7 181 152	7 117 358	63 794	0	7 181 152	0
Liabilities to customers	54 554 583	54 555 163	-580	0	0	54 554 583
Debt securities	13 490 397	12 770 678	719 719	0	13 490 397	0
Subordinated debt	1 640 482	1 667 088	-26 606	0	1 640 482	0

Note 29b. Fair value ranking of financial assets and liabilities recognized at amortized cost - insurance activity

(in € thousands)

12.31.2018						
	MARKET VALUE	CARRYING AMOUNT	UNREALIZED CAPITAL GAINS AND LOSSES	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS	525,503	525,503	0	3,534	22,542	499,427
Loans and receivables due from credit institutions	22,542	22,542	0	0	22,542	0
Other loans and receivables linked to insurance activities	499,427	499,427	0	0	0	499,427
Held-to-maturity financial assets	3,534	3,534	0	3,534	0	0
LIABILITIES	1,499,350	1,499,350	0	0	1,341,553	157,797
Liabilities to credit institutions	1,340,999	1,340,999	0	0	1,340,999	0
Liabilities to customers	157,797	157,797	0	0	0	157,797
Debt securities	0	0	0	0	0	0
Subordinated debt	554	554	0	0	554	0

Notes to the income statement

Note 30. Interest and similar income/expense

(in € thousands)

	12.31.2018		12.31.2017	
	INCOME	EXPENSE	INCOME	EXPENSE
Credit institutions and central banks	114,890	-124,552	101,034	-117,317
Customers	1,441,804	-590,575	1,387,427	-552,778
Securities at amortized cost	2,191	0	1,206	0
Financial assets at fair value through profit or loss	11,912	-854		
Derivatives used for hedging purposes	278,894	-221,051	244,555	-202,593
Financial assets at fair value through equity	-5,502	0	72,309	0
Debt securities	0	-227,688	0	-298,232
TOTAL	1,844,189	-1,164,720	1,806,531	-1,170,920

Note 31. Fee and commission income/expense

(in € thousands)

	12.31.2018		12.31.2017	
	INCOME	EXPENSE	INCOME	EXPENSE
Credit institutions	8,190	-10,820	7,858	-7,309
Customers	92,821	-344	106,320	-363
Derivatives	8,773	-1,112	6,868	-385
Foreign exchange	5,250	-53	5,473	-208
Financing and guarantee commitments	562	-2,576	406	-2,956
Securities and services	507,044	-127,494	521,621	-228,606
TOTAL	622,640	-142,399	648,546	-239,827

Note 32. Net gain (loss) on financial instruments at fair value through profit or loss

(in € thousands)

	12.31.2018	12.31.2017
Instruments held for trading	-10,633	-2,170
Fair value option instruments	14,988	-15
Change in fair value attributable to credit risk presented in net income for the liabilities	0	0
Other instruments at fair value through profit or loss	81,292	
Including UCI	29,412	
Hedging ineffectiveness	-751	-1,273
cash flow hedges	1	9
fair value hedges	-752	-1,282
■ change in fair value of hedged items	16,777	128,865
■ change in fair value of hedges	-17,529	-130,147
Foreign exchange gains (losses)	166	6,076
TOTAL OF CHANGES IN FAIR VALUE	85,062	2,618

Note 33a. Net gain (loss) on financial instruments at fair value through equity

(in € thousands)

	12.31.2018		
	DIVIDENDS	REALIZED GAINS/ LOSSES	TOTAL
Treasury bills, notes and government bonds		16,335	16,335
Bonds and other fixed-income securities		650	650
Loans - Credit institutions		0	0
Customer loans		0	0
Stocks and other variable-income securities	5,398		5,398
Equity securities held for long-term investment	9,252		9,252
TOTAL	14,650	16,985	31,635

Note 33b. Net gain (loss) on available-for-sale financial instruments

(in € thousands)

	12.31.2017			
	DIVIDENDS	REALIZED GAINS/ LOSSES	IMPAIRMENT	TOTAL
Treasury bills, notes and government bonds		0	0	0
Bonds and other fixed-income securities		6,595	0	6,595
Loans - Credit institutions		0	0	0
Customer loans		0	0	0
Stocks and other variable-income securities	7,564	73,642	-1,898	79,308
Equity securities held for long-term investment	6,939	93,073	7,932	107,944
TOTAL	14,503	173,310	6,034	193,847

Note 34. Net gain (loss) on financial instruments at amortized cost

FINANCIAL ASSETS	PROFIT OR LOSS RECOGNIZED ON THE DERECOGNITION OF ASSETS AS AT DECEMBER 31, 2018
Treasury bills, notes and government bonds	0
Bonds and other fixed-income securities	1
Loans - Credit institutions	0
Customer loans	0
FINANCIAL LIABILITIES	
Liabilities to credit institutions	0
Liabilities to customers	0
Debt securities	0
Subordinated debt	0
TOTAL	1

Note 35. Net income from insurance activities

(in € thousands)

	12.31.2018
Interest and similar income/expense	41,565
Fee and commission income/expense	-74,764
Net gain (loss) on financial instruments at fair value through profit or loss	3,885
Net gain (loss) on available-for-sale financial instruments	28,631
Net gain (loss) on financial assets/liabilities at amortized cost	0
Other income/expense from insurance activities	687,727
TOTAL	687,044

Note 35a. Interest and similar income/expense

(in € thousands)

	12.31.2018	
	INCOME	EXPENSE
Credit institutions and central banks	2,818	-2,361
Customers	0	0
Held-to-maturity financial assets	256	0
Financial assets/liabilities at fair value through profit or loss	0	0
Available-for-sale financial assets	40,852	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	43,926	-2,361

Note 35b. Fee and commission income/expense

(in € thousands)

	12.31.2018	
	INCOME	EXPENSE
Credit institutions	0	-31
Customers	551	0
Derivatives	0	0
Foreign exchange	0	0
Financing and guarantee commitments	0	-2
Securities and services	63,386	-138,668
TOTAL	63,937	-138,701

Note 35c. Net gain (loss) on financial instruments at fair value through profit or loss

(in € thousands)

	12.31.2018
Instruments held for trading	-39
Fair value option instruments	4,287
Other instruments at fair value through profit or loss	0
Foreign exchange gains (losses)	-363
TOTAL OF CHANGES IN FAIR VALUE	3,885

Note 35d. Net gain (loss) on available-for-sale financial instruments

(in € thousands)

	12.31.2018		
	DIVIDENDS	REALIZED GAINS/ LOSSES	TOTAL
Treasury bills, notes, government bonds, bonds and other fixed-income securities	0	1,101	1,101
Stocks and other variable-income securities	24,692	0	24,692
Equity securities held for long-term investment	2,838	0	2,838
Other	0	0	0
TOTAL	27,530	1,101	28,631

Note 35e. Other income/expense from insurance activities

(in € thousands)

	12.31.2018	
	INCOME	EXPENSE
Insurance business	6,334,766	-5,645,324
Investment property	5,258	-16,197
Other income and expense	12,848	-3,624
TOTAL	6,352,872	-5,665,145

Note 35f. Gross margin on insurance activities

(in € thousands)

	12.31.2018
Premiums earned	5,052,761
Cost of claims and benefits	-195,674
Change in provisions	175
Other technical and non-technical income and expenses	-4,900,828
Net investment income	733,008
TOTAL	689,442

Note 36. Income/expense from other activities

(in € thousands)

	12.31.2018		12.31.2017	
	INCOME	EXPENSE	INCOME	EXPENSE
Insurance business			6,986,932	-6,294,649
Investment property	13,718	-14,835	9,734	-30,470
Other income and expense	243,813	-60,343	234,004	-56,740
TOTAL	257,531	-75,178	7,230,670	-6,381,859

Note 37. Operating expense

(in € thousands)

	12.31.2018	12.31.2017
Personnel expenses	-871,654	-832,292
Other expense	-522,557	-480,789
TOTAL	-1,394,211	-1,313,081

Note 38a. Personnel expenses

(in € thousands)

	12.31.2018	12.31.2017
Salaries and wages	-476,107	-449,120
Payroll taxes	-229,854	-222,417
Mandatory and optional employee profit-sharing	-96,796	-95,877
Taxes, levies and similar payments on compensation	-68,886	-64,855
Other	-11	-23
TOTAL	-871,654	-832,292

The Competitiveness and Employment Tax Credit (CICE) was recorded as a deduction of personnel expenses in the amount of €11,926,000.

Note 38b. Average number of employees

	12.31.2018	12.31.2017
Employees	4,373	4 279*
Management and supervisors	5,390	5,192
TOTAL	9,764	9,471

(*) The average number of employees at December 31, 2017 has been adjusted relative to the published consolidated financial statements for the year to take into account short-term employment contracts..

Note 38c. Post-employment benefits

Defined contribution plans are those for which the group's commitment is limited to the payment of a contribution but do not include any commitment by the group with respect to the level of benefits provided.

The main defined contribution post-employment benefit plans include mandatory social security and the Agirc and Arrco retirement plans, as well as the supplementary retirement plans established by some entities and for which they are only required to make contributions.

In 2018, expenses related to these plans totaled €77,804,000 compared with €74,656,000 in 2017.

Defined benefit plans and other long-term benefits

These defined benefit plans expose the group to certain risks such as interest rate risk and market risk.

These benefits are based on the final salary for end-of-service awards and on the average salary over the past 10 years for the supplementary retirement benefit. When the annuity for the additional voluntary pension contribution is liquidated, the risk is transferred to Suravenir in the form of an insurance contract.

Change in actuarial liability

(in € thousands)

	POST-EMPLOYMENT BENEFITS		OTHER LONG-TERM BENEFITS ¹	Total 12.31.2018	Total 12.31.2017
	SUPPLEMENTARY PLAN	RETIREMENT BENEFITS			
GROSS ACTUARIAL LIABILITY AT THE BEGINNING OF THE PERIOD	115,604	53,015	106,928	275,547	262,632
Cost of services rendered during the period	6,174	3,317	2,456	11,947	11,828
Net interest	1,745	812	1,636	4,193	4,768
Modification/ reduction/ liquidation of the plan					
Acquisition, disposal (change in consolidated scope)		633		633	-109
Benefits paid	-9,282	-3,804	-6,265	-19,352	-15,004
Actuarial gains/losses	24,426	7,598	13,676	45,700	11,432
of which actuarial gains/losses due to changes in demographic assumptions	4,110	957	7,749	12,816	8,820
of which gains/losses related to changes in financial assumptions	13,781	5,047	2,945	21,773	-11
of which actuarial gains/losses due to differences between estimates and actual experiences	6,535	1,595	2,981	11,111	2,623
GROSS ACTUARIAL LIABILITY AT THE END OF THE PERIOD	138,667	61,571	118,431	318,669	275,547

⁽¹⁾ Other long-term benefits concerned long-term service awards and time savings account

Expense recognized on the income statement

(in € thousands)

	POST-EMPLOYMENT BENEFITS		OTHER LONG-TERM BENEFITS	Total 12.31.2018	Total 12.31.2017
	SUPPLEMENTARY PLAN	RETIREMENT BENEFITS			
Cost of services rendered during the period	-6,174	-3,015	-2,456	-11,645	-11,828
Net interest	-167	-128	-1,300	-1,595	-1,823
Impact of any reduction or liquidation of the plan					
Actuarial gains/losses			-13,824	-13,824	-7,809
of which actuarial gains/losses due to changes in demographic assumptions recognized on the income statement			-7,749	-7,749	-6,635
of which gains/losses due to changes in financial assumptions recognized on the income statement			-2,945	-2,945	353
of which actuarial gains/losses due to differences between estimates and actual experiences			-3,129	-3,129	-1,527
EXPENSE RECOGNIZED ON THE INCOME STATEMENT	-6,341	-3,143	-17,580	-27,064	-21,460

Change in fair value of plan assets and reimbursement rights

(in € thousands)

	POST-EMPLOYMENT BENEFITS		OTHER LONG-TERM BENEFITS	Total 12.31.2018	Total 31/12./2017
	SUPPLEMENTARY PLAN	RETIREMENT BENEFITS			
FAIR VALUE OF ASSETS AT THE BEGINNING OF THE PERIOD	107,136	42,028	21,820	170,984	165,209
Net interest	1,578	621	336	2,535	2,945
Employer contributions	19,143	5,023	0	24,165	13,160
Acquisition, disposal (change in consolidated scope)					
Benefits paid	-9,282	-3,462	0	-12,744	-10,268
Actuarial gains/losses	-1,782	-591	-147	-2,521	-62
of which actuarial gains/losses due to changes in demographic assumptions					
of which actuarial gains/losses on plan assets due to changes in financial assumptions					
of which actuarial gains/losses due to differences between estimates and actual experiences	-1,782	-591	-147	-2,521	-62
FAIR VALUE OF ASSETS AT THE END OF THE PERIOD	116,793	43,618	22,009	182,420	170,984

Net position

(in € thousands)

	SUPPLEMENTARY PLAN	RETIREMENT BENEFITS	OTHER LONG-TERM BENEFITS	Total 12.31.2018	Total 12.31.2017
ACTUARIAL LIABILITY AT THE END OF THE PERIOD	138,667	61,571	118,431	318,669	275,547
Fair value of assets/reimbursement rights	-116,793	-43,618	-22,009	-182,420	-170,984
NET POSITION	21,874	17,953	96,422	136,249	104,563

Items recognized immediately in comprehensive income

(in € thousands)

	12.31.2018	12.31.2017
Actuarial differences generated on post-employment benefit plans	-37 153	-7 537
Adjustments to the asset ceiling	0	0
TOTAL ITEMS RECOGNIZED IMMEDIATELY DURING THE YEAR	-37,153	-7 537
AGGREGATE ACTUARIAL DIFFERENCES AT THE END OF THE YEAR	-122,853	-85 700

Aggregate actuarial differences at the end of the year

The amounts included in the fair value of the plan assets concerning the financial instruments issued by the group and the properties occupied by the group are not material.

The hedging assets are held by Suravenir.

At December 31, 2018, the weighted average term of defined benefit obligations was 13.4 years (12.6 years in 2017).

The employer contributions to be paid for 2019 in respect of defined benefit post-employment benefits are estimated at €12,210,000.

Composition of hedging assets

(in € thousands)

12.31.2018

FAIR VALUE OF PLAN ASSETS	DEBT SECURITIES	EQUITY INSTRUMENTS	REAL PROPERTY	OTHER
Assets listed on an active market	106,502	7,113	356	0
Assets not listed on an active market	36,429	888	9,126	0
TOTAL	142,931	8,001	9,482	0

12.31.2017

FAIR VALUE OF PLAN ASSETS	DEBT SECURITIES	EQUITY INSTRUMENTS	REAL PROPERTY	OTHER
Assets listed on an active market	102,379	6,620	338	0
Assets not listed on an active market	30,840	790	8,198	0
TOTAL	133,219	7,410	8,536	0

Sensitivity of obligations to changes in the main actuarial assumptions

(As a % of the item measured)

12.31.2018

	SUPPLEMENTARY PLAN	RETIREMENT BENEFITS	LENGTH-OF-SERVICE AWARDS	TIME SAVINGS ACCOUNT
+0.5% CHANGE IN DISCOUNT RATE				
Impact on present value of obligations as of December 31	-6%	-6%	-5%	-5%
+0.5% CHANGE IN NET SALARY				
Impact on present value of obligations as of December 31	6%	6%	6%	4%

The sensitivities shown are weighted averages of observed changes relative to the present value of the obligations.

Note 38d. Share-based payments

IFRS 2 "Share-based Payment" requires the measurement of share-based payment transactions in the company's income statement and balance sheet.

This standard applies to transactions with employees and more specifically to:

- Equity-settled share-based payment transactions;
- Cash-settled share-based payment transactions.

For equity-settled transactions, an expense is charged against

equity. This expense is spread over the vesting period.

The group mainly has cash-settled transactions. For these transactions, the fair value of the liability, measured initially on the grant date, must be re-measured on each closing date until the settlement date of the liability. Fair value changes are recognized as expenses or income on the income statement until the liability is settled.

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	PLAN 8
Type of plan	Cash settled	Cash settled	Equity settled	Cash settled	Cash settled	Cash settled	Cash settled	Equity settled
Award date	15/10/15	18/09/15	2017-2018	30/06/15	29/11/17	01/07/15	02/07/15	06/2016-03/2018
Exercise period	Q1 2018 / Q1 2020	HY1 2019	2018-2019	Q4 2020	Q1 2021	Q3 2020	Q1 2020 / Q1 2023	2016-2019
Valuation method	Net position + Multiple of outstandings	Multiple of revenue	Sale price	Discounted cash flow	% of net income - Group share	Customer conquest	EBITDA multiple	Sale price
Impact 2018 income	-347	-10,617	-1,275	-4,477	-929	-256	-358	-278
Liabilities on the balance sheet	6,122	17,694		22,918	5,995	614	1,758	

Note 38e. Other expenses

(in € thousands)

	12.31.2018	12.31.2017
Taxes other than on income	-78,971	-73,936
External services	-443,299	-406,276
Other miscellaneous expenses	-287	-577
TOTAL	-522,557	-480,789

(in € thousands)

	12.31.2018		
	MAZARS	DELOITTE NETWORK	TOTAL
Crédit Mutuel Arkéa	935	899	1,834
Consolidated subsidiaries	1,051	1,190	2,241
TOTAL	1,986	2,089	4,075

12.31.2017

	MAZARS	DELOITTE NETWORK	TOTAL
Crédit Mutuel Arkéa	578	1,240	1,818
Consolidated subsidiaries	1,117	912	2,029
TOTAL	1,695	2,152	3,847

The total amount of audit fees paid to the Statutory Auditors not belonging to the network of one of those certifying the Crédit Mutuel Arkéa's consolidated and individual financial statements, mentioned in the table above, amounted to €329,000 in respect of 2018.

Note 39. Depreciation amortization, and impairment of property, plant and equipment and intangible assets

(in € thousands)

	12.31.2018	12.31.2017
Amortization	-119,358	-114,861
Property, plant and equipment	-39,051	-36,803
Intangible assets	-80,307	-78,058
Impairment	44	570
Property, plant and equipment	44	570
Intangible assets	0	0
TOTAL	-119,314	-114,291

Note 40. Cost of risk

Note 40a. Cost of risk - banking activity

(in € thousands)

	ALLOCA-TIONS	WRITE-BACKS	BAD DEBT		COLLECTION OF RECEIVABLES WRITTEN OFF	TOTAL
			PROVISIONED BAD DEBT	UNPROVISIONED BAD DEBT		
12-MONTH EXPECTED LOSSES	-79,995	70,718				-9,277
- Loans and receivables due from credit institutions	-983	481				-502
- Loans and receivables due from customers	-65,742	56,524				-9,218
- of which finance leases	-1,302	3,572				2,270
- Financial assets at amortized cost - Fixed income securities	-155	42				-113
- Financial assets at FVOCI - Fixed income securities	-4,788	2,709				-2,079
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	-8,327	10,962				2,635
- Other assets	0	0				0
LIFETIME EXPECTED LOSS	-88,965	87,600				-1,365
- Loans and receivables due from credit institutions	0	56				56
- Loans and receivables due from customers	-86,235	83,257				-2,978
- of which finance leases	-1,472	1,429				-43
- Financial assets at amortized cost - Fixed income securities	0	567				567
- Financial assets at FVOCI - Fixed income securities	-69	182				113
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	-2,661	3,538				877
- Other assets	0	0				0
IMPAIRED ASSETS	-210,417	221,637	-60,365	-8,125	6,349	-50,921
- Loans and receivables due from credit institutions	0	0	0	0	0	0
- Loans and receivables due from customers	-201,523	215,322	-60,365	-8,125	6,349	-48,342
- of which finance leases	-14,631	10,781	-1,582	-3,864	0	-9,296
- Financial assets at amortized cost - Fixed income securities	-4,252	49	0	0	0	-4,203
- Financial assets at FVOCI - Fixed income securities	0	0	0	0	0	0
- Financial assets at FVOCI - Loans	0	0	0	0	0	0
- Off-balance sheet	-4,642	6,266	0	0	0	1,624
OTHER	-6,400	4,300	-35	0	0	-2,135
- Other assets	-6,400	4,300	-35	0	0	-2,135
TOTAL	-385,777	384,255	-60,400	-8,125	6,349	-63,698

Note 40b. Cost of risk - insurance activity

(in € thousands)

31.12.2018	ALLOCA-TIONS	WRITE-BACKS	BAD DEBT		COLLECTION OF RECEIVABLES WRITTEN OFF	TOTAL
			PROVISIONED BAD DEBT	UNPROVISIONED BAD DEBT		
- Credit institutions	0	0	0	0	0	0
- Insurance business	0	0	0	0	0	0
- Available-for-sale assets	0	0	0	0	0	0
- Held-to-maturity assets	0	0	0	0	0	0
- Other	0	19	0	0	0	19
TOTAL	0	19	0	0	0	19

Note 40c. Banking activities - Information regarding changes in outstanding loans subject to provisions for expected losses for credit risk

(in € thousands)

	01.01.2018	ACQUI- SITION /PRO- DUCTION	SALE/REPAY- MENT
FINANCIAL ASSETS AT AMORTIZED COSTS - LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	7,601,243	6,146,044	-4,758,135
- 12-month expected losses	7 601 243	6 146 044	-4 758 135
- Lifetime expected losses - non-impaired assets	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0
<i>Revaluation in respect of fair value hedging</i>	0		
FINANCIAL ASSETS AT AMORTIZED COSTS - LOANS AND RECEIVABLES DUE FROM CUSTOMERS	51,226,707	12,945,231	-7,523,904
- 12-month expected losses	47 325 752	12 601 336	-6 778 879
- Lifetime expected losses - non-impaired assets	2 419 436	263 937	-501 556
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	1 257 693	59 393	-189 260
Lifetime expected losses - assets impaired as from acquisition/creation	223 826	20 565	-54 209
<i>Revaluation in respect of fair value hedging</i>	0		
FINANCIAL ASSETS AT AMORTIZED COST - SECURITIES	159,008	20,053	-10,091
- 12-month expected losses	133 603	14 511	-5 001
- Lifetime expected losses - non-impaired assets	25 405	0	-5 090
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	5 542	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0
<i>Revaluation in respect of fair value hedging</i>	0		
FINANCIAL ASSETS AT FVOCI - FIXED INCOME SECURITIES	10,139,031	1,276,054	-530,406
- 12-month expected losses	10 060 849	1 276 054	-483 950
- Lifetime expected losses - non-impaired assets	78 182	0	-46 456
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0
<i>Revaluation in respect of fair value hedging</i>	0		
FINANCIAL ASSETS AT FVOCI - LOANS	0	0	0
- 12-month expected losses	0	0	0
- Lifetime expected losses - non-impaired assets	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0
<i>Revaluation in respect of fair value hedging</i>			
TOTAL	69,125,989	20,387,382	-12,822,536

TRANSFERS BETWEEN BUCKETS	OTHER(*)	12.31.2018
0	-172	8,988,980
0	-172	8 988 980
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	-21,716	56,626,318
-383 917	9371	52 773 663
267 065	-24 474	2 424 408
102 769	-16 697	1 213 898
14 083	10 084	214 349
	0	0
0	0	168,970
0	0	143 113
0	0	20 315
0	0	5 542
0	0	0
	0	0
0	0	10,884,679
0	0	10 852 953
0	0	31 726
0	0	0
0	0	0
	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	-21,888	76,668,947

Note 40d. Banking activities - Information regarding changes in provisions for expected losses for credit risk

(in € thousands)

	01.01.2018	ALLOCA-TIONS	REVERSALS
FINANCIAL ASSETS AT AMORTIZED COSTS - LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	-1,700	-984	537
- 12-month expected losses	-1,700	-984	537
- Lifetime expected losses - non-impaired assets	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0
- Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0
FINANCIAL ASSETS AT AMORTIZED COSTS - LOANS AND RECEIVABLES DUE FROM CUSTOMERS	-1,090,825	-384,284	393,415
- 12-month expected losses	-106,981	-57,909	69,370
- Lifetime expected losses - non-impaired assets	-132,974	-94,196	79,575
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	-695,034	-226,580	220,615
- Lifetime expected losses - assets impaired as from acquisition/creation	-155,836	-5,599	23,855
FINANCIAL ASSETS AT AMORTIZED COST - SECURITIES	-1,271	-4,407	657
- 12-month expected losses	-228	-155	41
- Lifetime expected losses - non-impaired assets	-1,043	0	567
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	-4,252	49
- Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0
FINANCIAL ASSETS AT FVOCI - FIXED INCOME SECURITIES	-4,783	-4,871	2,896
- 12-month expected losses	-4,607	-4,792	2,710
- Lifetime expected losses - non-impaired assets	-176	-79	186
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0
- Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0
FINANCIAL ASSETS AT FVOCI - LOANS	0	0	0
- 12-month expected losses	0	0	0
- Lifetime expected losses - non-impaired assets	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0
- Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0
COMMITMENTS GIVEN	-48,843	-15,645	20,774
- 12-month expected losses	-14,621	-8,334	10,963
- Lifetime expected losses - non-impaired assets	-3,804	-2,668	3,544
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	-30,418	-4,643	6,267
OTHER ASSETS	0	0	0
- 12-month expected losses	0	0	0
- Lifetime expected losses - non-impaired assets	0	0	0
- of which expected losses measured according to the simplified method	0	0	0
- Lifetime expected losses for impaired assets (whether impaired or not at acquisition/creation)	0	0	0
- of which expected losses measured according to the simplified method	0	0	0
TOTAL	-1,147,422	-410,191	418,279

TRANSFERS	CHANGE OF METHOD	OTHER(*)	12.31.2018
0	0		-2,147
0	0	0	-2,147
0	0	0	0
0	0	0	0
0	0	0	0
0	0		-1,051,782
-17,794	0	89	-113,225
11,787	0	711	-135,097
6,007	0	29,256	-665,736
0	0	-144	-137,724
0	0		-5,021
0	0	0	-342
0	0	0	-476
0	0	0	-4,203
0	0	0	0
0	0		-6,758
0	0	0	-6,689
0	0	0	-69
0	0	0	0
0	0	0	0
0	0		0
0	0	0	0
0	0	0	0
0	0	0	0
0	0		-43,714
0	0	0	-11,992
0	0	0	-2,928
0	0	0	-28,794
0	0		0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	29,912	-1,109,422

Note 40e. Banking activities - gross carrying amount of loans and receivables due from customers by credit risk category

(in € thousands)

At 12.31.2018

RISK CATEGORIES: PD AT 1 YEAR	SUBJECT TO 12-MONTH EXPECTED LOSSES	SUBJECT TO LIFETIME EXPECTED LOSSES	SUBJECT TO LIFETIME EXPECTED LOSSES FOR ASSETS IMPAIRED AT THE CLOSING DATE BUT NOT IMPAIRED WHEN ACQUIRED/ CREATED	SUBJECT TO EXPECTED LOSSES FOR ASSETS IMPAIRED AT THE CLOSING DATE AND WHEN ACQUIRED/ CREATED
< 0,1	17,364,026	2,237	0	0
[0,1;0,25]	10,615,563	15,446	0	0
[0,26;0,99]	13,311,691	137,475	0	0
[1;2,99]	6,126,258	429,605	0	0
[3;9,99]	5,128,971	954,486	0	0
>=10	227,154	885,159	1,213,898	214,349
TOTAL	52,773,663	2,424,408	1,213,898	214,349

Note 41. Gains (losses) on other assets

(in € thousands)

	12.31.2018	12.31.2017
Property, plant and equipment and intangible assets	1,590	476
Capital losses on disposals	-726	-1,229
Capital gains on disposals	2,316	1,705
Expenses related to business combinations	3,239	-2,905
TOTAL	4,829	-2,429

Note 42. Income tax

(in € thousands)

BREAKDOWN OF TAX EXPENSE	12.31.2018	12.31.2017
Current tax expense	-153,389	-210,258
Net deferred tax expense or revenue	-2,306	7,507
NET INCOME TAX EXPENSE	-155,695	-202,751
Income before taxes, badwill and income contribution from associates	573,430	607,074
EFFECTIVE TAX RATE	27,15%	33,40%

ANALYSIS OF EFFECTIVE TAX RATE:	12.31.2018	12.31.2017
Statutory tax rate	34,43%	34,43%
Permanent differences	0,66%	0,26%
Income taxed at a reduced rate or exempt	-4,54%	-7,93%
Change of tax rate	-0,98%	7,06%
Impact of fiscal losses	-0,30%	0,39%
Tax credits	-1,27%	-0,96%
Special	-0,16%	0,01%
Other	-0,68%	0,15%
EFFECTIVE TAX RATE	27,15%	33,40%

The 2018 finance act provides for a gradual reduction in the corporate tax rate from 33.33% to 25% over the 2017-2022 period depending on companies' revenues.

Taxes must be measured based on the rates in effect at the closing date.

In case of a change in rates, deferred taxes must be adjusted, based on the symmetry principle, through profit or loss, unless they relate to items recognized outside profit or loss (other comprehensive income (OCI) or directly in equity).

The impact of this change in the tax rate has been taken into account in the calculation of deferred taxes for Crédit Mutuel Arkéa.

Notes

ON GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

Note 43a. Information on the recycling to profit or loss of gains or losses recognized directly in equity

(in € thousands)

	CHANGES IN 2018	CHANGES IN 2017
Revaluation of debt instruments at fair value through equity	-28,869	
■ Reclassification to profit or loss	-11,141	
■ Other changes	-17,728	
Revaluation of available-for-sale financial assets	-49,440	2,624
■ Reclassification to profit or loss	-107	-53,784
■ Other changes	-49,333	56,408
Revaluation of hedging derivatives	252	1,781
■ Reclassification to profit or loss	0	-6
■ Other changes	252	1,787
Share of recyclable gains and losses of equity-accounted entities recognized directly in equity	-399	-9,447
ITEMS TO BE RECYCLED TO PROFIT OR LOSS	-78,456	-5,042
Actuarial gains and losses on defined benefit plans	-34,928	-4,960
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option	4,947	
Revaluation of equity instruments at fair value through equity (sold and not sold during the year)	-7,942	
Share of non-recyclable gains and losses of equity-accounted entities recognized directly in equity	-13,198	19
ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS	-51,121	-4,941
TOTAL	-129,577	-9,983

Note 43b. Tax on each component of gains or losses recognized directly in equity

(in € thousands)

	12.31.2018			12.31.2017		
	GROSS	TAX	NET	GROSS	TAX	NET
Revaluation of recyclable debt instruments at fair value through equity	-44,986	16,117	-28,869			
Revaluation of available-for-sale financial assets	-95,709	46,269	-49,440	5,723	-3,099	2,624
Revaluation of hedging derivatives	517	-265	252	2,716	-935	1,781
Share of gains and losses of equity-accounted entities recognized directly in equity	-609	210	-399	-9,003	-444	-9,447
ITEMS TO BE RECYCLED TO PROFIT OR LOSS	-140,787	62,331	-78,456	-564	-4,478	-5,042
Actuarial gains and losses on defined benefit plans	-37,156	2,228	-34,928	-7,565	2,605	-4,960
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option	7,277	-2,330	4,947			
"Revaluation of equity instruments at fair value through equity	-10,338	2,396	-7,942			
Share of gains and losses of equity-accounted entities recognized directly in equity	-13,866	668	-13,198	27	-8	19
ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS	-54,083	2,962	-51,121	-7,538	2,597	-4,941
TOTAL CHANGES IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	-194,870	65,293	-129,577	-8,102	-1,881	-9,983

Other notes

Note 44a. Commitments given and received - banking activity

(in € thousands)

	12.31.2018	01.01.2018
COMMITMENTS GIVEN	14,077,950	12,860,852
Financing commitments	9,669,199	8,894,431
to credit and similar institutions	13,750	27,400
to customers	9,655,449	8,867,031
Guarantee commitments	3,761,510	3,653,063
to credit and similar institutions	1,012	324
to customers	3,760,498	3,652,739
Securities commitments	647,241	313,358
repurchase agreements	0	0
other commitments given	647,241	313,358
COMMITMENTS RECEIVED	45,330,560	39,597,383
Financing commitments	11,272,071	9,332,245
from credit and similar institutions	11,264,184	9,332,245
from customers	7,887	0
Guarantee commitments	33,580,476	29,775,173
from credit and similar institutions	209,899	180,669
from customers	33,370,577	29,594,504
Securities commitments	478,013	489,965
Reverse repurchase agreements	0	0
Other commitments received	478,013	489,965

Financing commitments given include the €13,750,000 cash advance made to Caisse de Refinancement de l'Habitat to fund its operations.

(in € thousands)

	12.31.2018	01.01.2018
RECEIVABLES PLEDGED AS COLLATERAL	14,568,978	12,508,247
Banque de France	12,601,162	10,077,991
European Investment Bank	547,314	671,985
Caisse de Refinancement de l'Habitat	369,929	725,065
Caisse des Dépôts et Consignations	1,048,574	1,028,845
Other	2,000	4,362
LOANED SECURITIES	0	0
DEPOSITS ON MARKET TRANSACTIONS	400,856	425,234
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	4,994,676	5,275,151

For its refinancing activity, the group entered into repurchase agreements of debt and/or equity securities. This results in the transfer of ownership of securities which the recipient may in turn

lend. The coupons or dividends benefit the borrower. These transactions are subject to margin calls.

Note 44b. Commitments given and received - insurance activity

(in € thousands)

	12.31.2018	01.01.2018
COMMITMENTS GIVEN	-	-
COMMITMENTS RECEIVED	959,106	897,695

Note 45. Segment information

(in € thousands)

	BANKING		INSURANCE AND ASSET MANAGEMENT		GROUP	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Internal income ⁽¹⁾	267,456	239,947	-267,456	-239,947	0	0
External income ⁽²⁾	1,355,049	1,330,385	790,756	759,221	2,145,805	2,089,606
NET BANKING INCOME	1,622,505	1,570,332	523,300	519,274	2,145,805	2,089,606
General operating expenses and depreciation and amortization	-1,347,463	-1,267,897	-166,062	-159,475	-1,513,525	-1,427,372
GROSS OPERATING INCOME	275,042	302,435	357,238	359,799	632,280	662,234
Cost of risk	-64,453	-50,865	774	-1,866	-63,679	-52,731
OPERATING INCOME	210,589	251,570	358,012	357,933	568,601	609,503
Share of income of companies carried under equity method	-1,601	23,919	1,849	-0	248	23,919
Other	24,367	-2,351	11,00	-78	24,378	-2,429
RECURRING INCOME BEFORE TAX	233,355	273,138	359,872	357,855	593,227	630,993
Income tax	-42,143	-57,038	-113,552	-145,713	-155,695	-202,751
NET INCOME	191,212	216,100	246,320	212,142	437,532	428,242
O/w non-controlling interests	207	81	37	39	244	120
NET INCOME, GROUP SHARE	191,006	216,018	246,282	212,103	437,288	428,121
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Segment Assets and Liabilities	83,429,111	76,528,651	51,491,191	51,753,775	134,920,302	128,282,426

(1) Segment income from transactions with other segments.

(2) Segment income from sales to external customers.

Segment reporting is based on two business lines:

- Retail banking includes primarily the branch networks of CMB, CMSO and CMMC, the subsidiaries that finance businesses and the real estate division of the group,
- The other business line comprises subsidiaries specialized in asset management and insurance.

Segment reporting by geographic region is not relevant for the group as nearly all of its business is carried out in France.

Note 46. Information on related parties

Crédit Mutuel Arkéa related parties include the consolidated companies and associates. Transactions between the group and related parties are conducted on arm's length terms at the time the transactions are completed.

The list of companies consolidated by Crédit Mutuel Arkéa is presented in note 47. Intercompany transactions and outstanding

balances between fully consolidated companies are completely eliminated during the consolidation process. As a result, only the portion of the data that is not eliminated in the consolidation process and that relates to reciprocal transactions is presented in the following table, provided such data involve companies over which the group exercises a significant influence (associates).

(in € thousands)

	12.31.2018	01.01.2018
	COMPANIES UNDER THE EQUITY METHOD⁽¹⁾	
ASSETS		
Loans and receivables - credit institutions, at amortized cost	735,394	585,178
Loans and receivables - customers, at amortized cost	0	9,049
Assets at fair value through profit or loss	0	0
Financial assets at fair value through equity	0	0
Securities at amortized cost	83,192	0
Derivatives used for hedging purposes	0	0
Other assets	39,159	17,223
LIABILITIES		
Liabilities to credit institutions	14,845	0
Derivatives used for hedging purposes	0	0
Liabilities at fair value through profit or loss	0	0
Liabilities to customers	27,219	30,664
Debt securities	0	0
Subordinated debt	0	0
Other liabilities	10,501	253

(1) Mainly Primonial and CCCM.

	12.31.2018	12.31.2017
	COMPANIES UNDER THE EQUITY METHOD⁽¹⁾	
Interest and similar income	8,241	5,768
Interest and similar expense	-3,062	-2,182
Fee and commission income	2,071	0
Fee and commission expense	0	-678
Net gain (loss) on financial instruments at fair value through profit or loss	0	49
Net gain (loss) on financial instruments at fair value through equity	874	
Net gain (loss) on available-for-sale financial instruments		0
Net gain (loss) on derecognition of financial instruments at amortized cost	0	
Net income from insurance activities	-27,981	
Income from other activities	0	0
Expense from other activities	0	-44,399
NET BANKING INCOME	-19,857	-41,442

(1) Mainly Primonial and CCCM.

(in € thousands)

	12.31.2018	01.01.2018
	COMPANIES UNDER THE EQUITY METHOD ⁽¹⁾	
FINANCING COMMITMENTS		
Financing commitments given	0	0
Financing commitments received	0	0
GUARANTEE COMMITMENTS		
Guarantees given	0	0
Guarantees received	0	0
SECURITIES COMMITMENTS		
Other securities to be received	0	0
Other securities to be delivered	0	0

(1) Mainly Primonial and CCCM.

Relations with the main corporate officers of Crédit Mutuel Arkéa

The Board of Directors of Crédit Mutuel Arkéa currently consists of 20 members appointed for three-year terms:

- 15 directors representing customer shareholders, elected by the Shareholders' Ordinary Meeting;
- 2 independent directors;
- 2 directors representing employees, appointed by the Central Employee Works Council. ;
- 1 non-voting member

A representative of the Central Works Council also participates, with a deliberative voice, in the meetings of the Board of Directors.

The total compensation paid to members of Crédit Mutuel Arkéa's Board of Directors in 2018 was €1,986,000 (compared with €1,877,000 in 2017).

The total compensation paid to the group's key corporate officers in 2018 was €3,528,000 (versus 4,139,000 in 2017).

Except in the case of the Chairman and of the Chief Executive Officer of Crédit Mutuel Arkéa, the employment contracts of the Managers are not suspended while they are serving their terms of office.

For the Chairman and the Chief Executive Officer of Crédit Mutuel Arkéa, the employment contracts are suspended from the time of their appointment and for the duration of their respective terms of office, after which they are automatically reinstated. The employment contract suspension period is taken into account when calculating their rights, by law, under the collective bargaining agreement and employment contract.

In the event that their employment contract is terminated, the Chairman and the Chief Executive Officer of Crédit Mutuel Arkéa may be entitled to receive severance benefits, in addition to statutory or collective bargaining provisions in an amount of up to two years of compensation, in accordance with AFEP-MEDEF recommendations.

If they have at least five years' seniority at the time of their retirement, the Managers receive a retirement benefit equal to seven-twelfths of their annual compensation. They also receive an end-of-service vacation benefit equivalent to 23 days per year of service in these functions.

The Managers also receive retirement and similar benefits in the form of defined benefit supplementary retirement schemes («Article 39» schemes).

For the Managers, the annuity paid by the defined benefit scheme is 0.35% of the base salary per year of seniority. It is capped at 10% of the base salary. The base salary is the compensation, assessed on an annual basis, preceding the date of assessment, by the recipient, of his or her old-age pension under the basic retirement scheme, including the fixed and variable salary components and in-kind benefits (company car and housing), within the meaning of Article L. 242-1 of the French Social Security Code.

The provisions recorded by the group in 2018 pursuant to IAS 19 for post-employment benefits, other long-term benefits and termination benefits totaled €414,000 (compared with €345,000 in 2017).

Note 47. Investments in unconsolidated structured entities

(in € thousands)

12.31.2018	SECURITIZATION VEHICLES	ASSET MANAGEMENT (MUTUAL FUNDS/REAL ESTATE INVESTMENT FUNDS)	OTHER STRUCTURED ENTITIES
Total assets	285,469	3,969,456	-
Carrying amount of financial assets ⁽¹⁾	73,769	983,853	-
Carrying amount of financial liabilities ⁽¹⁾	-	-	-
Maximum exposure to risk of loss	73,769	983,853	-

⁽¹⁾ Carrying amount of assets and liabilities that Crédit Mutuel Arkéa recognizes with respect to the structured entities

Investments in unconsolidated entities are investments held through unit-linked life insurance policies over which Crédit Mutuel Arkéa does not exercise control. They consist mainly of mutual fund investments.

(in € thousands)

01.01.2018	SECURITIZATION VEHICLES	ASSET MANAGEMENT (MUTUAL FUNDS/REAL ESTATE INVESTMENT FUNDS)	OTHER STRUCTURED ENTITIES
Total assets	178,462	4,075,937	-
Carrying amount of financial assets ⁽¹⁾	47,952	1,069,536	-
Carrying amount of financial liabilities ⁽¹⁾	-	-	-
Maximum exposure to risk of loss	47,952	1,069,536	-

⁽¹⁾ Carrying amount of assets and liabilities that Crédit Mutuel Arkéa recognizes with respect to the structured entities

Note 48. Scope of consolidation

LAST NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST	
			12.31.2018	12.31.2017	12.31.2018	12.31.2017
Crédit Mutuel Arkéa + Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel du Massif Central federations and savings banks	France	Banking / Mutual banking	Consolidating entity			
FULLY CONSOLIDATED COMPANIES						
ARKEA BANKING SERVICES	France	Banking / Banking services	100,0	100,0	100,0	100,0
ARKEA BANQUE ENTREPRISES ET INSTITUTIONNELS	France	Banking / Corporate banking	100,0	100,0	100,0	100,0
ARKEA BOURSE RETAIL	France	Banking / Holding	100,0	100,0	100,0	100,0
ARKEA CAPITAL (GESTION)	France	Insurance and asset management / Asset management	100,0	100,0	100,0	100,0
ARKEA CAPITAL INVESTISSEMENT	France	Banking / Private equity	100,0	100,0	100,0	100,0
ARKEA CAPITAL MANAGERS HOLDING SLP ⁽²⁾	France	Banking / Private equity	100,0	/	100,0	/
ARKEA CAPITAL PARTENAIRE	France	Banking / Private equity	100,0	100,0	100,0	100,0
ARKEA CREDIT BAIL	France	Banking / Finance leasing	100,0	100,0	100,0	100,0
ARKEA DIRECT BANK (ex Fortuneo SA)	France	Banking / Financial and stock market intermediation	100,0	100,0	100,0	100,0
ARKEA FONCIERE	France	Banking / Real estate	100,0	100,0	100,0	100,0
ARKEA HOME LOANS SFH	France	Banking / Refinancing entity	100,0	100,0	100,0	100,0
ARKEA PUBLIC SECTOR SCF	France	Banking / Refinancing entity	100,0	100,0	100,0	100,0
ARKEA SCD	France	Banking / Services	100,0	100,0	100,0	100,0
CAISSE DE BRETAGNE DE CREDIT MUTUEL AGRICOLE	France	Banking / Mutual banking	93,2	93,2	93,2	93,2
COMPAGNIE EUROPEENNE D'OPERATIONS IMMOBILIERES ⁽¹⁾	France	Banking / Asset holding company	/	100,0	/	100,0
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANQUE	France / Belgium	Banking / Specialized networks banking	100,0	100,0	100,0	100,0
FCT COLLECTIVITES	France	Banking / Securitization fund	57,8	57,8	57,8	57,8
FEDERAL EQUIPEMENTS	France	Banking / Services	100,0	100,0	100,0	100,0
FEDERAL FINANCE	France	Insurance and asset management / Private banking and asset management	100,0	100,0	100,0	100,0
FEDERAL FINANCE GESTION	France	Insurance and asset management / Asset management	100,0	100,0	100,0	100,0
FEDERAL SERVICE	France	Banking / Services	97,8	97,8	97,8	97,8
FINANCO	France	Banking / Specialized networks banking	100,0	100,0	100,0	100,0
GICM	France	Banking / Services	100,0	100,0	97,8	97,8
IZIMMO	France	Banking / Real estate	100,0	100,0	100,0	100,0
IZIMMO HOLDING	France	Banque / Holding	100,0	100,0	100,0	100,0
KEYTRADE BANK (branch)	Belgium	Banking / Financial and stock market intermediation	100,0	100,0	100,0	100,0
KEYTRADE BANK Luxembourg SA	Luxembourg	Banking / Financial and stock market intermediation	100,0	100,0	100,0	100,0
LEASECOM	France	Banking / Finance leasing	100,0	100,0	100,0	100,0
LEASECOM CAR	France	Banking / Finance leasing	100,0	100,0	100,0	100,0
LEETCHI SA	France	Banking / Services	100,0	100,0	100,0	100,0
MANGOPAY SA (ex Leetchi Corp)	Luxembourg / France	Banking / Services	100,0	100,0	100,0	100,0
MONEXT	France	Banking / Services	100,0	100,0	100,0	100,0
NEXTALK	France	Banking / Services	100,0	100,0	100,0	100,0
NOUVELLE VAGUE	France	Banking / Services	100,0	100,0	100,0	100,0
NOVELIA	France	Insurance and asset management / Insurance brokerage	100,0	100,0	100,0	100,0

Crédit Mutuel Arkéa + Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel du Massif Central federations and savings banks	France	Banking / Mutual banking	Consolidating entity			
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FULLY CONSOLIDATED COMPANIES

PROCAPITAL	France / Belgium	Banking / Financial and stock market intermediation	100,0	100,0	100,0	100,0
PUMPKIN	France	Banking / Services	100,0	100,0	100,0	100,0
SHELCHER PRINCE GESTION	France	Insurance and asset management / Asset management	100,0	100,0	100,0	100,0
SOCIETE CIVILE IMMOBILIERE INTERFEDERALE	France	Banking / Real estate	100,0	100,0	100,0	100,0
SMSPG	France	Insurance and asset management / Holding	100,0	100,0	100,0	100,0
SMSPG 2 ⁽²⁾	France	Insurance and asset management / Holding	100,0	/	100,0	/
STRATEO (branch)	Switzerland	Banking / Financial and stock market intermediation	100,0	100,0	100,0	100,0
SURAVENIR	France	Insurance and asset management / Life insurance	100,0	100,0	100,0	100,0
SURAVENIR ASSURANCES	France	Insurance and asset management / Non-life insurance	100,0	100,0	100,0	100,0

LAST NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST	
			12.31.2018	12.31.2017	12.31.2018	12.31.2017
COMPANIES CONSOLIDATED USING THE EQUITY METHOD						
ALTAROCCA AM AS	France	Insurance and asset management / mutual funds	/	25,4	/	25,6
AVIAFUND FUND FACILITY MANAGEMENT GMBH	Germany	Insurance and asset management / mutual funds	25,3	30,1	25,9	30,4
AVIAFUND FUND SOLUTION SERVICES GMBH	Germany	Insurance and asset management / mutual funds	25,3	30,1	25,9	30,4
AVIARENT CAPITAL MANAGEMENT SARL	Luxembourg	Insurance and asset management / mutual funds	25,3	30,1	25,9	30,4
AVIARENT INVEST AG	Germany	Insurance and asset management / mutual funds	25,3	30,1	25,9	30,4
CAISSE CENTRALE DU CREDIT MUTUEL	France	Banking / Mutual banking	21,0	21,5	21,0	21,5
CODABEL MANAGEMENT	Belgium	Insurance and asset management / mutual funds	10,4	12,4	10,7	12,5
DS INVESTMENT SOLUTIONS SAS (EX-DERIVATIVES SOLUTIONS)	France	Insurance and asset management / mutual funds	23,8	28,3	24,4	28,6
PRIMONIAL IMMOBILIEN GMBH (EX-EC ADVISORS GMBH)	Germany	Insurance and asset management / mutual funds	29,7	35,4	30,5	35,7
FINANSEMBLE ⁽²⁾	France	Insurance and asset management / Asset management	30,4	/	30,4	/
HALLES A FOURAGES SCCV	France	Insurance and asset management / mutual funds	17,8	21,2	18,3	21,4
JIVAI ⁽²⁾	France	Insurance and asset management / Insurance brokerage	32,4	/	32,4	/
LA COMPAGNIE FRANCAISE DES SUCCESSIONS ⁽²⁾	France	Insurance and asset management / Asset management	32,6	/	32,6	/
LA FINANCIERE DE L'ECHIQUIER ⁽²⁾	France	Insurance and asset management / mutual funds	11,9	/	12,2	/
LEEMO	France	Insurance and asset management / mutual funds	11,9	/	12,2	/
LINK BY PRIMONIAL	France	Insurance and asset management / mutual funds	29,7	35,4	30,5	35,7
LINXO GROUP ⁽²⁾	France	Banking / Services	29,8	/	29,8	/
MARSEILLE FURNITURE SARL	France	Insurance and asset management / mutual funds	29,7	20,4	30,5	20,6
MATA CAPITAL	France	Insurance and asset management / mutual funds	11,9	14,1	12,2	14,3
NEW PORT	France	Banking / Holding	31,0	31,0	31,0	31,0
NEW PRIMONIAL HOLDING	France	Insurance and asset management / mutual funds	29,7	36,3	30,5	36,6
OIKO GESTION (EX AIBO GESTION)	France	Insurance and asset management / mutual funds	15,2	23,7	15,5	23,9

LAST NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST	
			12.31.2018	12.31.2017	12.31.2018	12.31.2017
COMPANIES CONSOLIDATED USING THE EQUITY METHOD						
PFP	France	Insurance and mutual funds asset management /	29,7	36,3	30,5	36,6
PRIMONIAL	France	Insurance and mutual funds asset management /	29,7	35,4	30,5	35,7
PRIMONIAL HOLDING	France	Insurance and mutual funds asset management /	29,7	35,4	30,5	35,7
PRIMONIAL LUXEMBOURG	Luxembourg	Insurance and mutual funds asset management /	29,7	35,4	30,5	35,7
PRIMONIAL LUXEMBOURG FUND SERVICES ⁽²⁾	Luxembourg	Insurance and mutual funds asset management /	29,7	/	30,5	/
PRIMONIAL LUXEMBOURG REAL ESTATE ⁽²⁾	Luxembourg	Insurance and mutual funds asset management /	29,7	/	30,5	/
PRIMONIAL MANAGEMENT	France	Insurance and mutual funds asset management /	29,7	34,5	30,5	34,8
PRIMONIAL MANAGEMENT 2	France	Insurance and mutual funds asset management /	29,7	36,3	30,5	36,6
PRIMONIAL PARTENAIRES (EX-PATRIMMOFI)	France	Insurance and mutual funds asset management /	29,7	35,4	30,5	35,7
PRIMONIAL REIM	France	Insurance and mutual funds asset management /	29,7	21,4	30,5	21,6
PRIMONIAL TI	Canada	Insurance and mutual funds asset management /	/	35,4	/	35,7
SEFAL PROPERTY	France	Insurance and mutual funds asset management /	29,4	34,9	30,1	35,3
SPORTINVEST	France	Insurance and mutual funds asset management /	29,7	35,4	30,5	35,7
STAMINA ASSET MANAGEMENT (EX PRIMONIAL AM)	France	Insurance and mutual funds asset management /	/	35,4	/	35,7
UPSTONE SAS	France	Insurance and mutual funds asset management /	29,7	35,4	30,5	35,7
VIVienne INVESTISSEMENT ⁽²⁾	France	Insurance and Asset management	34,4	/	34,4	/
VOLTAIRE CAPITAL	France	Insurance and mutual funds asset management /	29,7	35,4	30,5	35,7
YOMONI ⁽²⁾	France	Insurance and Asset management	34,5	/	34,5	/
YOUNITED CREDIT ⁽²⁾	France/Italy/Spain/Portugal	Banking / Services	25,8	25,6	25,8	25,6

LAST NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST	
			12.31.2018	12.31.2017	12.31.2018	12.31.2017
COMPANIES CONSOLIDATED USING THE SHORTCUT METHOD						
ADAGE CBP FLEX	France	Insurance and mutual funds asset management /	/	36,6	/	36,6
AIS MANDARINE ACTIVE (formerly FEDERAL CONVICTION ISR EURO)	France	Insurance and mutual funds asset management /	77,2	61,0	77,2	61,0
AIS MANDARINE ENTREPRENEURS (formerly FEDERAL ACTIONS ETHIQUES)	France	Insurance and mutual funds asset management /	73,4	65,7	73,4	65,7
AIS MANDARINE MULTI-ASSETS (formerly SURAVENIR REFERENCE ACTIONS)	France	Insurance and mutual funds asset management /	100,0	100,0	100,0	100,0
ALTAROCCA RENDEMENT 2023	France	Insurance and mutual funds asset management /	/	20,0	/	20,0
ARKEA CAPITAL 1	France	Banking / mutual funds	100,0	100,0	100,0	100,0
ARKEA CAPITAL MANAGERS ⁽²⁾	France	Banking / mutual funds	100,0	/	100,0	/
AUTOFOCUS AIRBAG OCTOBRE 2015 ⁽⁴⁾	France	Insurance and mutual funds asset management /	/	93,8	/	93,8
AUTOFOCUS CROISSANCE + SEPTEMBRE 2017 ⁽²⁾	France	Insurance and mutual funds asset management /	99,3	/	99,3	/
AUTOFOCUS CROISSANCE JANVIER 2017 ⁽²⁾	France	Insurance and mutual funds asset management /	97,2	/	97,2	/
AUTOFOCUS CROISSANCE JUIN 2015	France	Insurance and mutual funds asset management /	93,9	93,8	93,9	93,8

LAST NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST			
			12.31.2018	12.31.2017	12.31.2018	12.31.2017		
COMPANIES CONSOLIDATED USING THE SHORTCUT METHOD								
AUTOFOCUS CROISSANCE MAI 2017 ⁽²⁾	France	Insurance and mutual funds	asset management	/	93,9	/	97,3	/
AUTOFOCUS CROISSANCE MARS 2015	France	Insurance and mutual funds	asset management	/	97,3	78,0	78,6	78,0
AUTOFOCUS CROISSANCE MARS 2016 ⁽⁴⁾	France	Insurance and mutual funds	asset management	/	78,6	79,3	/	79,3
AUTOFOCUS JANVIER 2016	France	Insurance and mutual funds	asset management	/	/	92,5	92,4	92,5
AUTOFOCUS RENDEMENT DECEMBRE 2014	France	Insurance and mutual funds	asset management	/	92,4	93,7	93,6	93,7
AUTOFOCUS RENDEMENT MARS 2015	France	Insurance and mutual funds	asset management	/	93,6	93,3	93,1	93,3
AUTOFOCUS RENDEMENT MARS 2017 ⁽²⁾	France	Insurance and mutual funds	asset management	/	93,1	/	97,3	/
AUTOFOCUS RENDEMENT NOVEMBRE 2016 ⁽⁴⁾	France	Insurance and mutual funds	asset management	/	97,3	92,4	/	92,4
AUTOFOCUS RENDEMENT OCTOBRE 2014 ⁽⁴⁾	France	Insurance and mutual funds	asset management	/	/	91,5	/	91,5
AUTOFOCUS SEPTEMBRE 2016	France	Insurance and mutual funds	asset management	/	/	96,4	96,6	96,4
BPE RENDEMENT 2018 ⁽⁴⁾	France	Insurance and mutual funds	asset management	/	96,6	36,3	/	36,3
DIAPAZEN CLIMAT SEPTEMBRE 2016	France	Insurance and mutual funds	asset management	/	/	97,8	97,8	97,8
FCT SP EUROCREANCES	France	Insurance and mutual funds	asset management	/	97,8	43,4	43,4	43,4
FCT SUR PRIV DEBT II ⁽²⁾	France	Insurance and mutual funds	asset management	/	43,4	/	100,0	/
FCT SURAVENIR PRIVAT	France	Insurance and mutual funds	asset management	/	100,0	100,0	100,0	100,0
FEDERAL ACTIONS RENDEMENT	France	Insurance and mutual funds	asset management	/	100,0	96,8	/	96,8
FEDERAL APAL	France	Insurance and mutual funds	asset management	/	/	74,2	74,4	74,2
FED CAPITAL INV	France	Insurance and mutual funds	asset management	/	74,4	100,0	100,0	100,0
FEDERAL CONVICTION GRANDE ASIE	France	Insurance and mutual funds	asset management	/	83,9	99,8	83,9	99,8
FEDERAL CROISSANCE	France	Insurance and mutual funds	asset management	/	90,5	90,3	90,5	90,3
FEDERAL ESSOR INTERNATIONAL	France	Insurance and mutual funds	asset management	/	45,0	49,4	45,0	49,4
FEDERAL INDICIEL JAPON	France	Insurance and mutual funds	asset management	/	66,7	64,8	66,7	64,8
FEDERAL INDICIEL US	France	Insurance and mutual funds	asset management	/	56,0	63,8	56,0	63,8
FEDERAL MULTI ACTIONS EUROPE	France	Insurance and mutual funds	asset management	/	74,0	73,7	74,0	73,7
FEDERAL MULTI L/S	France	Insurance and mutual funds	asset management	/	63,2	50,9	63,2	50,9
FEDERAL MULTI OR ET MATIERES 1ERES	France	Insurance and mutual funds	asset management	/	89,4	88,4	89,4	88,4
FEDERAL MULTI PATRIMOINE	France	Insurance and mutual funds	asset management	/	91,4	90,7	91,4	90,7
FEDERAL MULTI PME	France	Insurance and mutual funds	asset management	/	67,5	79,2	67,5	79,2
FEDERAL OBLIGATIONS INTERNATIONALES ISR	France	Insurance and mutual funds	asset management	/	/	36,3	/	36,3
FEDERAL OPPORTUNITE EQUILIBRE	France	Insurance and mutual funds	asset management	/	99,9	99,7	99,9	99,7
FEDERAL OPPORTUNITE MODERE	France	Insurance and mutual funds	asset management	/	98,5	98,4	98,5	98,4
FEDERAL OPPORTUNITE TONIQUE	France	Insurance and mutual funds	asset management	/	99,0	98,8	99,0	98,8
FEDERAL OPTIMAL PLUS	France	Insurance and mutual funds	asset management	/	/	47,9	/	47,9
FEDERAL STRATEGIES ACTIVES ⁽²⁾	France	Banking / mutual funds			99,8	/	99,8	/
FEDERAL SUPPORT COURT TERME	France	Insurance and mutual funds	asset management	/	/	42,2	/	42,2
FEDERAL SUPPORT TRESORERIE ISR	France	Insurance and mutual funds	asset management	/	/	31,3	/	31,3
FORMUL'ACTION SECURITE	France	Insurance and mutual funds	asset management	/	93,7	93,3	93,7	93,3
FPS SURAVENIR ACTIONS INTERNATIONALES PROTECT ⁽²⁾	France	Insurance and mutual funds	asset management	/	100,0	/	100,0	/
FPS SURAVENIR ACTIONS LOW VOL ⁽²⁾	France	Insurance and mutual funds	asset management	/	100,0	/	100,0	/
FPS SURAVENIR ACTIONS PROTECT	France	Insurance and mutual funds	asset management	/	100,0	100,0	100,0	100,0

LAST NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST		
			12.31.2018	12.31.2017	12.31.2018	12.31.2017	
COMPANIES CONSOLIDATED USING THE SHORTCUT METHOD							
FPS SURAVENIR ACTIONS PROTECT II ⁽²⁾	France	Insurance and mutual funds / asset management	100,0	/	100,0	/	
FSP / COMPARTIMENT 5	France	Insurance and mutual funds / asset management	42,4	42,4	42,4	42,4	
KALEIDOSCOPE	France	Insurance and mutual funds / asset management	98,5	98,3	98,5	98,3	
OPCI CLUB FRANCE RET	France	Insurance and mutual funds / asset management	46,3	46,3	46,3	46,3	
OPCI PREIM DEFENSE 2	France	Insurance and mutual funds / asset management	37,5	35,5	37,5	35,5	
OPCI PREIM EUROS	France	Insurance and mutual funds / asset management	100,0	100,0	100,0	100,0	
OPCI PREIM EUROS 2	France	Insurance and mutual funds / asset management	100,0	100,0	100,0	100,0	
OPCI PREIMIUM	France	Insurance and mutual funds / asset management	89,5	83,7	89,5	83,7	
OPCI SOFIDY PIERRE EUROPE ⁽²⁾	France	Insurance and mutual funds / asset management	84,5	/	84,5	/	
OPCI TIKEHAU RET PRO	France	Insurance and mutual funds / asset management	39,3	39,3	39,3	39,3	
PRIMO ELITE	France	Insurance and mutual funds / asset management	100,0	100,0	100,0	100,0	
PRO FEDERAL LIQUIDITES	France	Insurance and mutual funds / asset management	63,3	61,3	63,3	61,3	
S.C.I PROGRES PIERRE	France	Insurance and mutual funds / asset management	100,0	100,0	100,0	100,0	
S.C.I SURAV PIERRE	France	Insurance and mutual funds / asset management	100,0	100,0	100,0	100,0	
SCI CLOVERHOME	France	Insurance and mutual funds / asset management	50,0	50,0	50,0	50,0	
SCI LE VINCI HOLDING	France	Insurance and mutual funds / asset management	100,0	100,0	100,0	100,0	
SCI PR2 PREIM RET 2	France	Insurance and mutual funds / asset management	38,0	38,0	38,0	38,0	
SCI SOFIDY CONV IMMO	France	Insurance and mutual funds / asset management	52,0	56,9	52,0	56,9	
SCI USUFRUIMMO	France	Insurance and mutual funds / asset management	100,0	100,0	100,0	100,0	
SCPI PATRIMMO CROISSANCE	France	Insurance and mutual funds / asset management	/	36,3	/	36,3	
SCPI PIERRE EXPANSIO	France	Insurance and mutual funds / asset management	57,0	57,0	57,0	57,0	
SCPI PRIMOFAMILY	France	Insurance and mutual funds / asset management	55,7	40,4	55,7	40,4	
SCPI PRIMONIA CAP IM	France	Insurance and mutual funds / asset management	40,1	43,2	40,1	43,2	
SP CONVERT. GLOBAL EUROPE	France	Insurance and mutual funds / asset management	/	33,4	/	33,4	
SP CONVERTIBLES ISR EUROPE	France	Insurance and mutual funds / asset management	26,6	29,8	26,6	29,8	
SP HAUT RENDEMENT	France	Insurance and mutual funds / asset management	38,3	33,6	38,3	33,6	
SP NS FAMILLE	France	Insurance and mutual funds / asset management	43,1	42,1	43,1	42,1	
SP OPPORTUNITES EUROPEENNES ⁽²⁾	France	Insurance and mutual funds / asset management	31,2	/	31,2	/	
STEREO 3 ⁽⁴⁾	France	Insurance and mutual funds / asset management	/	97,0	/	97,0	
SURAVENIR INITIATIVE ACTIONS	France	Insurance and mutual funds / asset management	100,0	100,0	100,0	100,0	
SYNERGIE FINANCE INVESTISSEMENT	France	Banking / mutual funds	100,0	100,0	100,0	100,0	
WE POSITIVE INVEST	France	Banking / mutual funds	100,0	100,0	100,0	100,0	
WEST WEB VALLEY	France	Banking / mutual funds	35,4	35,4	35,4	35,4	

(1) Merger of assets and liabilities

(2) Companies first-time consolidated in 2018

(3) Split

(4) Liquidation

The simplified method of accounting (called shortcut method) is based on using the fair value option for all assets held under the mutual fund to be consolidated.

The shortcut method entails:

- recognizing the fund shares in assets at fair value on the basis of 100%
- establishing a corresponding liability (financial liability) for the amount of the share not held by the group (non-controlling interests).

Note 49. Business combinations

My Money Bank

On June 1, 2018, Financo, the group's subsidiary specializing in consumer credit, purchased the auto financing activity of My Money Bank in mainland France.

This acquisition resulted in the recognition of goodwill in the amount of €19.6 million. The following table contains key information about these business combinations:

(in € millions)

	MY MONEY BANK
DATE OF ACQUISITION	06.01.2018
ACQUISITION PRICE	384,4
Receivables	404,2
Other	-2,2
Goodwill	3,2
Related deferred taxes	-1,1
NET ASSETS + GOODWILL	404,1
BADWILL	-19,6

The initial recognition of the business combination is provisional.

In case of further information related to facts and circumstances existing on the date of acquisition, the group has 12 months to:

- identify the assets acquired and liabilities assumed from the acquired company not recognized at the time of the initial recognition of the business combination;
- modify retrospectively the values initially assigned.

Fintechs

At December 31, 2018, six entities partly controlled by the group were consolidated using the equity method.

These companies were as follows:

- Jivai
- Linxo Group
- Yomoni
- Vivienne Investissement
- La Compagnie Française des Successions et des épargnants
- Finansemble

(in € thousands)

	FINTECHS
ACQUISITION PRICE	23,264
Net IFRS position (100%)	24,778
Consolidation method	Equity method
Goodwill recognized on the balance sheet (full goodwill)	9,638
CONTRIBUTION TO THE GROUP'S 2018 PROFIT/LOSS	-6,177

These entities were consolidated as at December 31, 2018 so as to reflect their strategic importance to the group.

The following table contains key information about these business combinations:

Note 50. Equity method

No significant events occurred after the December 31, 2018 closing date.

3.6

Aggregate financial statements for the year ended December 31, 2018

The aggregate financial statements correspond to the parent company financial statements of Crédit Mutuel Arkéa (the group's consolidating entity). They include the financial statements of the Crédit Mutuel Arkéa legal entity itself and of the local savings banks and federations of Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central. The aggregate financial statements are prepared in accordance with French generally accepted accounting practices.

Balance sheet

Balance sheet structure

As at 31 December 2018, the balance sheet total of the globalised accounts increased by €6.1 billion to €80.3 billion compared to 74.1 billion euros in 2017 (+8%).

On the assets side, customer transactions increased by €2.3 billion, mainly due to sustained new business in home loans. Receivables from credit institutions rose by €3.2 billion, mainly due to the increase in outstanding loans granted to the Group's subsidiaries in line with the increase in their business.

On the liabilities side, debts to credit institutions increased by €3.3 billion as a result of the increase in outstandings replaced by sub-

sidaries following strong commercial performance in terms of savings inflows. Transactions with customers increased by €2.2 billion to €32.5 billion in connection with the federations' savings inflows and the sale of term deposits in the trading room.

The credit institution's shareholders' equity

Shareholders' equity amounted to €5.9 billion. They consist of shareholders' equity (capital, reserves, etc.) and the Fund for General Banking Risks (FRBG). Share capital rose by €0.1 billion to €2.3 billion. Almost all of it consists of the shares subscribed to from the local savings banks.

The Fund for General Banking Risks (FRBG) amounted to €715.7 million, compared with €655.9 million in 2017. It includes, in addition to the amounts allocated to cover general risks, the federal fund set up by the local savings banks networks, which intervenes in financial solidarity mechanisms.

Balance sheet

(in € thousands)

Assets	Notes	12.31.2018	12.31.2017
Cash, due from central banks	1	3,176,987	4,125,085
Treasury bills and similar securities	2	4,384,559	4,328,011
Due from credit institution	3	24,933,506	21,774,441
Transactions with costumers	4	34,213,223	31,877,658
Bonds and other fixed-income securities	5	7,042,640	5,502,040
Stocks and other variable-income securities		153,705	150,234
Equity holdings and other long-term investments	6	434,767	438,157
Share in associates	6	4,076,099	4,013,687
Intangible assets	7	13,758	12,945
Property, plant and equipment	7	212,526	207,822
Other assets	8	890,208	784,914
Accruals	9	719,123	910,137
TOTAL		80,251,101	74,125,131

Liabilities	Notes	12.31.2018	12.31.2017
Liabilities to credit institutions	10	32,960,908	29,624,390
Transactions with customers	11	32,543,612	30,337,580
Debt securities	12	5,614,473	4,836,967
Other liabilities	13	619,556	701,422
Accruals	14	946,614	987,210
Provisions	15	57,510	46,429
Subordinated debt	16	1,648,900	1,930,341
Fund for general banking risks (FRGB)		715,684	655,941
Shareholders'equity excluding FRBG	17	5,143,844	5,004,851
Subscribed capital		2,260,952	2,202,426
Additional paid-i, capital		5,438	5,438
Reserves		2,741,661	2,264,383
Regulated provisions and investment subsidies		4,527	4,525
Retained earnings		13,772	13,731
Net income for the year		117,494	514,348
TOTAL		80,251,101	74,125,131

Off-balance sheet items

(in € thousands)

Off-balance sheet items	Notes	12.31.2018	12.31.2017
Commitments given	21	6,639,577	6,051,300
Financing commitments		3,855,353	4,021,556
Garantee commitments		2,328,326	2,004,859
Securities commitments		455,898	24,885
Commitments received	21	12,546,620	10,382,628
Financing commitments		11,263,033	9,331,095
Guarantee commitments		1,040,619	859,984
Securities commitments		242,968	191,549
Financial futures	22	69,547,426	54,027,777

Income statement

Net income

Net income from aggregate accounts amounted to 117.5 million euros, down 396.9 million euros compared to 2017

Net banking income

Net banking income from aggregate accounts amounted to 982.5 million, a decrease of €484 million.

The financial margin decreased by €472.3 million to €529.5 million, mainly due to the decrease in the number of dividends from €539.3 million to €217.2 million decreased by the fall in the cost of refinancing.

Net commissions increased by 0.9% to 447.1 million, mainly due to the impact of increases commissions from business contributors received (income insurance in particular), service fees (increased in range and price increase) despite the decrease in commissions early repayment of loans.

Other net operating income decreased by 15.7 million, amounting to €5.8 million. The decrease was mainly due to the change in the savings provision housing.

Operating expenses

Operating expenses and depreciation increased by €35.8 million (+4.5%) to reach €827.5 million in 2018. This change is mainly due to the increase in personnel expenses due to the increase in corporate liabilities and by the increase in project expenditures regulatory and development issues.

Cost of risk

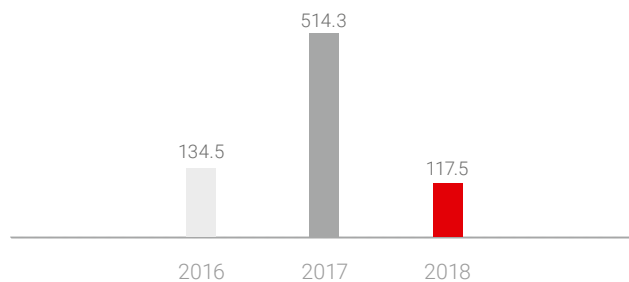
The cost of risk remained at a low level of €9.5 million, in €6.7 million increase compared to 2017.

Gains or losses on fixed assets

Net gains on fixed assets decreased by € 188.2 million to reach €0.4 million in 2018, in connection with the Primonial restructuring operation carried out in 2017.

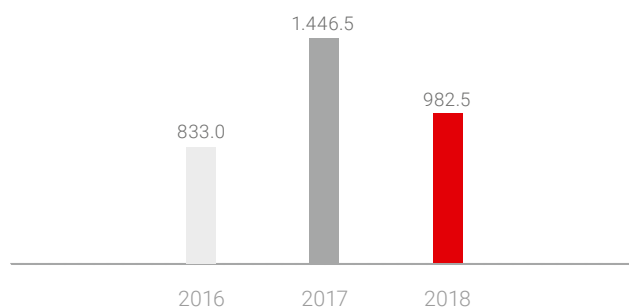
Net income

(in € millions)



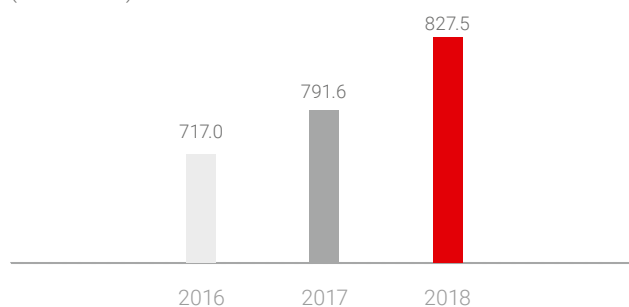
Net banking income

(in € millions)



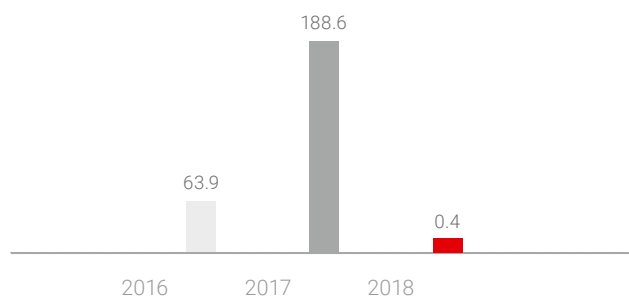
Operating expenses

(in € millions)



Gains or losses on fixed assets

(in € millions)



Income statement

(in € thousands)

	Notes	12.31.2018	12.31.2017
Interest and similar income	23	1,427,942	1,390,984
Interest and similar expense	23	-1,164,229	-1,204,539
Income on variable-income securities	24	217,876	756,659
Commissions income	25	505,746	499,806
Commissions expense	25	-58,600	-56,694
Net gains/(losses) on trading account securities	26	1,111	1,224
Net gains/(losses) on investment portfolio and similar securities	26	46,807	57,429
Other operating income from banking activities		12,629	26,719
Other operating expense from banking activities		-6,783	-5,137
NET BANKING INCOME		982,499	1,466,451
general operating expenses	27	-814,072	-778,743
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-13,386	-12,899
GROSS OPERATING INCOME		155,041	674,809
Cost of risk	28	-9,535	-2,873
OPERATING INCOME		145,506	671,936
Gains/(losses) on non-current assets	29	426	188,620
RECURRING INCOME BEFORE TAX		145,932	860,556
Non-recurring income/(loss)	30	-3,506	1
Income tax	31	34,811	9,280
Allocation to/reversals from FRBG and regulated provisions		-59,743	-355,489
NET INCOME		117,494	514,348

Supplier and customer lead times

In accordance with the provisions of Article L 441-6-1 paragraph 1 of the French Commercial Code, the breakdown at the closing date of the financial year of the balance of the trade payables due by maturity date is as follows:

For receivables and payables relating to Crédit Mutuel Arkéa's customers, please refer to Note 19 on the breakdown of certain assets/liabilities, which provides information on their residual term.

12.31.2018

CONTRACTUAL TERM	Invoices within 30 days	Invoices from 31 days to 60 days	Invoices from 61 to 90 days	Invoices over 91 days old	Total (one day and more)
Total amount of invoices including VAT (€)	261,464	178,426	175,899	1,979,148	2,549,938
% of the total amount of purchases for the financial year, including VAT	0.17 %	0.14 %	0.13 %	1.51 %	1.95 %
Number of invoices concerned					326

Five-Year financial summary of Crédit Mutuel Arkéa

(in € thousands)

	2014	2015	2016	2017	2018
SHAREHOLDERS' EQUITY AT THE END OF THE YEAR					
Share capital	2,211,473	2,197,182	2,197,670	2,202,426	2,260,952
Number of ordinary shares outstanding	2,192,127,760	2,196,901,280	2,197,251,242	2,201,414,815	2,569,941,584
Number of preferred shares (without right to vote) existing					
Maximum number of shares to be created:					
■ through exercise of convertible bonds					
■ through exercise of subscription rights					
OPERATIONS AND RESULTS FOR THE YEAR					
Revenues (net of taxes)	2,384,916	2,329,573	2,202,634	2,674,167	2,164,192
Income before tax, employee profit sharing, and allocations to depreciation, amortization and provisions	158,735	174,395	155,048	828,924	222,378
Income tax ^(*)	- 46,806	- 28,529	- 35 476	- 9 280	34,811
Employee profit sharing due for the year ^(*)	523	1,459	4,079	5,584	5,885
Income after tax, employee profit-sharing and allocations to depreciation, amortization and provisions	164,713	160,069	134,542	514,348	117,494
Earnings per share (in euros)	40,913	39,175	37,456	36,824	39,505
DIVIDENDS					
Earnings after tax and employee profit-sharing but before allocations to depreciation, amortization and provisions	0,09	0,09	0,08	0,38	0,08
Earnings after tax, employee profit-sharing and allocations to depreciation, amortization and provisions	0,08	0,07	0,06	0,23	0,05
Dividend per share	0,02	0,02	0,02	0,02	0,02
EMPLOYEES					
Average number of employees during the year	5,538	5,479	6,176	6,281	6,318
Total payroll for the year	237,676	234,919	243,598	260,054	263,818
Employee benefits (Social Security and other)	132,570	121,127	120,960	129,951	136,612

*The charge is signed positively and the revenue negatively

Notes

LEGAL AND FINANCIAL FRAMEWORK AND HIGHLIGHTS OF THE YEAR

Legal and financial framework

Pursuant to Regulation R. 511-3 of the French Monetary and Financial Code, Crédit Mutuel Arkéa's publishable aggregate financial statements encompass:

- Fédération du Crédit Mutuel de Bretagne and the member Crédit Mutuel savings banks
- Fédération du Crédit Mutuel du Sud-Ouest and the member Crédit Mutuel savings banks
- Fédération du Crédit Mutuel Massif Central and the member Crédit Mutuel savings banks
- Crédit Mutuel Arkéa..

These aggregate financial statements pertain to the banking institution called Crédit Mutuel Arkéa whose bank code is 15589

Highlights of the year

The group's independence process was an outstanding feature of the 2018 financial year. At its meeting on January 17, 2018, Crédit Mutuel Arkéa's Board of Directors authorized the Arkéa Group's management to take any action that would allow Crédit Mutuel Arkéa to become a cooperative and regional banking group, with mutualist values, independent from the rest of Crédit Mutuel.

The local savings banks and the directors of the Bretagne, Sud-Ouest and Massif Central federations were invited to vote in the first half of 2018. 94.5% of the local savings banks that voted expressed their support for Crédit Mutuel Arkéa's independence.

On June 29, 2018, Crédit Mutuel Arkéa's Board of Directors approved the target organizational chart of the future independent group. On this basis, the group started the preparatory work for an ordered separation from the Crédit Mutuel group.

Operational implementation of the Arkéa group's separation from the Crédit Mutuel group remains subject to the approval of the local savings banks. A consultation with the local savings banks will take place at the end of the discussions and work currently underway,

in particular with the supervisory bodies, and will be based on a finalized consultation file.

ACCOUNTING POLICIES

Presentation of the financial statements

The financial statements are presented in accordance with Regulation 2014-07 of the French Accounting Standards Authority (ANC) on the financial statements of companies in the banking sector.

General principles and valuation methods

General principles

Crédit Mutuel Arkéa's aggregate financial statements are prepared in accordance with generally accepted accounting principles and the regulations applicable to credit institutions in France, as set out in ANC Regulation 2014-07 of November 26, 2014 which consolidates in a single regulation, on the basis of established law, all accounting standards applicable to credit institutions.

Valuation options and methods

Receivables

Amounts due from credit institutions and customers are governed by ANC Regulation 2014-07 on the accounting treatment of credit risk at companies subject to the supervision of the French Banking and Financial Regulations Committee (CRBF). Related receivables on receivables is recognized in the related receivables account through profit or loss.

In accordance with ANC Regulation 2014-07, on Crédit Mutuel Arkéa's aggregate financial statements, commissions from credit granting and renegotiation are spread over the actual loan term in proportion to the principal balance. Commission income is presented as net interest income under net banking income on the income statement and included in outstanding loans on the balance sheet.

Classification

Loans are broken down into performing loans and non-performing loans.

Non-performing loans include loans for which a risk of full or partial non-recovery is probable and which meet one of the following two conditions:

- overdue by more than six months for real estate loans or by more than three months for other types of loans;
- counterparty whose financial situation has worsened or who is involved in litigation..

The classification of a loan as non-performing results, by contagion, in the same classification for all the loans of a given counterparty.

Loans for which acceleration of payment has been demanded are classified as irrecoverable non-performing loans.

The notion of «doubtful loans» covers non-performing loans and irrecoverable non-performing loans. The recognition of interest is suspended on the date of classification as irrecoverable non-performing loan.

When payments of the amounts due are again being made on a regular basis, the loans are reclassified as performing loans. Restructured loans whose probability of recovery is deemed sufficient are also classified as performing loans.

Impairment

Non-performing loans are impaired, on a case-by-case basis, in order to cover the probable loss. This impairment is deducted from the receivables corresponding to the asset. The interest on non-performing loans recognized in income is fully impaired.

On the income statement, impairment provisions and reversals, losses on bad debt and recoveries of written-off loans are recognized under «Cost of risk», with the exception of impairment provisions and reversals related to interest on non-performing loans which are presented under net banking income.

In accordance with ANC Regulation 2014-07, this impairment is recognized at present value in order to cover all projected losses on non-performing loans or irrecoverable non-performing loans. Projected losses are equal to the difference between the initial contractual flows still due and the discounted projected flows.

Discounting is carried out at the initial effective interest rate of the loan for fixed-rate loans and at the last effective interest rate set according to the contractual terms and conditions for variable-rate loans.

In practice, projected flows are discounted only if the impact of discounting is material compared to their amounts estimated conservatively. As a result, only impairment on disputed receivables is discounted. In the income statement, provisions related to discounting are recognized under cost of risk and reversals related to the effects of accretion are recorded under net banking income. Provisions set up to cover individualized off-balance sheet risks are

listed under liabilities.

Securities portfolio

Les opérations sur portefeuille titres sont comptabilisées conformément aux dispositions prévues dans le règlement ANC 2014-07.

Titres de transaction

Securities portfolio transactions are recognized in accordance with the provisions of ANC Regulation 2014-07.

- either acquired or sold with the intention of reselling or repurchasing them in the near term
- or held by an institution as a result of its activity as a market maker, and this classification as trading securities is subject to the securities being actually traded in a significant transaction volume based on market opportunities and subject to the following conditions: the securities must be traded on an active market and the accessible market prices must represent actual and regularly occurring market transactions on an arm's length basis.

Trading securities are recognized on the balance sheet as of their acquisition date and at their acquisition price excluding expenses and, where applicable, including related receivables. At each closing, these securities are valued at the most recent market price. Net differences resulting from price changes are recorded on the income statement.

Available-for-sale securities

Securities that are not recorded as trading securities, as investment securities or as the securities referred to in section 5 of title 3 of book II of ANC Article 2014.07 are considered available-for-sale securities.

Available-for-sale securities are recognized on the balance sheet as of their acquisition date and at their acquisition price excluding expenses and, where applicable, including related receivables. At each closing, these securities are valued at the most recent market price. Net differences resulting from price changes are recorded on the income statement.

The positive difference between the acquisition price and the redemption price of fixed-income securities is amortized over the residual maturity of the securities using the actuarial method, with the exception of securitizations and structured bonds, for which the straight-line method is used.

At each closing, impairment is recorded, on a security-by-security basis, for the unrealized capital losses resulting from the difference between the carrying amount and the market price of securities not subject to a hedging strategy. Unrealized capital gains are not recorded.

Investment securities

Fixed-income securities with a fixed maturity that were acquired or reclassified from the «available-for-sale securities» category or the «trading securities» category with the clear intention of holding them to maturity are considered investment securities.

The institution must have the necessary financing capacity to hold them to maturity while not being subject to any legal or other requirement that could compromise its intention of holding them to maturity.

Investment securities are recognized as of their acquisition date and at their acquisition price excluding expenses. Related receivables recorded at the time of acquisition of the securities, where applicable, is recognized in similar accounts.

The rule for amortizing the difference between the acquisition price and the redemption price is the same rule used for available-for-sale securities. No provision is recorded for the unrealized capital losses resulting from the difference between the carrying amount and the market price.

Only the risk of default of the issuer of the securities can result in the recognition of impairment. This impairment is recorded in the income statement under «cost of risk». Unrealized capital gains are not recorded.

Portfolio securities

Portfolio securities are investments made regularly for the sole purpose of realizing a capital gain in the medium term and with no intention of investing over the long term in the development of the issuing company's business or actively participating in its operational management. They include securities held in connection with private equity activities.

Portfolio securities are recognized as of their acquisition date at their acquisition price excluding expenses.

Portfolio securities are recognized at the lower of their acquisition cost and their value-in-use. A provision for impairment is recorded for unrealized capital losses resulting from the difference between the carrying amount and the value-in-use, on a security-by-security basis, without offsetting with unrealized capital gains. Unrealized capital gains are not recorded.

Other long-term investments

Other long-term investments» are shares or similar securities that are held with the intention of supporting the development of long-term business relations by creating special ties with the issuing company but without influencing its management given the low number of voting rights associated with these securities. Other long-term investments are recognized as of their acquisition date and at their acquisition price excluding expenses. They are then

measured based on their value-in-use and appear on the balance sheet at the lower of their acquisition price and this value-in-use.

A provision for impairment is recorded for unrealized capital losses resulting from the difference between the carrying amount and the value-in-use, on a security-by-security basis, without offsetting with unrealized capital gains. Unrealized capital gains are not recorded.

Equity investments and shares in associates

Equity investments and shares in associates include shares and similar securities the long-term ownership of which is deemed to be beneficial to the company's development and which allow holders to exercise significant influence over or control the issuing company. This influence is deemed to exist when the percentage of control is greater than or equal to 10%.

Equity investments and shares in associates are recognized as of their acquisition date and at their acquisition price excluding expenses. They are then measured based on their value-in-use and appear on the balance sheet at the lower of their acquisition price and this value-in-use.

A provision for impairment is recorded for unrealized capital losses resulting from the difference between the carrying amount and the value-in-use, on a security-by-security basis, without offsetting with unrealized capital gains. Unrealized capital gains are not recorded.

Securities sold under repurchase agreements

Securities sold under repurchase agreements are recorded as assets on the balance sheet and treated according to the rules applicable to the portfolio to which they belong. The assignee's debt is recorded as a liability.

Financial futures transactions

These transactions are recognized in accordance with the provisions of ANC Regulation 2014-07.

Commitments on financial futures transactions are recorded on a line of the off-balance sheet at their nominal value. This amount is merely an indication of the volume of outstanding transactions at closing and does not reflect the market risk related to these instruments. The fair value of the financial instruments is determined by reference to a market value or by applying generally accepted valuation models.

Interest rate instruments

Organized markets

Futures contracts are valued at each closing at their market value. For hedging transactions, realized gains and losses are recognized in the income statement symmetrically with the recording of

income and expenses related to the hedged item. For isolated positions, gains and losses related to the revaluation are recognized directly in the income statement.

Over-the-counter markets

Interest rate swaps and forward rate agreements (FRA) result in the calculation of interest on a pro rata basis over their reference term. The income and expenses related to the same contract are recorded at their net amount.

For option contracts (cap, floor, collar), premiums and related receivables are recognized through profit or loss on a pro rata basis.

For speculative swaps, a provision is recorded in case of an unrealized capital loss.

For hedging swaps, a provision is recorded for the hedged security resulting in a capital loss (which is not fully offset by the unrealized capital gain on the swap).

Exchange rate instruments

The valuation difference on foreign exchange swaps is recognized through profit or loss on each reporting date.

For currency options, unrealized capital gains or losses are recognized through profit or loss. At maturity, if an option is exercised, this results in a currency purchase or sale.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are shown at their historical cost less accumulated depreciation and amortization. Straight-line amortization and depreciation is used.

In accordance with ANC Regulation 2014-03 on the rules regarding asset amortization, depreciation and impairment, the main components of buildings are kept separate in accounting and depreciated over their respective useful lives. The following components and depreciation periods have been used:

COMPONENT	DEPRECIATION PERIOD
Building shell of administrative buildings	50 years
Building shell of branches	25 years
Roof and siding	25 years
Technical work packages	20 years
Fixtures	10 years
Office equipment	4 to 5 years
Operating equipment	3 to 8 years
Office furniture	10 years
Safety equipment	2 to 10 years
Transport equipment	4 years
Software	3 to 5 years
In-house software	2 to 9 years

Pursuant to Regulation 2014-03 of the French Accounting Standards Authority on asset definition, recognition and valuation, the acquisition costs of property, plant and equipment and intangible assets are included in the initial value of these assets recorded on the balance sheet.

The preferential method is used to account for internally developed software. Therefore, all software-related expenses incurred after the start of the production process (detailed analysis, development, acceptance testing, documentation) are capitalized and expenses that do not meet the conditions for capitalization (particularly preliminary research and functional analysis expenses) are recognized as expenses.

When indications of impairment exist, an impairment test is carried out to compare the carrying amount of the asset and its current value. In case of an impairment loss, impairment is recorded on the income statement under "Depreciation, amortization and impairment of property, plant and equipment and intangible assets". In particular, the loss resulting from a merger or similar transaction is impaired when the current value of an underlying asset to which a share of the loss was allocated falls below the carrying amount of such asset, increased by the share of the allocated loss.

Pursuant to ANC Regulation 2015-06 transposing the 2013 European directive, the technical loss is recorded on the balance sheet by asset category based on its allocation to the unrealized capital gains on the underlying assets contributed (General Chart of Accounts Art. 745-5 and 745-6).

The residual technical loss after allocation to the various underlying assets is recorded at its net amount in goodwill.

Goodwill consists of the components of a business that are not identifiable and were not valued separately on the balance sheet. It contributes to maintaining and developing the business' potential: goodwill that is deemed to have an indefinite life is not amortized but is tested annually for impairment in accordance with ANC Regulation 2015-06 of November 23, 2015. In the event that this results in a lower amount than shown on the asset side of the balance sheet, impairment is recorded. Impairment recorded on the technical loss and on goodwill cannot be written back.

Provisions

Provisions are set up to cover clearly identified and measurable risks or expenses. Provisions not related to banking transactions are recorded in accordance with ANC Regulation 2014-03 and are subject to the existence of an obligation vis-à-vis third parties without future consideration.

Provisions for home savings accounts and plans

ANC Regulation 2014-07 is applied for the recognition of home savings accounts and plans. The purpose of the home savings provision is to cover the risks related to:

- the commitment to extend home loans to account holders and subscribers of home savings plans at a regulated interest rate that may be lower than the prevailing market rate,
- the obligation to pay interest for an indeterminate period of time on the savings in home savings plans at a rate set when the contract is signed (this rate can be higher than future market rates).

This provision is computed by generation of home savings plans (plans at the same rate at opening are considered a generation) and for all home savings accounts (which are a single generation), without offsetting between the commitments related to different generations. The commitments are computed based on a model that factors in:

- historical data on subscriber behavior,
- the yield curve and a stochastic modeling of changes thereto.

Provisions for pension obligations

For its aggregate financial statements, Crédit Mutuel Arkéa applies ANC Recommendation 2013-02 of November 7, 2013 on the rules for recognition and valuation of pension obligations and similar benefits.

Pension plans include defined contribution plans and defined benefit plans. Defined contribution plans do not entail a commitment on the part of the company regarding the level of benefits provided. The contributions paid represent an expense for the year which is recognized under "Personnel expenses." Defined benefit plans are those for which the company has agreed to provide a benefit amount or level. This commitment constitutes a medium- or long-term risk. Pension commitments outside the scope of defined contribution plans are fully provisioned in the balance sheet under "Provisions." Retirement bonuses and long service awards are also recorded under this item.

Fund for general banking risks

Established by Regulation 90-02 of the French Banking and Financial Regulations Committee, this fund is set up at the discretion of management to cover risks that may or may not materialize and are part of the banking activity.

Additions and deductions are recorded on the income statement under "Additions to, deductions from funds for general banking risks».

Translation of financial statements in foreign currencies

In accordance with the provisions of ANC Regulation 2014-07, assets, liabilities and spot exchange off-balance sheet commitments denominated in foreign currencies are measured at the year-end market price, with the exception of items denominated in foreign currencies participating in the European single currency scheme, for which the official conversion rate has been used. The same rule applies to forward exchange commitments. Income and expenses in foreign currencies are recorded at the exchange rate in effect on the last day of the month of their receipt or payment, and expenses and income accrued but not yet paid on the balance sheet date are converted at the exchange rate on that date.

INFORMATION REGARDING BALANCE SHEET, OFF-BALANCE SHEET AND INCOME STATEMENT ITEMS

Note 1. Cash, due from central banks

(in € thousands)

	12.31.2018	12.31.2017
CASH, DUE FROM CENTRAL BANKS		
Cash	131,971	136,247
Due from central banks	3,045,016	3,988,838
TOTAL	3,176,987	4,125,085

Note 2. Treasury bills and similar securities

(in € thousands)

	12.31.2018			12.31.2017		
	Available-for-sale	Investment	TOTAL	Available-for-sale	Investment	TOTAL
Securities held (gross value)	4,378,697	0	4,378,697	4,267,065	54,011	4,321,076
Related receivables	6,738	0	6,738	7,607	554	8,161
GROSS TOTAL	4,385,435	0	4,385,435	4,274,672	54,565	4,329,237
Impairment	-876		-876	-1,226		-1,226
NET TOTAL	4,384,559	0	4,384,559	4,273,446	54,565	4,328,011
Unrealized capital gains and losses	61,048	0	61,048	69,995	814	70,809
Difference between acquisition price and redemption price	23,686	0	23,686	10,816	1,195	12,011

In 2018, no available-for-sale securities were transferred to investment securities and the investment securities were disposed of before maturity.

Note 3. Due from credit institutions

(in € thousands)

	12.31.2018			12.31.2017		
	SIGHT ACCOUNTS	TERM ACCOUNTS	TOTAL	SIGHT ACCOUNTS	TERM ACCOUNTS	TOTAL
Current accounts	814,318		814,318	164,171		164,171
Loans, securities received under repurchase agreements		24,054,478	24,054,478		21,550,675	21,550,675
Related receivables	355	64,355	64,710	510	59,085	59,595
TOTAL	814,673	24,118,833	24,933,506	164,681	21,609,760	21,774,441

Subordinated assets

(in € thousands)

	12.31.2018	12.31.2017
Due from credit institutions	840,370	326,127

Note 4. Transactions with customers - Assets

(in € thousands)

	12.31.2018	12.31.2017
Commercial receivables	4,663	4,721
Related receivables		
Loans and credit	33,429,800	31,155,149
Related receivables	25,020	19,799
Current accounts	446,098	383,264
Related receivables	7,292	7,078
Non-performing loans	617,495	635,059
Of which irrecoverable non-performing loans	483,851	471,958
Related receivables		
Impairment	-419,394	-420,155
Of which impairment on irrecoverable non-performing loans	-323,579	-313,575
TOTAL	34,213,223	31,877,658

Banque de France-eligible receivables on behalf of the Arkéa group totaled €2,181,217,000 in 2018.

Impairment and provisions for credit risk recorded for transactions with customers:

(in € thousands)

	12.31.2017	ALLOCATIONS	WRITE-BACKS	OTHER VAR.	12.31.2018
Impairment deducted from assets	420,155	89,182	-99,308	9,366	419,395
Provisions recorded under liabilities	12,389	3,434	-3,347	0	12,476
in respect of signature commitments	5,334	1,382	-711	0	6,005
in respect of customer receivables	7,055	2,052	-2,636	0	6,471
TOTAL	432,544	92,616	-102,655	9,366	431,871

Note 5. Bonds and other fixed-income securities

12.31.2018					
	TRADING	AVAILABLE-FOR-SALE	INVEST.	TOTAL	
Securities held (gross value)		6,996,442	0	6,996,442	
Related receivables		52,203	0	52,203	
GROSS TOTAL	0	7,048,645	0	7,048,645	
Impairment		-6,005	0	-6,005	
NET TOTAL	0	7,042,640	0	7,042,640	
Unrealized capital gains and losses	0	12,217	0	12,217	
Difference between acquisition price and redemption price	0	61,697	0	61,697	

In 2018, there were no transfers among the various categories of securities.

Note 6. Equity holdings, other long-term investments and shares in associates

12.31.2017				INCREASE	
Equity holdings					
Gross value		368,751		13,802	
Impairment		-8,356		-36	
Net value		360,396		13,766	
Other long-term investments					
Gross value		79,035		15,775	
Impairment		-1,271		-20	
Net value		77,764		15,755	
Associates					
Gross value		3,906,594		75,803	
Allocated loss		309,780		2,611	
Impairment		-202,686		-34	
Net value		4,013,687		78,380	

Equity holdings and shares in associates held at credit institutions amounted to €1,543,109,000..

As a result of the application of Regulation 2015-06, the loss was allocated to the securities related to associates. It was neither impaired nor amortized at December 31, 2018.

(in € thousands)

12.31.2017

	TRADING	AVAILABLE-FOR-SALE	INVEST.	TOTAL
		5,436,621	39,999	5,476,620
		30,879	23	30,902
	0	5,467,500	40,022	5,507,522
		-5,482	0	-5,482
	0	5,462,018	40,022	5,502,040
	0	21,170	648	21,818
	0	96,605	498	97,103

(in € thousands)

	DECREASE	OTHER	31/12/18
	-267	-16,729	365,556
	66	11	-8,314
	-201	-16,718	357,242
	-16,277	281	78,814
	3		-1,288
	-16,274	281	77,526
	-235,360	16,706	3,763,743
	202,686		312,391
	-32,674	16,706	-34
			4,076,099

List of subsidiaries and equity holdings:

(in € thousands)

COMPANY NAME AND ADDRESS	SHARE OF CAPITAL HELD	SHAREHOLDERS' EQUITY	LAST YEAR PROFIT/LOSS
DETAILED INFORMATION ON EACH SECURITY WHOSE GROSS VALUE EXCEEDS 1% OF CAPITAL			
1. SUBSIDIARIES (COMPANIES MORE THAN 50% HELD)			
ARKEA BANQUE ENTREPRISES ET INSTITUTIONNELS Allée Louis Lichou - 29480 LE RELECQ-KERHUON / BREST	100,00%	1,110,727	84,827
ARKEA BANKING SERVICES Place de la pyramide - Tour Ariane La défense - 92800 PUTEAUX	100,00%	39,590	1,996
ARKEA CAPITAL INVESTISSEMENT 1, rue Louis Lichou - 29480 LE RELECQ-KERHUON / BREST	99,99%	233,338	13,937
ARKEA CAPITAL PARTENAIRE 1, rue Louis Lichou - 29480 LE RELECQ-KERHUON / BREST	100,00%	205,303	-3,701
ARKEA CREDIT BAIL 255, rue de Saint Malo - 35000 RENNES	100,00%	35,151	-5,048
ARKEA FONCIERE 1, rue Louis Lichou - 29480 LE RELECQ KERHUON / BREST	98,08%	120,461	5,205
ARKEA HOME LOANS SFH 232 rue Général Paulet - 29200 / BREST	100,00%	42,606	370
ARKEA PUBLIC SECTOR SCF 1, rue Louis Lichou - 29480 LE RELECQ-KERHUON / BREST	100,00%	49,763	166
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANQUE 1, rue Dôme BP 102 - 67000 STRASBOURG	100,00%	235,433	37,841
FEDERAL EQUIPEMENTS 1, rue Louis Lichou - 29480 LE RELECQ KERHUON / BREST	100,00%	132,914	31
FEDERAL FINANCE 1, rue Louis Lichou - 29480 LE RELECQ-KERHUON / BREST	100,00%	120,614	31,047
FINANCO 335, rue Antoine de Saint - Exupéry - 29490 GUIPAVAS	100,00%	105,701	10,096
LEASECOM 35, quai André Citroën - 75015 Paris	100,00%	16,730	2,452
MONEXT Tour Egée 17 Avenue de l'Arche - 92671 COURBEVOIE	100,00%	82,952	9,387
SOCIETE CIVILE IMMOBILIERE INTERFEDERALE ¹ 1, rue Louis Lichou - 29480 LE RELECQ KERHUON / BREST	100,00%	165,885	3,473
SURAVENIR 232, rue Général Paulet - 29802 BREST CEDEX	100,00%	1,019,471	167,324
SURAVENIR ASSURANCES 2, rue Vasco de Gama - 44800 ST HERBLAIN	100,00%	156,544	42,831
ARKEA BOURSE RETAIL 1, rue Louis Lichou - 29480 LE RELECQ KERHUON / BREST	99,99%	391,209	9,220
LEETCHI SA 4, rue de la Tour des Dames - 75009 PARIS CEDEX	91,78%	2,620	-492
2. EQUITY HOLDINGS AND ASSOCIATES (10% TO 50% HELD)			
CAISSE CENTRALE DU CREDIT MUTUEL 88-90, rue Cardinet - 75847 PARIS CEDEX 17	21,03%	576,421	16,281
PRIMONIAL HOLDING 6, rue du Général Foy - 75008 PARIS	29,10%	-417,232	15,578
VERMEG GROUP N.V. ² Stawinskyiaan, 411 - 1077XX AMSTERDAM	19,50%	62,530	4,104
YOUNITED 24, Rue Drouot - 75009 PARIS	25,82%	38,894	-15,454

⁽¹⁾ The securities of SCI Interfédérale are classified as property, plant and equipment.

⁽²⁾ Data at 12/31/2017.

Transactions with associates and equity holdings:

(in € thousands)

	EQUITY HOLDINGS AND ASSOCIATES		SUBSIDIARIES	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
DETAILED INFORMATION ON EACH SECURITY WHOSE GROSS VALUE EXCEEDS 1% OF CAPITAL				
ASSETS				
CAPITAL HELD	90,887	29,962	2,254,140	2,226,191
OTHER USES				
Receivables	735,395	585,179	14,442,903	13,432,569
Bonds and other fixed-income securities	0	0	108,746	106,711
TOTAL USES	826,282	615,141	16,805,789	15,765,472
LIABILITIES				
Debt	14,846	1	12,424,329	10,855,883
Debt securities	0	0	419,524	407,620
TOTAL SOURCES	14,846	1	12,843,853	11,263,503
COMMITMENTS GIVEN				
Financing commitments			209,000	203,000
Guarantee commitments			609,951	438,388
TOTAL COMMITMENTS GIVEN	0	0	818,951	641,388
COMMITMENTS RECEIVED				
Financing commitments				
Guarantee commitments			392,585	335,792
TOTAL COMMITMENTS RECEIVED	0	0	392,585	335,792

At 12/31/2018, there were no significant transactions not carried out on an arm's length basis between related parties.

Note 7. Property, plant and equipment and intangible assets

(in € thousands)

	12.31.2017	INCREASE	DECREASE	12.31.2018
INTANGIBLE ASSETS				
Gross amount	34,572	1,445	-159	35,858
Depreciation	-21,627	-473	0	-22,100
NET AMOUNT	12,945	972	-159	13,758
PROPERTY, PLANT AND EQUIPMENT				
Gross amount	501,147	19,920	-6,888	514,179
Depreciation	-293,325	-12,949	4,621	-301,653
Impairment	0			0
NET AMOUNT	207,822	6,971	-2,267	212,526

No impairment expense was recorded for intangible assets and property, plant and equipment in 2018.

Pursuant to ANC Regulation 2015-06 transposing the 2013 European directive, the technical loss is recorded on the balance sheet by asset category based on its allocation to the unrealized capital gains on the underlying assets contributed (General Chart of Accounts Art. 745-5 and 745-6).

Note 8. Other assets

(in € thousands)

	12.31.2018	12.31.2017
Government	202,565	183,877
Home savings premium	26,377	27,457
Deferred tax assets	39,529	38,950
Securities transactions	1	5
Premiums paid on conditional instruments purchased	7,157	5,858
Guarantee deposits paid	429,193	424,944
Other misc. debtors	185,386	103,823
TOTAL	890,208	784,914

Note 9. Accruals - Assets

(in € thousands)

	12.31.2018	12.31.2017
Uncleared transactions	226,031	434,478
Adjustment accounts	15,164	8,295
Share premiums negotiable debt securities and bond issues	17,507	18,082
Pre-paid expenses	76,617	85,801
Accrued income	364,269	348,293
Miscellaneous accrual accounts	19,535	15,188
TOTAL	719,123	910,137

Note 10. Liabilities to credit institutions

(in € thousands)

	12.31.2018			12.31.2017		
	SIGHT ACCOUNTS	TERM ACCOUNTS	TOTAL	SIGHT ACCOUNTS	TERM ACCOUNTS	TOTAL
Current accounts	7,456,356	0	7,456,356	5,994,511	0	5,994,511
Loans and securities sold under repurchase agreements		23,679,236	23,679,236		21,508,558	21,508,558
Securities sold under repurchase agreements		1,694,675	1,694,675		1,975,151	1,975,151
Related receivables	1,315	129,326	130,641	297	145,873	146,170
TOTAL	7,457,671	25,503,237	32,960,908	5,994,808	23,629,582	29,624,390

Note 11. Transactions with customers - Liabilities

(in € thousands)

	12.31.2018			12.31.2017		
	SIGHT ACCOUNTS	TERM ACCOUNTS	TOTAL	SIGHT ACCOUNTS	TERM ACCOUNTS	TOTAL
Savings accounts governed by special regulations	13,128,587	5,434,575	18,563,162	12,544,261	5,339,011	17,883,272
Related receivables on savings accounts	81,304	109,529	190,833	78,354	107,933	186,287
Current accounts	9,957,858		9,957,858	9,174,146		9,174,146
Term accounts and loans	50,000	3,758,777	3,808,777	396,000	2,666,415	3,062,415
Related receivables	8,347	14,635	22,982	8,470	22,991	31,461
TOTAL	23,226,096	9,317,516	32,543,612	22,201,231	8,136,350	30,337,580

Note 12. Debt securities

(in € thousands)

	12.31.2018			12.31.2017		
	PRINCIPAL	RELATED RECEIVABLES	TOTAL	PRINCIPAL	RELATED RECEIVABLES	TOTAL
Certificates of deposit	7,318	325	7,643	11,757	524	12,281
Interbank market securities and negotiable debt securities	2,580,410	7,843	2,588,253	2,595,390	16,138	2,611,528
Bond issues	2,989,901	28,676	3,018,577	2,144,250	68,907	2,213,157
TOTAL	5,577,629	36,844	5,614,473	4,751,397	85,570	4,836,967

Bond issues

(in € thousands)

ISSUE DATE	MONTANT	TYPE	DURÉE EN ANNÉES	TAUX
06/17/05	100,000	International bonds	15	Indexed rate
11/25/05	80,000	International bonds	15	Indexed rate
11/25/05	50,000	International bonds	15	Indexed rate
02/16/07	35,000	International bonds	15	Indexed rate
04/02/07	50,000	International bonds	15	Indexed rate
06/04/07	50,000	International bonds	15	Indexed rate
06/11/07	100,000	International bonds	15	Indexed rate
11/05/07	30,000	International bonds	14	Indexed rate
08/04/10	11,000	International bonds	12	4,648%
03/15/11	100,000	International bonds	10	5,000%
04/15/11	50,000	International bonds	10	Indexed rate
08/12/11	22,000	International bonds	18	E3M + 1,55%
10/31/11	40,000	International bonds	20	E3M
03/02/12	19,005	International bonds	8	4,500%
03/02/12	107,486	International bonds	8	4,500%
01/26/15	500,000	International bonds	8	1,000%
05/31/17	500,000	International bonds	7	1,250%
12/21/17	20,000	International bonds	11	6,000%
12/21/17	77,377	International bonds	11	6,000%
12/21/17	3,502	International bonds	11	6,000%
12/21/17	18,447	International bonds	11	6,000%
09/10/18	6,592	International bonds	10	7,000%
09/10/18	197,492	International bonds	10	7,000%
09/21/18	5,000	International bonds	20	2,060%
10/02/18	5,000	International bonds	23	3,000%
10/05/18	500,000	International bonds	5	0,875%
11/07/18	300,000	International bonds	2	E3M + 0,3%
12/28/18	12,000	International bonds	15	1,860%
TOTAL	2,989,901			

Note 13. Other liabilities

(in € thousands)

	31.12.2018	31.12.2017
Premiums received on conditional instruments sold	6,049	7,721
Guarantee deposits received on financial instruments	268,311	314,952
Government	86,170	68,820
Deferred tax liabilities	0	8
Compensation due to personnel	96,645	96,766
Payroll taxes	51,726	54,561
Outstanding payments on securities	75,007	143,094
Misc.	35,648	15,500
TOTAL	619,556	701,422

Note 14. Accruals - Liabilities

(in € thousands)

	12.31.2018	12.31.2017
Blocked accounts for collection operations	361,309	445,002
Deferred income	319,061	298,510
Accrued expenses	225,578	203,269
Adjustment accounts	6,317	8,105
Miscellaneous accrual accounts	34,349	32,324
TOTAL	946,614	987,210

Note 15. Provisions

(in € thousands)

	12.31.2017	ALLOCATIONS	Reversals (used)	Reversals (unused)	OTHER CHANGES	12.31.2016
Provisions for signature commitment risks	5,334	1,382		-711		6,005
Provisions for pension obligations	327	9,124		-97		9,354
Provisions for home savings accounts and plans	22,501			-4,052		18,449
Other provisions	17,054	8,065	-312	-2,830	180	22,156
Provisions for personnel expenses	925	407		-276		1,056
Provisions for lawsuits	288	103	-169	0	268	490
TOTAL	46,429	19,081	-481	-7,966	448	57,510
		Net change		11,081		

The provision for pension obligations is calculated using the projected unit credit method and takes into account demographic, employee turnover rate, salary increase, discount rate and inflation assumptions. In particular, the calculations include a discount rate of 1.63 %. This rate is determined by reference to the iBoxx corporate AA 10+ euro zone index for private bonds. The calculations also include an employee turnover rate of between 0.19 % and 6.54 % and a gross salary increase rate, excluding inflation, of between 2.56 % and 2.52 %. Commitments are calculated using the TH00-02 and TF00-02 life expectancy tables for the obligation accrual phase and the TGH05 and TGF05 life expectancy tables for the pay-out phase.

Breakdown of the net change in provisions:

(in € thousands)

	31.12.2018	31.12.2017
Net banking income	4,774	-24,302
General operating expenses	-14,749	994
Cost of risk	-851	383
Corporate income tax	14	-509
TOTAL	-11,081	-23,434

Provisions for risks related to commitments on home savings accounts and plans:

Home savings accounts and plans during the savings phase: deposits and provisions

(in € thousands)

	2018		2017	
	DEPOSITS	PROVISIONS	DEPOSITS	PROVISIONS
Home savings plans	5,158,507	-18,123	5,008,035	-21,917
Under 4 years old	1,056,360	-8	1,125,685	-11
Between 4 and 10 years old	2,275,676	-2,833	1,977,467	-3,783
Over 10 years old	1,881,322	-15,282	1,904,883	-18,123
Home savings accounts	686,309	-1	677,920	-44
TOTAL	5,844,816	-18,124	5,685,955	-21,961

Loans granted under home savings accounts and plans: deposits and provisions.

(in € thousands)

	31.12.2018		31.12.2017	
	DEPOSITS	PROVISIONS	DEPOSITS	PROVISIONS
Home savings plans	3,868	-13	5,746	-21
Home savings accounts	34,286	-312	52,349	-518
TOTAL	38,154	-325	58,095	-539

Note 16. Subordinated debt

(in € thousands)

SUBORDINATED DEBT REPRESENTING AT LEAST 10% OF TOTAL SUBORDINATED DEBT	AMOUNT	CURRENCY	INTEREST RATE	DUE DATE	CONDITIONS OF SUBORDINATION	POSSIBILITY OF EARLY REPAYMENT
Titres subordonnés	500,000	EURO	3%	06/01/26	Tier 2 Capital	non
Titres subordonnés	500,000	EURO	3,50%	02/09/29	Tier 2	oui
Titres subordonnés	500,000	EURO	1,88%	10/25/29	Tier 2	oui
Titres subordonnés	19,000	EURO	1,85%	03/08/30	Senior unsecured non preferred	non
Titres subordonnés	5,000	EURO	2,85%	09/06/38	Senior Non Preferred	non
Titres super subordonnés	97,314	EURO	CMS 10 + 0,10	Undefined	Tier 1 Capital	oui
Dettes rattachés	27,586					
TOTAL	1,648,900					

Note 17. Shareholders' equity excluding FRBG

(in € thousands)

	START OF YEAR	ALLOCATION PRIOR YEAR PROFIT	CHANGE FOR THE YEAR	END OF YEAR
CAPITAL	2,202,426		58,526	2,260,952
ADDITIONAL PAID-IN CAPITAL	5,438			5,438
TOTAL RESERVES	2,264,383	477,266	12	2,741,661
Legal reserve	421,583	74,180		495,763
Optional and statutory reserves	1,783,760	403,086	12	2,186,858
Long-term capital gains reserves	0			0
Other reserves	59,040			59,040
REGULATED PROVISIONS	4,525	2		4,527
RETAINED EARNINGS	13,731	41		13,772
DEFERRED LOSSES				
PROFIT/LOSS FOR THE YEAR	514,348	-514,348	117,494	117,494
Interest paid on shares		36,824		
TOTAL	5,004,851	-215	176,032	5,143,845

The capital consists of A shares for €27,861,000, B shares for €2,223,682,000 and C shares for €9,409,000..

Note 18. Transactions with network banks

(in € thousands)

	12.31.2018	12.31.2017
Due from network banks	1,330,684	754,120
Sight accounts	728,558	107,970
Term accounts	602,126	646,150
Due to network banks	58,371	56,037
Sight accounts	58,371	56,037
Term accounts	0	0

Note 19. Breakdown of certain assets/liabilities according to their residual maturity

	T<3 MONTHS	3M<T<1YEAR	1YEAR<T<5YEARS	
ASSETS				
Amounts due from credit institutions	3,695,754	5,520,223	6,636,225	
Sight accounts			0	
Term accounts			6,636,225	
Amounts due from customers	1,808,539	2,757,715	11,268,874	
Commercial receivables	4,807	0	0	
other customer loans	1,340,037	2,757,715	11,268,874	
overdrafts	463,695	0	0	
Bonds and other fixed-income securities	860,433	1,397,671	3,115,474	
LIABILITIES				
Liabilities to credit institutions	8,313,495	1,957,129	12,078,547	
Sight accounts	7,456,356	0	0	
Term accounts	857,139	1,957,129	12,078,547	
Transactions with customers	25,804,918	2,809,718	1,729,619	
savings accounts governed by special regulations	14,815,105	757,133	1,366,821	
Sight accounts	13,128,587	0	0	
Term accounts	1,686,518	757,133	1,366,821	
other liabilities	10,989,813	2,052,585	362,798	
Sight accounts	10,007,858	0	0	
Term accounts	981,955	2,052,585	362,798	
Debt securities	797,933	1,570,689	2,088,426	
certificates of deposit	2,398	1,005	3,915	
interbank market securities and negotiable debt securities	795,535	1,569,684	2,020	
bond issues	0	0	2,082,491	

(*) of which perpetual subordinated loans of €140 million

(in € thousands)

	T>5YEARS	ACCRUED INTEREST PAYABLE AND RECEIVABLE	TOTAL
	9,016,594	64,710	24,933,506
	0	355	814,673
	9,016,594	64,355	24,118,833
	18,345,782*	32,312	34,213,222
	0	0	4,807
	18,345,782	25,020	33,737,428
	0	7,292	470,987
	1,616,859	52,203	7,042,640
	10,481,096	130,641	32,960,908
	0	1,315	7,457,671
	10,481,096	129,326	25,503,237
	1,985,543	213,815	32,543,613
	1,624,103	190,833	18,753,995
	0	81,304	13,209,891
	1,624,103	109,529	5,544,104
	361,440	22,982	13,789,618
	0	8,347	10,016,205
	361,440	14,635	3,773,413
	1,120,581	36,844	5,614,473
	0	325	7,643
	213,171	7,843	2,588,253
	907,410	28,676	3,018,577

Note 20. Assets and liabilities in foreign currencies

Assets and liabilities in foreign currencies at December 31, 2018 totaled €129,403,000 and €113,251,000, respectively.

Note 21. Banking activity commitments

(in € thousands)

	12.31.2018	12.31.2017
Commitments given		
Financing commitments	3,855,353	4,021,556
to credit institutions	329,000	610,900
to customers	3,526,353	3,410,656
Guarantee commitments	2,328,326	2,004,859
to credit institutions	66,841	62,224
to customers	2,261,485	1,942,635
Securities commitments	455,898	24,885
other commitments given	455,898	24,885
Commitments received		
Financing commitments	11,263,033	9,331,095
received from credit institutions	11,263,033	9,331,095
Guarantee commitments	1,040,619	859,984
received from credit institutions	1,040,619	859,984
Securities commitments	242,968	191,549
other commitments received	242,968	191,549

The financing commitments given include the €13.75 million cash advance made to the CRH to ensure its operation.

Breakdown of assets provided as security for liabilities:

(in € thousands)

	31.12.2018
Banque de France	12,592,183
Caisse des Dépôts et Consignations	1,048,574
European Investment Bank	547,314
Arkéa Home Loans SFH	8,980,916
Caisse de Refinancement de l'Habitat	369,929
Arkéa Public Sector SCF	130,331
TOTAL	23,669,247

Note 22. Financial futures transactions

Nominal value of the contracts:

(in € thousands)

By type	12.31.2018			12.31.2017		
	HEDGING TRANSACTIONS	OTHER TRANSACTIONS	TOTAL	HEDGING TRANSACTIONS	OTHER TRANSACTIONS	TOTAL
FIRM TRANSACTIONS						
Transactions on organized markets						
Other transactions	29,739,482	0	29,739,482	17,599,165	0	17,599,165
Over-the-counter transactions						
interest rate swaps	23,419,875		23,419,875	24,506,789		24,506,789
CONDITIONAL TRANSACTIONS						
Over-the-counter transactions						
Interest rate floors/caps						
purchased	8,732,609		8,732,609	5,736,981		5,736,981
sold	6,676,263		6,676,263	4,863,370		4,863,370
Interest rate, currency and other options						
purchased		489,604	660,736		660,736	751,138
sold		489,593	660,736		660,736	741,339
TOTAL	69,547,426	0	69,547,426	54,027,777	0	54,027,777

By residual maturity

(in € thousands)

	12.31.2018			TOTAL
	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	
INTEREST RATE INSTRUMENTS				
Over-the-counter market				
Interest rate swaps			25,491,924	53,159,358
Interest rate floors/caps			5,129,942	15,408,872
Other options	779,276	199,920		979,196
TOTAL	11,533,062	27,392,497	30,621,867	69,547,426

Fair value

(in € thousands)

	12.31.2018	12.31.2017
INTEREST RATE INSTRUMENTS	131,409	223,649
OTHER OPTIONS		

Note 23. Interest, similar income and expense

(in € thousands)

	12.31.2018		12.31.2017	
	INCOME	EXPENSE	INCOME	EXPENSE
Transactions with credit institutions (*)	682,047	-829,304	617,677	-795,152
Transactions with customers	717,542	-269,358	746,278	-276,741
Bonds and other fixed-income securities	20,100	-65,004	21,587	-132,596
Other transactions	8,253	-563	5,442	-50
TOTAL	1,427,942	-1,164,229	1,390,984	-1,204,539

(*) of which expenses on transactions related to subordinated debt: €67,099,000 at 12/31/2018 and €54,664,000 at 12/31/2017.

Note 24. Income on variable-income securities

(in € thousands)

	12.31.2018		12.31.2017	
	INCOME	EXPENSE	INCOME	EXPENSE
Stocks and other variable-income securities	5,386		7,040	
Equity holdings and other long-term investments	0		3,688	
Shares in associates	212,490		745,931	
TOTAL	217,876		756,659	

Note 25. Fee and commission income/expense

(in € thousands)

	12.31.2018		12.31.2017	
	PRODUITS	CHARGES	PRODUITS	CHARGES
Transactions with credit institutions	5,265	-574	4,479	-595
Transactions with customers	38,809	-298	51,660	-248
Securities transactions	755	-672	709	-1,217
Foreign exchange transactions	263	-17	257	-17
Off-balance sheet transactions	9,801	-16,680	8,450	-19,161
Provision of financial services	450,853	-40,359	434,251	-35,456
TOTAL	505,746	-58,600	499,806	-56,694

Note 26. Gains/(losses) on portfolio transactions

Trading books:

(in € thousands)

	12.31.2018	12.31.2017
Trading securities transactions		
Foreign exchange transactions		
Financial futures transactions		
Interest rate		
Misc.		
TOTAL	1,111	1,224

Investment portfolios and similar securities:

(in € thousands)

	12.31.2018	12.31.2017
Available-for-sale securities transactions		
Capital gains on disposals	51,189	57,439
Capital losses on disposals	-13,465	-1,209
Provisions for impairment	-6,273	-2,589
Reversals of impairment	15,356	3,788
TOTAL	46,807	57,429

Note 27., General operating expenses

(in € thousands)

	12.31.2018	12.31.2017
Personnel expenses	-530,198	-502,937
Salaries and wages	-264,863	-261,226
Payroll taxes	-151,166	-131,395
of which pension expenses	-43,915	-29,981
Mandatory and optional employee profit-sharing	-67,803	-67,861
Related taxes other than on income	-46,366	-42,455
Other administrative expenses	-283,874	-275,806
Taxes other than on income	-35,667	-32,447
External services	-457,019	-447,619
Re-invoiced expenses	208,813	204,260
TOTAL	-814,072	-778,743

The "competitiveness and employment tax credit" (CICE) was recorded as a decrease in personnel expenses in the amount of €8,570,000 at December 31, 2018.

The CICE enabled the company to ensure its development thanks to well-managed investments, including investments in innovations and regulatory investments.

Breakdown of paid staff

(in € thousands)

	12.31.2018	12.31.2017
	AVERAGE NUMBER OF EMPLOYEES	PAID STAFF
Employees	2,862	2,889
Management and supervisors	3,456	3,392
TOTAL	6,318	6,281

The total compensation paid to members of the Board of Directors was €1,986,000.

The total compensation paid to the Chief Executive Officer and the Associate Executive Officers was €1,928,000.

Note 28. Cost of risk

(in € thousands)

	12.31.2018	12.31.2017	
DEBT	Allocations	-72,725	-84,067
	Reversals used	21,565	27,756
	Reversals that became available	63,559	82,336
	Recovery of written-off loans	2,022	1,280
	Provisioned bad debt	-21,565	-27,783
	Unprovisioned bad debt	-2,255	-3,090
OFF-BALANCE SHEET RISK	Allocations	-1,382	-1,670
	Reversals used		
	Reversals that became available	711	1,287
SECURITIES	Allocations	-300	-34
	Reversals	835	1,112
PROVISIONS FOR OTHER RISKS AND CHARGES	Allocations		
	Reversals		
SOLDE	-9,535	-2,873	

Note 29. Gains/(losses) on non-current assets

(in € thousands)

	PROVISIONS FOR IMPAIRMENT	CAPITAL LOSSES ON DISPOSALS	REVERSALS OF IMPAIRMENT	CAPITAL GAINS ON DISPOSALS	12.31.2018
Property, plant and equipment and intangible assets				785	580
Equity holdings and other long-term investments					-154
Shares in associates					0
Investment securities					0
TOTAL	-157	-205	3	785	426

Note 30. Income tax

(in € thousands)

	12.31.2018	12.31.2017
Current tax expense excluding contribution of consolidated subsidiaries	-133,736	-175,725
Contribution of consolidated subsidiaries	167,960	192,888
Carry-back claim		
Net deferred tax expense and misc.	587	-7,883
TOTAL	34,811	9,280
Pre-tax income, non-recurring income and FRBG	145,932	860,556
TAUX EFFECTIF	-23,85%	-1,08%

Tax expenses are borne by the consolidated companies as if there were no tax consolidation.

The effective tax rate at Monday, December 31, 2018 was as follows:

	12.31.2018	12.31.2017
Statutory tax rate (including contributions)	34,43%	34,43%
Permanent differences	-27,81%	-14,55%
Temporary differences	-1,29%	-1,03%
Taxation at reduced rates	-5,64%	-0,76%
Impact of tax loss	-5,71%	2,27%
Other	-17,82%	-21,44%
EFFECTIVE TAX RATE	-23,85%	-1,08%

Note 31. Establishment in States that have not entered into an administrative agreement with France allowing access to banking information in order to combat fraud and tax evasion

Crédit Mutuel Arkéa does not operate in non-cooperative States or territories as defined by Article 238-0 A of the French General Tax Code.

Note 32. Consolidated financial statements

Crédit Mutuel Arkéa, together with the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations and the member Crédit Mutuel savings banks, is the parent company for the preparation of Crédit Mutuel Arkéa's consolidated financial statements.

The consolidated financial statements are available at:

http://www.arkea.com/banque/assurance/credit/mutuel/ecb_5034/fr/rapports-annuels

Note 33. Management Report

In application of ANC Regulation 2014-07, the management report is available to the public at the following address:

Crédit Mutuel Arkéa1, rue Louis Lichou 29480 Le Relecq-Kerhuon / BREST

4

Risk factors

4.1

Risk management function

4.1.1 Arkéa's risk management function

In accordance with regulatory requirements (administrative order of November 3, 2014), the general purpose of the risk management function is to ensure the implementation of the Arkéa group's risk measurement and oversight systems.

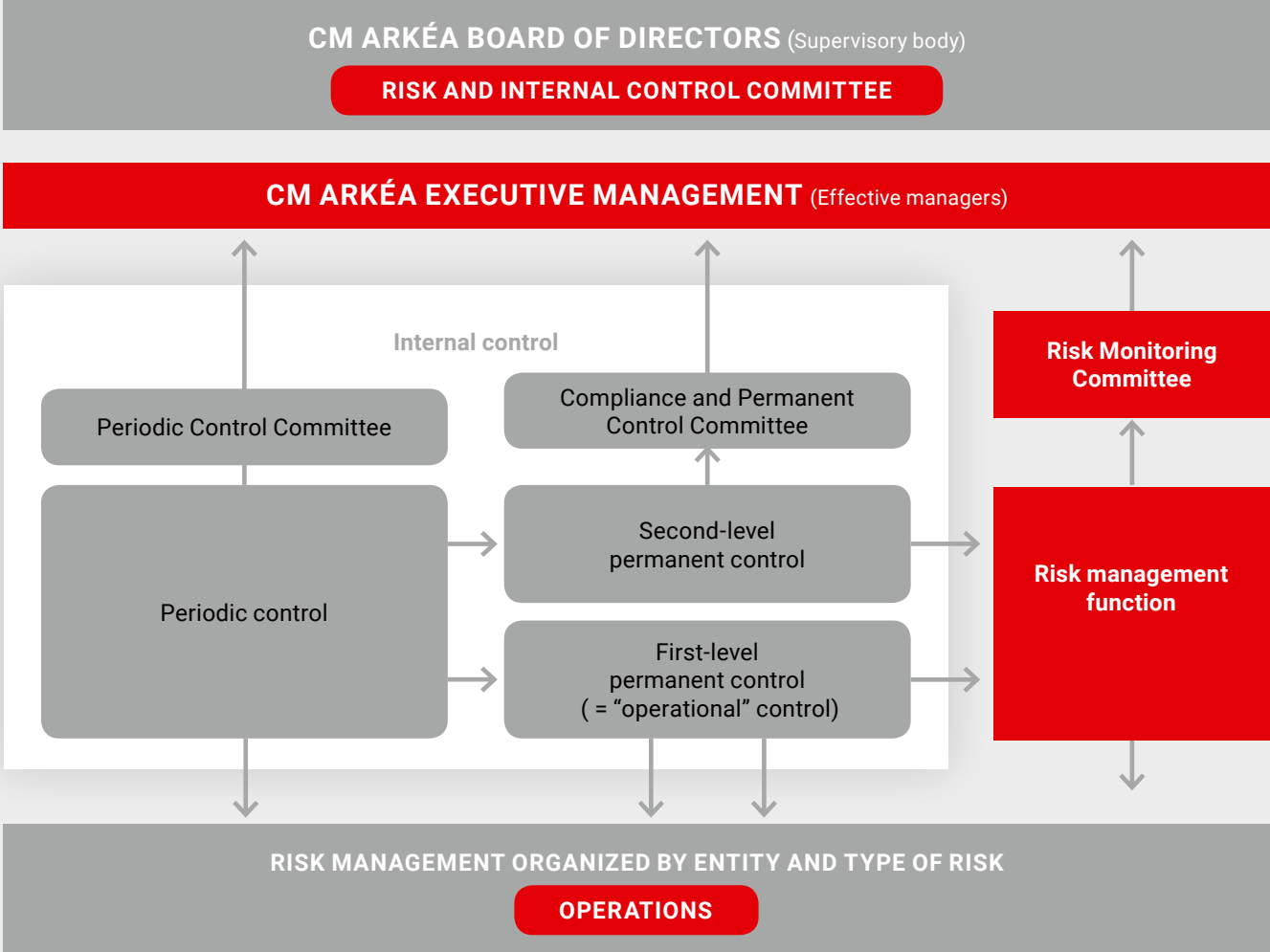
The organization for this function, which was established in mid-2010 following initial regulatory changes in this area (concept of "risk function"), covers all risks for all group entities. It assesses the overall risks, on a consolidated basis, related to the group's banking and non-banking activities using a cross-functional and forward-looking approach.

The mission of the risk management function is to ensure that risk exposure levels are compatible with the guidance set by Arkéa's supervisory body, which has established the following priority objec-

tives in this area:

- exercise its activities within limits compatible with its development strategy, financial capabilities and the corresponding regulatory requirements with respect to risk;
- provide high-quality, relevant and verified information to the group's supervisory body and so-called effective managers (dirigeants effectifs) as well as to the supervisory authorities, with each group entity responsible for managing its own risks.

The risk management function fits into the overall risk management and internal control system, which is depicted below:



Responsibility for the Arkéa group's risk function is assigned to the Group Head of Risk Management, who is not affiliated with the business lines and reports directly to the Associate Executive Officer in charge of the Development Support division, who in turn reports to the group's Chief Executive Officer. The effective managers of each entity bear ultimate responsibility for risk management at the operating level, regardless of whether this entity's activities have been outsourced.

The Group Head of Risk Management is responsible for ensuring that the function operates properly and that the group's effective managers and supervisory body are well informed, and for overseeing and/or participating in the application of group procedures within his or her remit.

Acting both upstream and downstream from the operational risk management by the entities, he monitors consolidated risks at the group level. Through appropriate means and at timely intervals, results are submitted to the group Risk Monitoring Committee, the group's General Management, the Risk and Internal Control Committee and the Board of Directors of Crédit Mutuel Arkéa. The Head of the risk management function is supported in his task by the network of correspondents appointed at each group entity (see below) and by a consolidated information system.

The risk management function is organized along functional lines that complement direct management reporting lines. Each Group entity, including both banking and non-banking entities, appoints a risk management function head for its scope, and a person responsible for each type of risk is also appointed.

Functional ties therefore exist at three levels:

- between the head of the group's risk management function and the head of the risk management function of each entity;

- between the head of the risk management function of each entity and the heads designated for each type of risk within this entity;
- between the head of the group's risk management function and the group's heads of risk by type of risk.

Crédit Mutuel Arkéa has a consolidated vision of risk thanks to:

- a consistent governance approach to the risk management function replicated using the same model regardless of the group entity or risk;
- common methods, procedures and tools that enable both "local" management at the level of individual entities and global management at the group level.

This organization of the risk management function and resources available to it helps ensure that Arkéa's risk exposure is consistent with the risk appetite framework and risk management policy defined by its supervisory body. The body of documents that make up the "Risk management system" constitute the rules which also contain the group's system of limits. First validated by the Risk Monitoring Committee and subsequently by the group's Executive Committee, these rules are then presented to the Risk and Internal Control Committee and submitted to the Crédit Mutuel Arkéa Board of Directors for adoption.

4.1.2 Assessment of the importance of risk factors

4.1.2. Introduction to Arkéa group's risk appetite

Risk appetite is the level and type of risk a company is able and willing to assume in its exposures and business activities, taking into account its objectives and obligations to stakeholders.

Given the level of its capital and its comparative levels of return on equity and solvency ratios, Arkéa's risk appetite is generally and consistently moderate.

Priority is given to reasonable profitability and risk, which reinforces the trust capital needed to maintain a lasting commercial relationship with customers. It characterizes the Arkéa group's cooperative model, where members are also customers, and gives priority to the quality of a long-term relationship with their bank over the return offered by the share capital they hold. The criterion of return on share capital is applied in an overall assessment in the medium or long term, without immediacy.

In line with the link mentioned above between risk and profitability, Arkéa's risk appetite policy aims to place risk at a level compatible with its development objectives while ensuring that it is always able to control it through its organization and know-how. Risk levels and their management are closely regarded criteria and are particularly selective in orienting the development of the group's activities.

4.1.2. Summary of risk factors

Risks are classified by major category. Within each category, risk factors are ranked in order of importance¹:

- The probability of occurrence is considered "low" if the risk has not already occurred in the past and there is no presumption of occurrence;

- It is considered "medium" if the risk has already occurred in the past and there is no presumption of occurrence;

- It is considered "high" if the risk has already occurred in the past and there is a presumption of occurrence.

The magnitude in the event of occurrence is assessed applying a stress scenario, based on historical risk data (e.g. credit risk) and based on realistic scenarios for risk items that have not materialized significantly in the past. The magnitude in the event of occurrence reflects the impact of the identified risk on the liquidity and solvency indicators, if it materialized.

- The magnitude in the event of occurrence is considered low if the risk has no significant impact on the liquidity and solvency ratios;

- The magnitude in the event of occurrence is considered medium if the risk would significantly affect annual income and ratios, but would not jeopardize the return announced on the various investment vehicles (shares, debt securities);

- It is considered high if the risk could compromise the return on the various investment vehicles.

The probability of occurrence and estimated scale of the negative impact in the event of occurrence are described in the sections specific to each risk.

¹In accordance with Regulation (EU) 2017/1129 of 14 June 2017 amending the Prospectus Directive, which comes into force on July 21, 2019

Summary table of risk factors for the Arkéa group

	(a)	x	(b)	=	(c)
RISK CATEGORIES AND FACTORS	PROBABILITY OF OCCURRENCE		SCALE IN THE EVENT OF OCCURRENCE		MATERIALITY
CREDIT RISK					
Customer credit risk	Medium		Medium		Medium
Credit risk on market counterparties	Low		Medium		Low
OPERATIONAL RISK					
Risk of fraud	Medium		Medium		Medium
Compliance risk (including money laundering)	Low		Medium		Low
Legal risk	Low		Low		Low
INTEREST-RATE AND LIQUIDITY RISK					
Interest-rate risk	Medium		Low		Low
Liquidity risk	Low		Medium		Low
INSURANCE					
Life insurance	Low		Medium		Low
Non-life insurance	Low		Medium		Low
MARKET RISK					
Risk on equities and other variable income securities	Medium		Low		Low
Foreign exchange risk	Medium		Low		Low

The risk factors identified within the Arkéa group do not deviate from the risk appetite framework defined by the group. Thus, their materiality does not exceed the "Medium" level.

In addition to the risks identified above, the Arkéa group has been involved in litigation since the end of 2014 with the Confédération Nationale du Crédit Mutuel (the "CNCM"), Crédit Mutuel's central body, relating in particular to potential conflicts of interest between the central body and one of its affiliates. This is described in greater detail in Section 4.7.

	Low or not-applicable to Arkéa
	Medium
	High

4.2

Credit risk

Credit risk involves the risk incurred in the event of a default by a counterparty or counterparties considered as a single group of customers in the regulatory sense of the term.

4.2.1 Customer credit risk

Customer credit risk would result in a deterioration in the credit quality of counterparties across the entire portfolio (systemic risk), in a particular sector or product (e.g. Breton real estate), or for a category of borrowers (e.g. individuals or companies).

The group has advanced indicators to anticipate changes in credit risk, and currently does not identify any warning signs. It also has a rigorous loan approval policy and a diversification strategy. The possibility of a sharp and unexpected rise in interest rates that would affect the refinancing of the least solvent borrowers is considered unlikely at the moment, given current interest rate expectations and the absence of inflationary pressure. However, the probability of a credit risk occurring is considered to be medium given past situations of deterioration in the quality of credit risk (particularly during the 2009-2010 crisis).

The materiality in the event of occurrence is considered medium. The materialization of customer credit risk would lead to an increase in provisions and therefore have a one-off impact on the Arkéa group's net income. In accordance with IFRS 9 regulations, outstanding loans are divided into 3 buckets, with different provisioning rates.

- Bucket 1: provisioned over a one-year horizon;
- Buckets 2 & 3: provisioned over the lifetime of the loan.

A deterioration in credit quality would therefore lead to:

- a new breakdown of outstandings by bucket;

- a possible increase in the provision rate within each bucket.

By way of illustration, a 1point increase in the share of total gross outstandings assigned to stage 3 (non-performing loans) would have an impact of around €200m on net income. This strong assumption would be equivalent to returning to the level of non-performing loans recorded during the 2009 crisis. In addition, a 1pt increase in the share of bucket 2 outstandings would have an impact of around €20m on net income.

4.2.1.1 Selection, limit setting and monitoring procedures

All procedures implemented in selecting, setting limits on and monitoring risk are governed by a regulatory framework. They notably comply with the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority.

4.2.1.2. Risk selection system

In compliance with current regulations, internal ratings are the basis of loan approval processes and are used to determine both decision-making limits and caps on commitments for each Group entity.

Loans are granted based on procedures specific to each lending entity within the Group, within the framework of the limits system defined by Arkéa's Board of Directors. Loan requests exceeding the limits of each Crédit Mutuel Arkéa's network or entity are referred to the Group's Credit Committee. If the decision-making limits of this Committee are exceeded, a waiver request is submitted to the Board of Directors of Crédit Mutuel Arkéa.

The loan approval procedures used by the group's entities are based on detailed analyses of the borrowers' creditworthiness and their ability to repay the loans requested.

Whether the loan request comes from an individual, business or

institutional customer, these analyses may include, depending on the context:

- external data (registration with the French National Database on Household Credit Repayment Incidents, suspended banking privileges, Banque de France rating, Banque de France risk centralization, overdue payments, existence of bankruptcy proceedings, company registration certificate, etc.),
- personal data about the applicant’s financial situation (account operations, accounting documents, etc.),
- qualitative contextual information (marriage settlement, legal form, business sector, etc.).

4.2.1.2.1 Monitoring of customer loans

In compliance with current regulations, Arkéa ensures strict independence between operational units and those tasked with validating or overseeing operations.

The group has introduced tools that allow it to quickly identify situations that involve risk (overdue or irregular payments, ratings downgrades, etc.).

The Risk Control units of the Group’s lending entities guarantee that risky applications are properly handled by managers, both in terms of assessing the customers’ situation and swiftly taking any measures that become necessary, and in terms of ensuring that the customer’s situation is being restored to normal.

At a higher level, oversight of the total risks is handled by Arkéa’s Risk department (monitoring of major risks, identification of loans with downgraded ratings, analysis of key doubtful and disputed loans).

4.2.1.2.2 Reporting

A customer credit risk dashboard is established monthly and sent to the members of Arkéa’s Executive Committee. The main indicators are calculated by market and Group entity.

A summary of customer credit risk exposure is provided at each Crédit Mutuel Arkéa Board of Directors meeting, as well as an update on compliance with credit limits.

Lastly, the group’s credit risk situation is also presented to the group’s Risk Monitoring Committee, which meets quarterly. It is also included in the quarterly summary of group risks sent and presented to Arkéa’s Executive Committee and subsequently to the group’s Risk and Internal Control Committee.

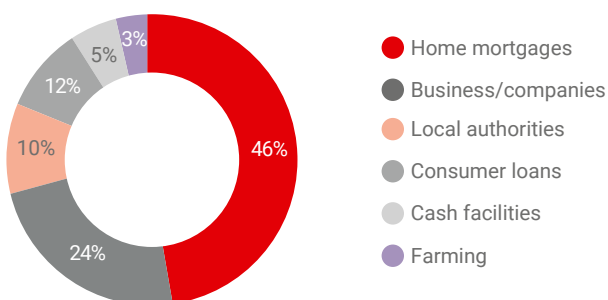
4.2.1.3 Breakdown of loans

4.2.1.3.1 Outstanding customer loans

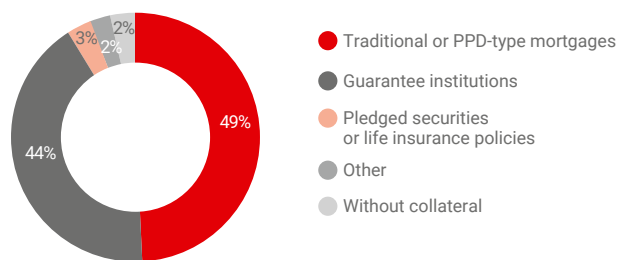
At December 31, 2018, Arkéa had €69.7 billion in outstanding loans to customers, both on- and off-balance sheet. Loans recognized on the balance sheet (including principal and related interest) totaled €57.1 billion, up 10.8%.

These loans have been granted primarily to moderate-risk customer segments, generally in limited amounts per loan. Home mortgage loans account for nearly half of total outstandings. The density of the bank’s regional networks also favors close ties and a good understanding of the borrowers.

Outstanding loans on the balance sheet



Home mortgage and similar loans by type of collateral



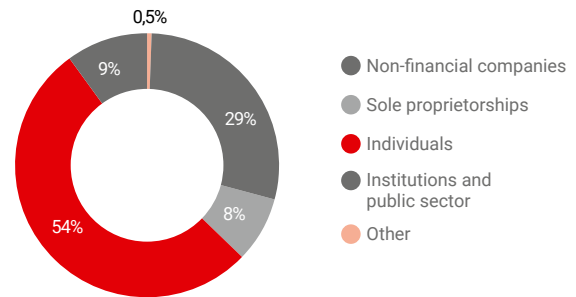
4.2.1.3.1 Diversification of outstanding customer loans

The diversification of the customer loan portfolio is satisfactory from a risk perspective, whether measured by:

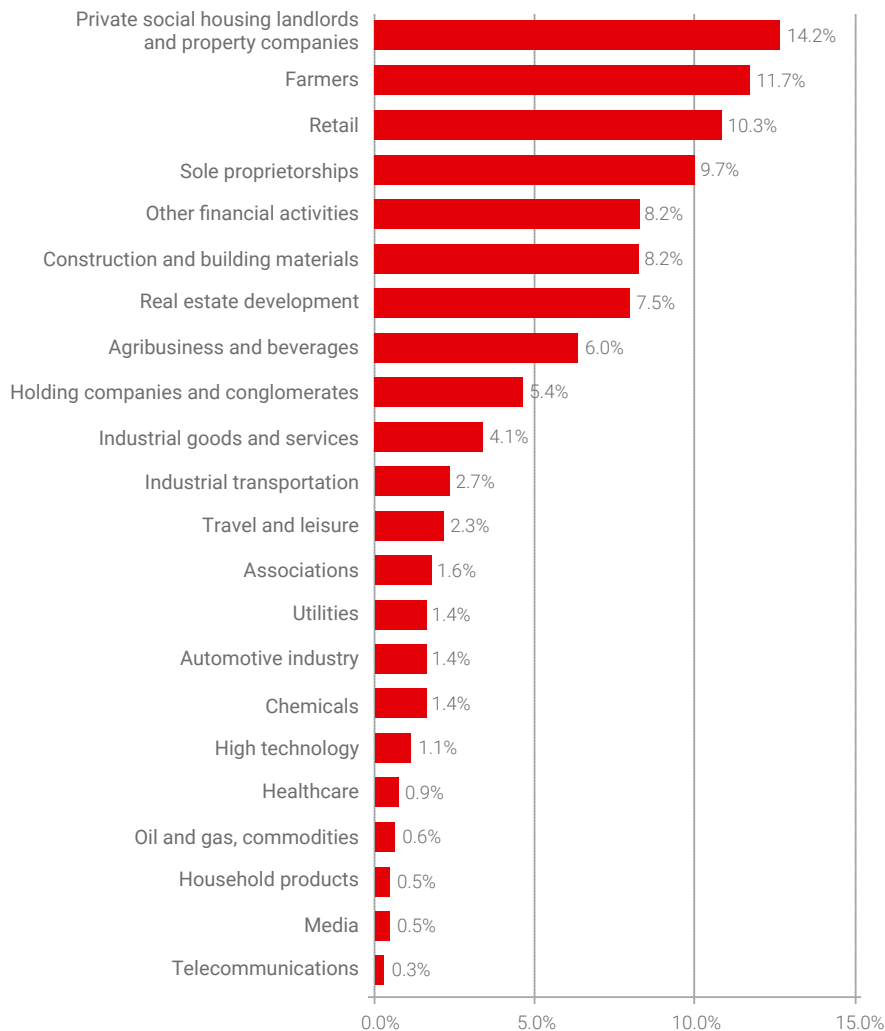
- type of counterparty;
- business sector.

Loans to individuals account for more than half of the loans on the balance sheet.

Breakdown of total loans outstanding on the balance sheet by type of counterparty



Gross exposure (on- and off-balance sheet outstandings) of businesses and companies by sector



The gross exposure (on- and off-balance sheet outstandings) of businesses and companies totaled €24.5 billion (or 35% of customer commitments). The most highly represented sectors were real estate, farming, retail and sole proprietorships.

4.2.1.3.3 Portfolio's credit risk quality

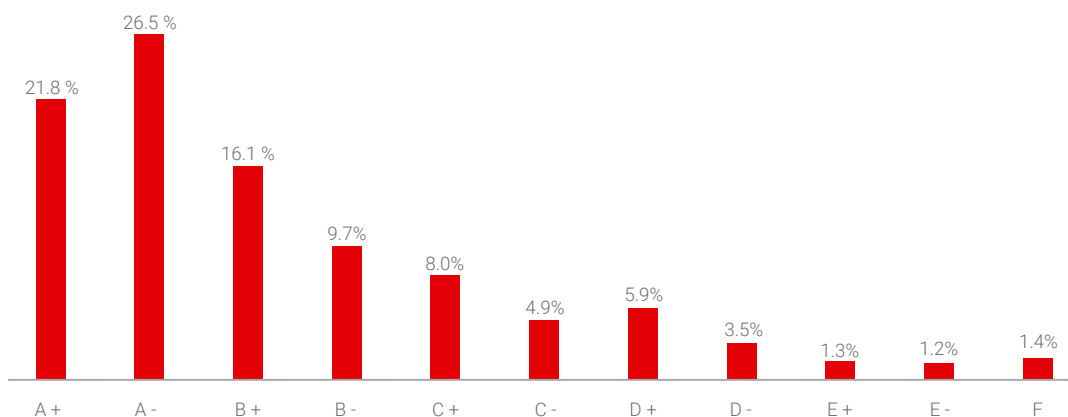
The credit quality of the customer loan portfolio is determined using an internal rating for customers.

The internal rating of a customer at a given point in time corresponds to an assessment of the risk that this customer might not satisfy his repayment commitments during the next 12 months. Updated daily to take into account potential risk events, this ratings system comprises 11 ratings, from the highest of A+ (lowest risk) to the lowest of F (highest risk). The internal ratings E- and F correspond to doubtful and disputed loans, while the nine other ratings

comprise performing loans.

Performing loans accounted for 97.4% of total outstandings. Doubtful and disputed loans (E- and F ratings) accounted for 2.6% (loan outstandings in principal only).

Balance sheet outstandings (principal) by ratings level at end-2018



Presentation of non-performing loans and loans in litigation

MARKETS	2018		2017	
	AMOUNT(€M)	%	AMOUNT(€M)	%
Individuals	634.4	43.5%	634	42.8%
Non-financial companies	626	43%	641.7	43.3%
Sole proprietors	197	13.5%	205.7	13.9%
TOTAL	1,457.4	100%	1,481.4	100%

The group's non-performing loans and loans in litigation (principal and interest) totaled €1,457.4 million at end-2018 versus €1,481.4 million at end-2017, representing a decrease of 1.6% over the year. The ratio of non-performing loans (including interest) to total outstandings dropped from 2.9% at end-2017 to 2.6%.

4.2.1.3.4 Outstanding restructured loans

Restructured loans, as defined in European regulations (EBA ITS), are contracts that have been the subject of “concessions toward debtors who have or will have difficulties honoring their debts.” These concessions may in particular concern modifications in the contract’s residual term or a refinancing of the debt, excluding commercial renegotiations.

The conditions for downgrading restructured loans to default status are stricter as they are automatically downgraded to non-performing status as soon as payment is late by more than 30 days or the loans are restructured again.

For debtors already in default when the restructuring is identified, default is maintained for a minimum period of one year.

Based on these definitions, restructured loans totaled €456.3 million (in principal), or 0.8% of the Arkéa group’s total outstandings. Of that total, €375 million were downgraded to doubtful or disputed loans, while €81.3 million were classified as performing.

4.1.1.4 Provisioning and cost of risk

4.2.1.4.1 Provisioning

The provisioning for risk on customer loans concerns, first, non-performing loans and loans in litigation (internal ratings E- or F) and, second, performing loans.

For non-performing loans, provisioning is applied automatically or based on an expert appraisal. Financo is unique in that it uses a statistical provisioning system for all its doubtful and disputed loans to individuals.

Given the current economic environment, Arkéa maintained a conservative approach to customer credit risk in 2018. The provisioning rate for doubtful and disputed loans (principal and interest) was 57.1% at end-December 2018, compared with 57.4% the previous year. The respective rates were 67.6% for companies, 53.9% for sole proprietorships and 47.8% for individuals.

With regard to performing loans, a new regulatory accounting standard relating to financial instruments came into force on January 1, 2018 (IFRS 9 - International Financial Reporting Standards). It provides for an allocation to provisions for credit risk as soon as the loan is granted. Provisioning for each contract is calculated based on an estimate of the “expected” loss, determined on the basis of risk parameters whose calculation methods and values are speci-

fic to the Arkéa group. The provisioning rate for performing customer loans is 0.46% compared with 0.49% at December 31, 2017 on a pro forma basis, representing a total of €252,3 million.

4.2.1.4.2 Cost of risk

The cost of risk on customer loans corresponds to net allocations to provisions and losses not covered by provisions. Including provisions for performing loans, it amounted to €57.5 million at end-2018 compared with €53.8 million in 2017. The total cost corresponded to a cost of risk of €48.8 million on downgraded loans and €8.7 million in respect of performing loans.

The cost of risk on non-performing loans remains low overall even though it increased slightly between December 31, 2017 and December 31, 2018 (6.8%). It is evenly divided between the retail and corporate markets. As a percentage of customer outstandings, total cost of risk in 2018 was 0.10%, unchanged relative to the previous year.

4.2.1.4.3 Recognition of cost of risk in rate setting

The cost of risk for lending is factored into the financial terms granted to customers using a widely accepted approach, in the spirit of the Basel III regulations. The average or statistically “expected” cost of risk is added to the cost of the loan and has a direct influence on standard rates. The exceptional or “unexpected” cost of risk is in principle to be covered by shareholders’ equity.

4.2.2 Market counterparty credit risk

4.2.2.1 Group-wide limits

The Arkéa group has a system of separate limits by type of counterparty (or group of "connected clients" pursuant to Article 4-1-39 of Regulation (EU) No 575/2013 (known as CRR), which applies independently to proprietary investments and third-party activities (assets representing euro-denominated funds of the life insurance business).

The separate limits by counterparty type are reviewed at least once a year by Crédit Mutuel Arkéa's Board of Directors. They are determined on the basis of the internal ratings of the counterparties, which are ranked in four categories:

- sovereign (states), public sector, supranationals and secured debt;
- state-owned enterprises;
- banks, insurance companies and securitizations (senior and subordinated debt);
- companies.

With respect to proprietary capital markets trading activities, individual limits are set, both with respect to amount and time period, mainly by reference to Arkéa's own shareholders' equity and earnings as well as the counterparty's "fundamentals" (shareholders' equity, debt and ratings).

Limit requests for a specific counterparty are reviewed by Arkéa's Counterparty Committee, which bases its decisions on the informed opinions of the group Risk Management department, which is responsible for second-level risk analysis, monitoring and control. The first-level control is performed by the entities carrying and/or managing the outstandings on the counterparty.

All financial market transactions giving rise to credit risk must involve an issuer or security referenced by the group Counterparty Committee.

In the event of a request for a waiver between revisions, the decision shall be made by Crédit Mutuel Arkéa's Board of Directors.

4.2.2.2 Reporting

The credit risk position related to market transactions is reviewed on a regular basis by the Group's Counterparty Committee.

A quarterly risk report is established and submitted to the members of Arkéa's Executive Committee. It includes an update on com-

pliance with credit risk limits for capital markets counterparties.

The Crédit Mutuel Arkéa Board of Directors reviews credit limit compliance at every meeting.

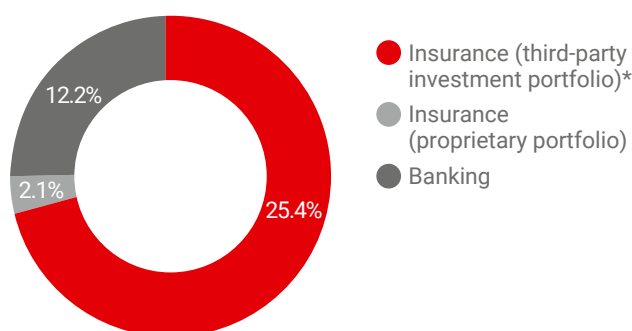
4.2.2.3 Analysis of credit risk on capital markets counterparties

4.2.2.3.1 For the entire consolidation scope

The group's fixed income investment portfolio totaled €39.7 billion (unless otherwise stated, the amounts below are expressed at repayment value) at December 31, 2018, broken down into the following categories:

Breakdown by structure

(in € billions)



* Insurance (Third-party): assets representing euro-denominated funds

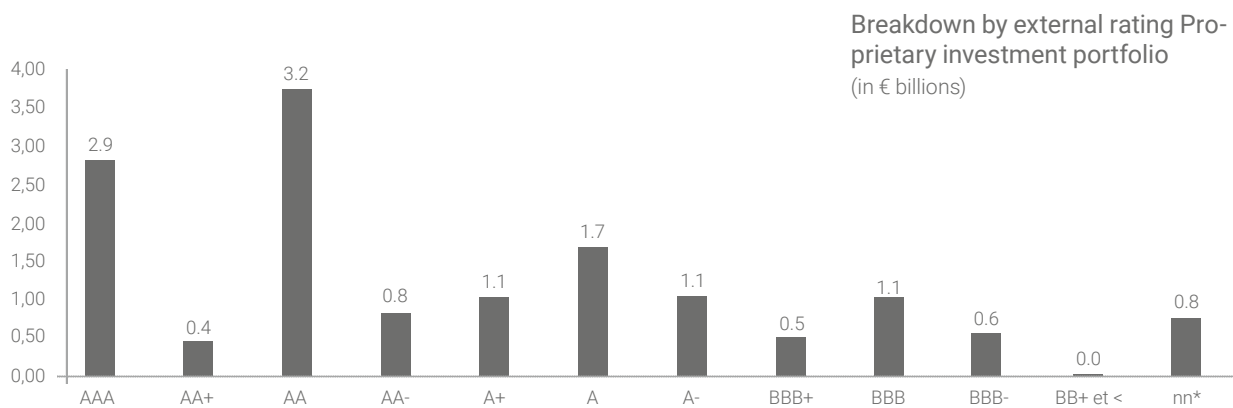
The group's direct credit risk exposure is limited to the proprietary portfolios of the insurance (€2.1 billion) and banking (€12.2 billion) activities. In the latter case, the credit risk exposure results mainly from the reinvestment of surplus cash.

The credit risk related to the €25.4 billion third-party investment portfolio of the Suravenir insurance company is borne mainly by policyholders through the returns they earn on euro-denominated funds.

As part of its counterparty risk assessment, Arkéa relies on its own internal rating system as well as the ratings assigned by the rating agencies.

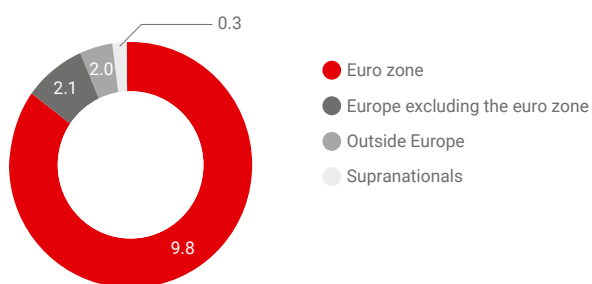
4.2.2.3.2 For the proprietary portfolio scope (insurance and banking)

The €14.3 billion in proprietary portfolio investments for the banking and insurance activities mainly involve issuers with the highest external credit ratings: 79% have external ratings between AAA and A-.

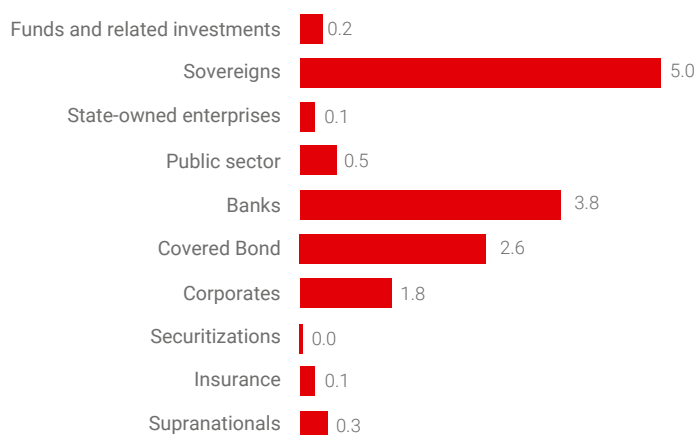


*NR: issuers not rated by one or more of the three main rating agencies (S&P, Moody's and Fitch).
Of the investments in this scope, 84 % are with European issuers and 42 % are with French issuers.

Breakdown by geographic area Proprietary investment portfolio

(in € billions)


Breakdown by issuer category Proprietary investment portfolio

(in € billions)


In terms of sector, proprietary portfolio investments for the banking and insurance activities are mostly with two main types of issuers:

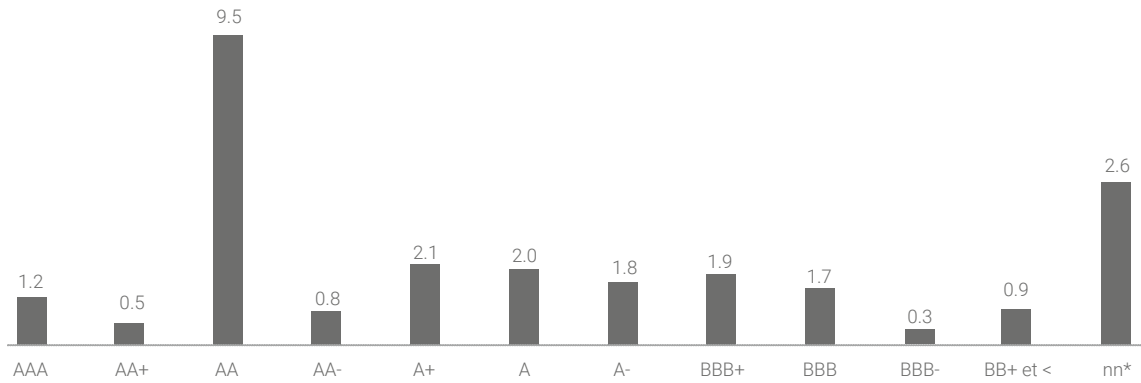
- the banking sector (banks and covered bonds) for 45%;
- sovereigns, supranationals, state-owned companies and the public sector for 41%.

4.2.2.3.3 For Suravenir's third-party portfolio scope

The Suravenir insurance company's third-party investments (€25.4 billion) mainly involve issuers with the highest external credit ratings, with 71% rated between AAA and A-.

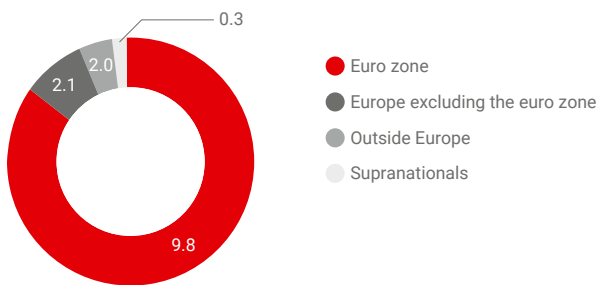
In geographic terms, the third-party investment portfolio is mainly invested in European issuers (87%, of which 61% are French issuers).

Breakdown by external rating
Suravenir third-party investment portfolio
 (in € billions)

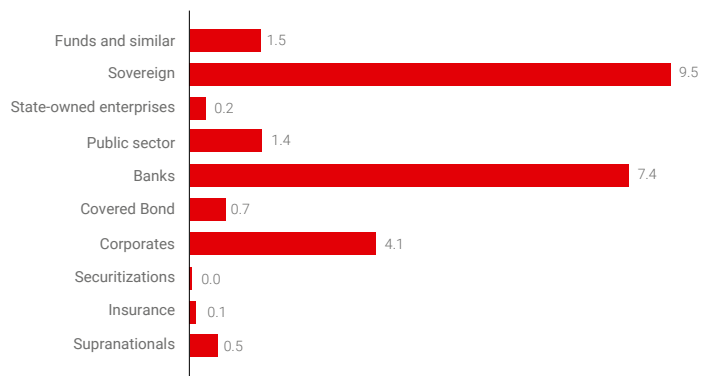


*NR: issuers not rated by one or more of the three main rating agencies (S&P, Moody's and Fitch).

Breakdown by geographic area Suravenir third-party investment portfolio
 (in € billions)



Breakdown by issuer category Proprietary investment portfolio
 (in € billions)



From a sector standpoint, Suravenir's third-party investments are mostly with two main types of issuers:

- the banking sector (banks and covered bonds) for 32 %;
- sovereigns, supranationals, state-owned companies and the public sector for 46 %.

4.2.2.4 Focus on exposure to securitizations held within the banking scope

The exposure to securitizations is being steadily reduced, as the portfolio is being wound down. No new investments have been made since 2008. Overall, the volume of outstandings on these assets fell significantly in 2018, down by €29.5 million to €2 million at December 31: :

- all the guaranteed CDO outstandings were sold during the year and were therefore down by €8.6 million.
- all the securitization outstandings (CMBS, RMBS, CLO and ABS) were sold during the year and were therefore down by €20.9 million;
- the volume of non-guaranteed CDO outstandings remained stable. All that remains is one CDO held in the amount of €2.03 million which has been fully provisioned since 2009.



4.3

Operational risk

The concept of operational risk adopted by the Arkéa group covers all risks included in the definition of the Basel III regulation and the administrative order of November 3, 2014.

The administrative order of November 3, 2014 defines operational risk as “the risk of loss arising from inadequacies or failures of processes, personnel or internal systems or external events, including legal risk; operational risk includes in particular risks related to events with a low probability of occurrence but a high impact, internal and external fraud risks (...) and model-related risks.”

Given this regulatory context and internal requirements, Arkéa deployed a dedicated system for controlling operational risk and of permanent control across its entire scope and covering all activities. This system enables the group to oversee and control all its risk areas.

4.3.1 Operational risk management

4.3.1.1 The “operational risk” management function

4.3.1.1.1 Organization

The Arkéa group has decided to apply its operational risk control system to all its components, even those not directly subject to Basel III regulations (life and non-life insurance subsidiaries, etc.).

The overall framework for controlling operational risk is based on functional management provided by the Operational and IT Risk department, which is part of Arkéa’s Risk department.

This department, made up of two sub-departments (operational risk department and IT risk department) defines the group policies in the area of risk management, consolidates the results and monitors operational and IT risk across the entire group. In order to perform this task and in its capacity as the functional head of the “operational risk” management function, the department relies on:

- Operational Risk Correspondents, who report directly to each subsidiary’s management team, which act as a conduit for the Operational Risk department for implementation of the operational risk management policy within each unit;
- Information Systems Security Officers at each subsidiary, responsible for implementing and adapting the group information systems security policy at local level;
- a team formed within the department to manage and monitor the operational and IT risks of the Crédit Mutuel Arkéa credit institution (central departments, CCM and central services of the Crédit Mutuel federations).

Controlling operational risk is guided by formalized procedures with respect to:

- updating the operational risk maps by incorporating their self-assessments;
- collecting information on losses;
- modeling operational risk as part of the capital requirements calculation;

In addition, and in particular to cover its main areas of operational risk, cross-functional systems are defined by the Operational Risk and IT Risk Department and deployed in all entities. They relate in particular to:

- IT systems security;
- implementation of emergency and business continuity plans;
- managing external fraud prevention efforts.

4.3.1.1.2 Reporting

Quarterly reports are established by Arkéa's Risk department and submitted, in different formats, to the following recipients:

- Group Risk Monitoring Committee,
- Group Executive Committee,
- Arkéa's Risk and Internal Control Committee,
- Crédit Mutuel Arkéa's Board of Directors.

These reports cover three main topics:

- losses observed,
- results of emergency and business continuity plan (BCP) tests,
- self-assessment of risks shown on operational risk maps.

4.3.1.2 Operational risk assessment

4.3.1.2.1 Risk assessment system

The assessment of Arkéa's operational risk is based primarily on a dual system:

- risk self-assessment, performed by the Operational Risk Correspondents at the group's various entities and backed by the expertise of operating staff in these units;
- disclosures of all incidents following the occurrence of a demonstrated operational risk.

4.3.1.2.2 Operational risk self-assessment

The operational risk self-assessment is based on an internal process known under the French acronym PRDC, which describes the four components: process, risk, risk management system and second-level permanent control. This process enables the construction of the PRDC guidelines, whose goals, presented for each step, are:

- Process: definition and description of the processes; the most important ones are presented in the form of a flow chart;
- Risks: identification, assessment and ranking of operational risks;
- Systems: identification and assessment of systems for managing inherent risk (resources used to mitigate risks or their impacts) classified by type (procedures, first-level operational control, tools, training, alerts, insurance, business continuity plans);
- Second-level permanent controls: verification and assessment of the relevance and effectiveness of risk management systems attached to the processes.

The construction of these guidelines is based on:

- an internal catalogue of processes;
- a catalogue of risks, replicating the Basel III risk map;
- mapping of the Arkéa group's entities (organization chart);
- mapping of the Arkéa group's IT applications.

Process

A process is a chronological series of tasks, called key steps, that contribute to the production or processing of information, products or services.



Op. Risk

The risk of loss arising from inadequacies or failures of processes, personnel or internal systems or external events, including legal risk; operational risk includes in particular risks related to events with a low probability of occurrence but a high impact, internal and external fraud risks and model-related risks. Administrative order of November 3, 2014



System

Risk management system implemented before the process is completed
First-level control, Procedure, Indicator, Training, BCP, Insurance etc.



Permanent control

Back-testing of the effectiveness of the system

After assessing each individual risk using the processes and risk instructions and taking into account the impact of the applicable risk management system, a self-assessment is performed for the individual risk. This self-assessment is based on a scale with eight levels of frequency and ten levels of severity.

The method covers all of Arkéa's activities. The processes and related risks of the support activities have also been modeled. Given the high degree of process computerization, the effectiveness of the risk management systems pertaining to the IT system is closely examined.

4.3.1.2.3 Disclosure of incidents that have occurred

Arkéa collects information on these incidents in a dedicated internal application. This application is based on the above-mentioned risk processes.

The overall financial impact of incidents reported in 2018 was up by 7% compared with 2017: €10.1 million in 2018 compared with €9.5 million in 2017. The main Basel categories represented, by amount, are process management (EL7 at 35%), external fraud (EL2 at 27%) and commercial practices (EL4 at 23%). The increase in the financial impact relates mainly to the «external fraud» category, following in particular an increase in phishing attacks and a rise in electronic payment fraud. The cost of reported external fraud incidents in 2018 was €2.7 million, compared with €2 million in 2017

4.3.1.3 Operational risk modeling

4.3.1.3.1 Organization

Since January 1, 2010, the entire group has been authorized to use its advanced measurement approach to calculate regulatory capital requirements with respect to operational risk and since 2012 to apply the insurance deduction.

The Arkéa group actively participates in projects initiated by the overall Crédit Mutuel network at the national level. In that regard, dedicated resources are allocated to the annual review of risk maps and expert opinion models as well as to the statistical modeling and calculation of regulatory capital requirements. This allows the group to retain the requisite expertise and responsiveness for modeling operational risks and quantifying their capital requirements.

Arkéa also inputs the risk indicators for so-called severe risks and loss distribution for so-called frequent risks into the capital requirements calculation performed at the level of the overall Crédit Mutuel network.

4.3.1.3.2 Quantification

In order to quantify operational risk, two modeling approaches have been chosen:

- for so-called frequent risks, which have been identified in loss histories and whose projected severity by experts is not likely to result in a major unexpected loss, the “Loss Distribution Approach” (LDA) technique is used.

- for other so-called severe risks, the analysis performed by the group’s experts consists of implementing scenarios that call for the input of risk indicators. These indicators underpin the conditional probability models based on each scenario.

The approach is rounded out by the recognition of correlations between the various risks in order to arrive at the capital requirements and the application of the insurance deduction.

The overall capital requirements are then allocated among the various entities of the Crédit Mutuel network. For the Arkéa group, regulatory capital requirements related to operational risk totaled €186 million at end-2018.

4.3.1.3.3 Insurance

The overall Crédit Mutuel network has been authorized by the French Prudential Control and Resolution Authority to use insurance deductions for hedging operational risks.

Insurance is therefore fully integrated into the risk management approach:

- the assessment of operational risks leads to the production of scenarios of severe risks,
- asymmetries between insurance coverage and the scenarios produced are analyzed,
- insurance programs can then be better adapted to the risk profile identified (covered scope, coverage amount).

Insurance coverage currently used in the deduction process includes coverage related to:

- damage to buildings and equipment (multi-risk),
- fraud (“blanket banking” insurance),
- professional civil liability,
- cyber risks.

Arkéa’s insurance programs comply with the Basel III eligibility criteria (rating, initial term, residual term, advance cancellation notice, etc.).

4.3.1.4 Crisis management and business continuity

The emergency and business continuity plan (plan d'urgence et de poursuite de l'activité - PUPA, as it is called in the administrative order of November 3, 2014), aims to provide rapid solutions in the event of a crisis in order to minimize the impact of a major incident on the activities of the Arkéa group or its customers. Targeted activities include essential or important services and operations as defined under applicable regulations.

This system is triggered whenever an incident results in the disruption of an essential activity and whose foreseeable or certain duration exceeds the maximum allowable time for this activity's disruption.

In keeping with Arkéa's crisis management procedure, the Group Emergency and Business Continuity Plan is based on the following two plans:

- the Crisis Management Plan,
- the Business Continuity Plan for business lines and support functions.

The Crisis Management Plan addresses organizational aspects in the event of an incident by defining the roles and responsibilities of the participants in the various crisis management units:

- crisis decision-making unit (person in charge: Arkéa's Chief Executive Officer),
- operational crisis unit (person in charge: Arkéa's Head of Risk Management),
- crisis exit unit (person in charge: Manager responsible for the restoration of the failed resource).

Each Emergency and Business Continuity Plan for the business lines and support functions is placed under the responsibility of a Manager of the corresponding entity or activity. This person appoints an emergency and business continuity plan manager, who takes responsibility for the implementation and operational maintenance of the entity's plan.

The overall consistency of all emergency and business continuity plans is ensured by a management function assigned to the Operational Risk department, which is itself part of Arkéa's Group Risk department. In that regard, the Head of the Group Emergency and BCP is the person responsible for the Operational Risk department.

A business line continuity plan is developed to respond to five crisis scenarios:

- scenario 1: unavailability of offices
offices destroyed, unusable or inaccessible

- scenario 2: unavailability of IT systems
incident involving the central system or a server, network or application
- scenario 3: unavailability of employees
personnel incapable of working (anywhere, including at home)
- scenario 4: unavailability of power and telecommunications power or telecommunications outage
- scenario 5: unavailability of key suppliers

Each scenario includes three phases:

- 1 – Emergency measures,
- 2 – Workaround solutions,
- 3 – Return to normal.

The Emergency and BCP begins once operations are assigned to the operational crisis unit by a decision of the crisis decision-making unit. It ends once a return to normal has been observed by this same crisis decision-making unit.

4.3.2 Risk of fraud

Risk of fraud includes cases of internal fraud and external fraud.

Fraudulent actions, including cyber risk, could include:

- Intrusion into the information system in order to make fraudulent banking transactions (e.g. fraudulent use of SWIFT access);
- Damage to data integrity giving rise to costs in respect of forensics, information system reconstruction and impact on customers, particularly if there is a lack of continuity during the reconstruction period;
- Data theft;
- Attack resulting in the destruction of a data center.

The Arkéa group does not have proprietary trading activities, thereby limiting the risk of internal fraud linked to rogue trading.

The likelihood of such events is considered to be medium, given the increase in the number of attacks affecting banking institutions (particularly cyber-attacks) driven by the development of new technologies. The magnitude of fraud risk if it materializes is classified as medium. Fraud, if it occurs, has both a direct impact¹ (resolution cost, amount stolen) and an indirect impact (time spent, reputational damage).

¹ For example, the national bank of Bangladesh was the victim of USD 100 million in fraud in February 2016, by fraudulent transfer following a phishing attack.

4.3.3 Risks linked to information and communication technology

In the absence of capital markets activities, the probability of occurrence of risk associated with Information and Communication Technologies is considered low. However, the scale in the event of materialization is considered medium, as deficient ICT could lead to inappropriate decisions at headquarter level (on the basis of erroneous information) or a paralysis of activity (in particular by blocking means of payment).

4.3.4 Legal risk

Legal risks are included in operational risk and relate, among other things, to exposure to fines, penalties, and damages for acts that may incur the group's liability in connection with its activities.

The Group's Legal department is part of the Development Support division, which is the responsibility of the Associate Executive Officer who is also a member of the Executive Committee.

The Arkéa group is subject to all the regulations applicable to companies in the banking, insurance and financial services sectors. In an environment marked by significant regulatory tightening, which places additional constraints on business activities and therefore heightens the legal risks, the legal function has an overall view and the ability to intervene over a wide-ranging area.

To that end, the Head of the Group Legal department relies on a centralized team of close to 50 legal experts in addition to the legal advisors working at the subsidiaries. To promote efficiency, the networks' litigation activity was centralized to ensure homogeneous and optimal case management. Meanwhile, the Legal department has added to its staffing and continued to fine-tune its management policy for outside legal counsel.

The new organization put in place in 2017 enables the Legal department to:

- fully play its role as guarantor of the group's legal security;
- lead a legal coordination committee with all the group's legal managers in order to encourage cross-functional collaboration and networking.

The group set aside provisions for pending legal risks as at December 31, 2018 that could negatively affect its net assets. These provisions reflect General Management's best estimate based on available information.

Only five cases involved amounts greater than €1 million for a total

amount of nearly €31 million. The corresponding provisions totaled €850,000. The most important claim concerns two cases that are not subject to a provision, insofar as the validity of the claims has not been established, which was confirmed by a second decision obtained on November 6, 2018.

Based on these factors, no litigation is likely to affect Arkéa's financial situation significantly.

In addition, the CNCM Board of Directors, held on 20 April 2018, proposed a new draft of the statutes for the CNCM, enabling it to exclude the main leaders of the regional groups. The CNCM thus amended its Articles of Association by an Extraordinary General Assembly on 16 May 2018 (the «Articles of Association»).

A new article 29 relating to the sanctions that may be imposed by the CNCM has been incorporated into the Statutes. This new Article 29 is accompanied by a disciplinary regulation which would have the same legal force as the Statutes.

The regulatory measures mentioned in the powers of the Board of Directors refer to the creation of a new Article 33 of the Statutes, entitled «Withdrawal of confidence or approval as a regulatory measure», which makes it possible to exclude the leaders of regional groups from any sanction procedure.

4.3.5 Compliance risk, including money-laundering and terrorist financing risk

Compliance risk is defined as the risk of a court-ordered, administrative or disciplinary penalty or of significant financial loss or injury to reputation resulting from non-compliance with: i) directly applicable national or European legislative or regulatory provisions governing banking and financial activities; ii) professional and ethical standards; iii) instructions from the effective managers taken pursuant to the orientations set by the supervisory body.

Ever-increasing regulatory pressure is putting banks at growing risk of sanctions or reputational damage.

To build confidence in its products and actions, the group, whose activities span a variety of businesses and regions, has adopted an approach that constantly seeks to protect its customers' interests while preserving its integrity and reputation.

Preventing, protecting, informing and supervising, the group's compliance teams work each day to enable the group to control its risks and adapt to changes in the economy and in society with complete peace of mind.

The compliance risk system is organized around four priority areas:

- Financial security;
- Business conduct and professional ethics;
- Protection of customers' interests;
- Fiscal transparency.

Personal data protection is also covered by a dedicated system and a specific organization.

4.3.5.1 Financial security

4.3.5.1.1 Anti-money laundering and terrorist financing (AML/CTF)

Confronted in recent years by an increase in the level of risk linked to the financing of terrorism and the growing need to combat the underground economy and tax fraud in order for states to preserve their financial stability, European and French regulators further reinforced the regulatory arsenal in the area of AML/CTF this year.

Most of the sanctions issued by the ACPR in recent years concern identified deficiencies in AML/CTF. The size of the fines imposed by the ACPR's sanctions committee has increased steadily and can now reach several tens of millions of euros.

In addition to the financial damage caused to the fined institution, these fines, the grounds for which are made public by the regulators, are likely to damage the image of the institution concerned.

In accordance with regulatory requirements, the anti-money laundering and counter-terrorist financing system was adapted in 2018 to take into account the amendments to the fourth AML/CTF directive. Work was completed on the transaction monitoring applications and on know your customer due diligence at the time of new customer relationships and throughout these relationships.

In 2018, efforts were focused mainly in the following areas:

- updates to the anti-money-laundering and terrorism financing risk classification, broken down based on the five regulatory objectives, and more specifically the expansion of risk factors taken into account in calculating the inherent risk level related to client profiles;
- updates to the AML/CTF country classification which applies to all Arkéa group entities for its international activities. These updates were made after an analysis of publications by the FATF and French and European authorities on countries that are non-cooperative tax havens or that impede AML/CFT or countries under international sanctions;
- the system for customers residing in a country with a high risk of ML/TF;
- improvements to the oversight system for transactions to reflect the risk classification. To that end, the settings of the rules implemented in the industry software NICE Actimize were revised in 2017 to improve its relevance. Changes were also made to the system for detecting people subject to asset freezing measures

and the system for controlling fund transfers (EU regulation 2018/847);

- implementation of the annual AML/CTF training plan for exposed personnel and oversight of trained staff: training of new local savings bank managers by an AML/CTF expert from the Compliance and Permanent Control department, half-yearly training of branch network employees, annual training of central department personnel exposed to ML/TF risk, two-yearly training of members of the Arkéa group's executive and supervisory bodies by the Compliance and Permanent Control department;
- the annual on-site meeting between the Compliance and Permanent Control department's AML/CTF coordinator and the AML/CTF manager of each subsidiary concerned, and the half-yearly plenary sessions of the Arkéa group's AML/CTF experts led by the Compliance and Permanent Control department;
- quality and oversight of the know-your-customer (KYC) files: ongoing action by the networks to improve the quality of KYC data, tool for overseeing the updating of customer files according to the updating frequency defined by the entity.

As is the case each year, procedural rules were also updated in line with regulatory changes, the guidelines and sanctions published by the ACPR and the documents published by TRACFIN.

4.3.5.1.2 Investment services

In order to preserve customers' interests and the integrity of the markets, in 2018 the group adjusted the system governed by the AMF General Regulation to take into account the Market Abuse Regulation (MAR) and the Markets in Financial Instruments Directive ("MiFID 2").

4.3.5.2 Business conduct and professional ethics

4.3.5.2.1 Whistleblowing

The whistleblowing system implemented within the Arkéa group aims to prevent, detect, correct or even penalize conduct or situations that are contrary to the company's regulations and/or code of conduct. The whistleblowing system implemented within the Arkéa group makes it possible to report four categories of acts:

- Deficiencies in the effective implementation of compliance obligations (non-compliance with the national or European legislative or regulatory provisions specific to banking and financial activities, professional and ethical standards, internal rules and procedures (instructions from the management body in particular) in accordance with the administrative order of November 3, 2014 (Articles 36 and 37);
- Serious acts referred to in the definition of whistleblower in accordance with Article 8 of the so-called "Sapin 2" law (a crime or offense, a serious and manifest breach of an international commitment, etc.);
- Conduct or situations in breach of the company's code of conduct (likely to constitute acts of corruption or influence peddling (Article 17 of the Sapin 2 law);

■ Breaches of the banking and financial obligations as defined by European regulations, the French Monetary and Financial Code and the AMF's General Regulation, reported directly to the AMF or the ACPR (Article 16 of the Sapin 2 law).

A shared portal provides access to the internal whistle-blowing system and to the CSR alert system for risks of serious damage to human rights, fundamental freedoms, health, safety and the environment. The principles of the system, the conditions to be respected and the procedures for implementing the system are clearly explained in order to facilitate procedures.

The purpose of this system is to enable all group employees, including executives, to help control compliance risk and combat corruption within the company.

4.3.5.2.2 Anti-corruption and influence peddling

Since 2017, the Arkéa group has implemented the provisions of Law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption and the modernization of the economy ("Sapin 2" law) in order to prevent corruption or influence peddling within the group.

An anti-corruption and influence peddling system based on the mapping of corruption risks, the definition of rules of good conduct, a whistleblowing system, procedures for verifying customer integrity when onboarding, control procedures and a disciplinary regime has thus been deployed within the group.

In order to involve all the group's stakeholders and raise their awareness of the issues of virtuous behavior and the risks of sanctions or reputational damage, a dedicated training system has been put in place to educate all the players concerned (managers, directors, employees) within the group.

4.3.5.2.3 Supervision of "lobbying"

In accordance with the provisions relating to transparency of public life, the Arkéa group has drawn up a procedure governing representation of interests and registered it in the www.hatvp.fr lobbyists directory on December 21, 2017. A report has been filed in accordance with regulatory requirements.

4.3.5.2.4 Conflict of interest

The group has a specific policy that establishes the rules for identifying, preventing, managing and recording conflicts of interest situations.

The framework for preventing and managing conflicts of interest situations was updated in 2018, in connection with the entry into force of the EBA guidelines on internal governance, as well as the regulations on markets in financial instruments (MiFID 2) and insurance (IDD).

4.3.5.3 Protection of customers' interests

« On a daily basis, the group monitors compliance with regulations, compliance with good professional practices and transparency of information.

Several group framework policies establish the rules group entities must follow to protect the customer's interest, from product design and marketing tools to the choice of partners, and from the practices used to market products or services (advertising, pre-contractual information) to contract termination (duty to advise) and complaint processing.

Some of these systems changed in 2018 to take into account regulatory changes linked to the entry into force of the MiFID 2 directive on financial instruments, the Insurance Distribution Directive (IDD) and the Payment Services Directive (PSD2).

In addition, in line with its mutualist values, the group is committed to a customer-centered approach called Ambition Obsession Client (AOC) that has led to the creation of several committees that deal with subjects as diverse as the protection of financially fragile customers or the processing of complaints, and ensure measures are taken to improve the protection of customers' interests

As training plays a vital role in protecting customers' interests on a day-to-day basis, many awareness-raising actions are carried out, particularly among customer-facing employees.

4.3.5.4 Fiscal transparency

The Arkéa group has framework procedures in place that set forth the due diligence to be conducted to comply with its FATCA and OECD/CRS obligations as a financial institution.

All of these framework procedures have been revised to take into account the changes introduced by the 2017 Supplementary Budget Act, more specifically Article 56 dealing with the due diligence to be performed and the methods of reporting non-cooperative account holders to the tax authorities.

4.3.5.5 Protection of personal data

The European General Data Protection Regulation (EU) 2016/679, which came into force on May 25, 2018, strengthened the existing regulations and harmonized practices within the European Union.

In this context, group governance and the resources associated with the personal data protection activity have been entrusted to the 2DP department which, within the Compliance and Permanent Control department, monitors compliance within the group with the principles of the regulation, such as transparency in data processing, the strengthening of personal rights and the accountability of the various parties involved. Thus, in order to effectively

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control the risks associated with the protection of personal data, procedures covering the processing and monitoring of requests have been drawn up and employees have been made aware, in particular, of the rights of individuals (opposition, erasure, rectification, access, data portability, restriction of processing, profiling, digital death) and the risks associated with non-compliance with the regulatory requirements in this area.



4.4

Structural interest rate and liquidity risks

4.4.1 Organization

The ALM function's purpose is to manage the group's key balance sheet ratios over a medium- to long-term horizon. In addition to allocating capital, its duties consist of measuring, monitoring and making recommendations to optimize liquidity and interest rate risk (the currency risk being marginal).

The ALM function is exercised by a dedicated and centralized unit – the Arkéa group's ALM department, reporting to the Financial Steering department, which tracks the balance sheet health of Arkéa as a group as well as the Crédit Mutuel Arkéa institution – and by the subsidiaries' financial departments, which carry out their activities in accordance with the standards set by the group.

The main indicators for the banking sector are generated by Arkéa's ALM department. Insurance risks are monitored at the level of the insurance companies, under the control of the group's ALM and Capital Management Committee.

ALM steering is performed at three levels:

- group-wide ALM principles and limits are set annually by Crédit Mutuel Arkéa's Board of Directors, acting on the recommendations of the group's ALM and Capital Management Committee. The subsidiaries' limits are adopted by their respective supervisory bodies in accordance with the framework defined at the group level,
- the ALM and Capital Management Committee executes strategic planning and controls the exposure of the group and its components. Chaired by the group's Chief Executive Officer, it met seven times in 2018,
- the Operational ALM committees of the group and the subsidiaries are responsible for the day-to-day ALM of the corresponding entity, by delegation of authority and based on guidelines defined

by the group ALM and Capital Management Committee. The group's Operational ALM Committee meets monthly.

Financial market transactions are carried solely by the Arkéa group, which enables it to control and optimize the group's liquidity and interest rate risk management. Hedging decisions taken by banking entities are undertaken exclusively through Arkéa.

The reporting information relating to the principal ALM indicators is integrated into the dashboards prepared for Arkéa's Executive Management, the Risk and Internal Control Committee and Crédit Mutuel Arkéa's Board of Directors. Any breach of a group limit must be notified to Arkéa's Board of Directors and Executive Management and brought into compliance immediately (barring a specific reasoned decision to the contrary accompanied by a timeline for returning within the limit where appropriate).

4.4.2 Interest rate risk on the banking and insurance portfolio

Interest rate risk means the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates. It may result from maturity differences between fixed-rate sources and applications of funds, a difference in benchmark indices (basis risk) or the exercise of options (such as caps and floors).

4.4.2.1 Banking portfolio

4.4.2.1.1 Assessment and monitoring

Interest rate risk is assessed and monitored for the consolidated banking scope and for each entity within that scope. All balance sheet and off-balance sheet positions, notably financial instruments (swaps, etc.) and forward-start facilities, are integrated into the risk assessment.

Three main indicators, calculated at least once every quarter, enable the Group to measure interest rate risk on a static basis:

- Net present value (NPV) sensitivity is an indicator provided for in the CRD 4 directive. Expressed as a percentage of capital, it measures the change in the net present value of the balance sheet for a 200 basis point increase or decrease in interest rates. Applicable regulations set a 20% threshold for interest rate exposure; it is being revised to incorporate the recommendations of the Basel Committee (increase in the number of interest rate shock scenarios, lowering of the threshold for interest rate exposure to 15% of Tier 1 capital, etc.)

Calculation methods take into account the guidelines published in May 2015 by the European Banking Authority. At the end of 2018, the group's NPV sensitivity was +3.7 % of Tier 1 capital with a 200 bp decrease in interest rates and -11% for a 200 bp increase in rates.

As recommended by the EBA, Arkéa also performs NPV sensitivity calculations based on the six alternative shock scenarios reflecting, in particular, a non-parallel shift in the yield curve (steepening and flattening). The results of these six scenarios are below the threshold of 15% of Tier 1 capital.

- Interest rate gaps consist of projecting outstandings with a known interest rate based on their contractual characteristics (maturity date and type of amortization) or modeling their maturity flows.

A modeling of maturity flows is necessary when the amortization profile is not known (products with no contractual maturity such as current accounts, savings accounts and shareholders' equity) or when embedded options are included in the customer products (early loan repayments, etc.). With the exception of reserves, whose maturity flow is standardized, the modeling is based essentially on an analysis of past customer behavior. In the case of early repayments, it takes into account a possible correlation between market interest rates and early repayment rates.

Interest rate gaps are produced for the group using different interest rate scenarios, based on continuity of business or applying a

stress factor.

At the end of 2018, interest rate risk exposure was limited: the maximum transformation position resulting from the gap under the standard scenario represented 1.7% of the bank balance sheet.

- Interest margin sensitivity reflects the gain or cost on the group's net interest margin resulting from a change in interest rates. It may be expressed as a percentage of net banking income (NBI) using different changes in interest rates. It is constructed using interest rate gaps and the impact of options risks (measuring the effect of the activation of caps and floors on the net interest margin).

At the end of 2018, interest margin sensitivity remained under control; the maximum annual impact for a 100-basis point increase in interest rates was 1.5% of NBI. This level is consistent with the group's policy.

Other static indicators are produced to monitor basis risk and the risk associated with the exercise of explicit options on customer loans (capped interest rate).

Dynamic indicators are also produced to determine the impact of future production on the interest margin in the group's core economic scenario and based on different stressed rate environments.

4.4.2.1.2 Management

The Arkéa group acts as the central interest rate unit for the entire banking scope. The interest rate position of the banking entities is fully backed by this central interest rate unit, which manages the group's hedging levels on the markets in line with the standards set by the ALM and Capital Management Committee and the Board of Directors and with the level of exposure defined by the group's Operational ALM Committee (in keeping with the group's core economic scenario).

When the risk arises from a difference in the type of interest rate (e.g. between assets with fixed rates and liabilities with adjustable rates), the hedge is performed mainly through macro-hedge swaps.

If the risk is optional in nature, the hedge must be in the form of an option; hedging credits with capped variable rates is therefore ensured using interest rate caps.

Macro-hedge transactions are generally justified as fair value hedges under IFRS on the basis of credit and deposit portfolios. Accounting documentation and effectiveness tests are generated as soon as the hedge is established and updated regularly in order to ensure the quality of the hedge and limit the impact on the

Group's IFRS results.

In the current low interest rate environment, the Group continues to adopt a conservative policy, with assets and liabilities well matched up in terms of interest rates. It therefore has low interest rate exposure in order to protect its margins, which is corroborated by the level of the standard gap and interest margin sensitivity indicator.

4.4.2.2 Insurance portfolio

A change in interest rates directly affects the bond portfolio's valuation and returns, for both the proprietary and euro-denominated funds. Fixed-rate bonds expose Suravenir to the risk of a change in asset values; variable-rate bonds create the risk of income fluctuations.

4.4.2.2.1 The risk of decreasing interest rates

Persistently low interest rates could put downward pressure on the net margin generated by Suravenir, affecting its profitability and ultimately its solvency. The euro-denominated life insurance policies create a commitment for the company to offer a minimum guaranteed rate. When market interest rates fall, the portfolio's return may be insufficient to satisfy this commitment. In that case, French regulations require insurance companies to make a special provision allocation (the so-called financial risks provision). Suravenir did not need to make any such allocation in 2018. At the end of 2018, the risk going forward concerned an average guaranteed return of 0.20%, well below the average actuarial rate of return on Suravenir's fixed-rate bond portfolio.

4.4.2.2.2 The risk of rising interest rates

Higher interest rates have several consequences on assets, starting with lower valuations on fixed-rate bonds held in the portfolio. Depending on which IFRS accounting classification is used for these securities, this loss in value can affect shareholders' equity or earnings. At end-2018, a 100 basis point increase in rates would have a €16.2 million negative impact on Suravenir's earnings, and shareholders' equity would decline by €147 million.

The second risk related to a significant and sustained increase in interest rates is a growing number of redemptions by policyholders on the euro-denominated funds, as the returns on these policies become less competitive relative to other investments. In that case, in order to make the necessary adjustments to managed assets, the company may need to sell assets. If it sells fixed-rate assets, it could incur capital losses. To avoid this risk, Suravenir maintains a considerable amount of variable-rate bonds and options (cap, spread cap and duration-adjusted cap) in its portfolio. These financial instruments also enable the returns on Surave-

nir's euro-denominated funds to converge more quickly toward the returns offered by other savings products, thereby limiting redemption risk. At December 31, 2018, some 33% of the bond portfolio in general assets was hedged against an increase in interest rates.

4.4.3 Liquidity risk

Liquidity risk is the risk that the reporting company will not be able to meet its obligations or to unwind or offset a position because of its situation or the market situation within a specified period of time and at a reasonable cost. It arises from a maturity mismatch between the sources and applications of funds.

It may create additional expense in the event of widening liquidity spreads; in the most extreme case, it could result in the company being unable to honor its commitments.

The Group has historically been vigilant and conservative in managing this risk.

4.4.3.1 4. Banking portfolio

4.4.3.1.1 Assessment and monitoring

The Group assesses and monitors liquidity risk for the consolidated banking scope and each entity within that scope. Its efforts focus primarily on three elements:

- liquidity gaps;
- liquidity ratios (regulatory and non-regulatory);
- refinancing volumes and liquid assets (particularly short-term).

The liquidity gaps, which are calculated at least once every quarter, include all balance sheet items (all financial and non-financial assets and liabilities) and off-balance sheet items that affect the group's liquidity (overdraft facilities, etc.). They are established on the basis of static scenarios (no assumption of new production) and complemented by dynamic scenarios in order to estimate refinancing needs at different maturities.

Static gaps are produced using both a central and a crisis scenario. The latter is characterized in particular by assumptions of leakage of commercial resources, drawdowns of certain off-balance sheet liquidity agreements or differentiated levels of liquidity of financial securities held depending on their nature. These assumptions are consistent with the principles and rules adopted by the European Union for the Liquidity Coverage Ratio (LCR).

Based on the crisis scenario, the group has set itself a minimum credit backing rule over the next five years, with a level of between 100% and 80% depending on maturity. This objective was satisfied throughout 2018.

A number of ratios are closely monitored:

- the LCR is a liquidity ratio provided for in the CRD 4 and CRR texts (transposing the «Basel III» proposals into a European standard). It measures the ratio between liquid assets and net cash outflows at 30 days under a stress scenario. The minimum level required has been set at 100% since 2018. The group met the minimum regulatory requirement throughout 2018 with significant room for maneuver. At the end of 2018, the LCR stood at 130%;
- the NSFR (Net Stable Funding Ratio) is also a liquidity ratio provided for in CRD 4 and CRR. It checks the coverage of stable uses by stable resources. The minimum level required is 100%. This ratio is in the process of being applied at European Union level, with a regulatory requirement expected from 2019. Simulations performed at the end of 2018 show a ratio of more than 105%;
- the loan-to-deposit ratio measures the proportion of loans financed by bank deposits and, consequently, the dependence on the financial markets. The gross loan-to-deposit ratio stood at 104% at the end of 2018.

Limits on short-term refinancing volumes (overnight and three-month limits) and on annual repayment volumes over the medium term have been defined to limit the impact of a non-renewal of these lines in the event of market tensions. These limits were satisfied throughout 2018.

The group also adopted complementary indicators that enable it to ensure its ability to withstand high-stress situations involving financial markets and clients. The qualitative assessment of these indicators shows a low and controlled risk thanks to a high level of coverage and a large liquidity reserve corresponding to nearly twice the LCR requirement.

4.4.3.1.2 Refinancing program

Arkéa acts as a central refinancing institution on behalf of all the group's banking entities. As such, it manages a portfolio of resources that it makes available to banking entities

The Group's refinancing program is drawn up annually and updated on a quarterly basis in the light of changes in commercial activity and forecasts. It aims to respect the various limits set by the Board of Directors, in particular the minimum backing rule in crisis scenarios, and takes into account:

- the risk of maturity concentration;
- the level of collateral available for issues of securitized debt. A limit has been set on the use of assets for this purpose in order to

preserve the issuance capacity of these vehicles and protect the quality of the group's senior debt;

- the need for the group to remain active in the markets so as to maintain a regular presence with investors;
- capital requirements and senior debt in the context of solvency ratios (usual ratios and those resulting from the Banking Resolution Directive).

The program also takes into account investor appetite and preferred issuance periods. In 2018, the Group contracted €2.6 billion of debt with maturities exceeding one year.

Arkéa has developed a policy of diversifying its refinancing channels and has:

- a short-term refinancing program (€2.2 billion in negotiable European commercial paper (NeuCP));
- unsecured medium and long-term refinancing programs (€2.6 billion in outstanding senior debt, €1.5 billion in EMTN and €0,07 billion in negotiable European medium-term notes (NeuMTN));
- secured long-term refinancing programs through two funding vehicles: a home finance company (Société de Financement de l'Habitat – SFH, with €5.6 billion in outstandings guaranteed by mortgage loans) and a mortgage-backed lending company (Société de Crédit Foncier – SCF, with €1.3 billion in outstandings backed by exposures to public-sector authorities);
- unsecured or secured interbank loans through the assignment of loans to Caisse de Refinancement de l'Habitat (€0.3 billion), the European Investment Bank (€0.6 billion) and Caisse des Dépôts et Consignations (€1 billion).

The terms of the debt securities issues are carefully considered. In addition to the usual clauses, these agreements may include an early repayment option at the Group's discretion. They do not, however, include an early repayment clause at the discretion of the counterparties.

In parallel, the group controls the maturity schedule of these agreements and can, in the case of certain securities, repay them in advance.

The group strives to limit its dependency on financial markets. The increase in bank deposits – from individuals, companies and institutional customers – thus reached almost €5.2 billion in 2018.

4.4.3.1.3 Emergency financing plan and liquidity reserves

The group's emergency financing plan is updated and validated each year by the ALM and Capital Management Committee.

The triggering of the plan is determined according to various qualitative and quantitative indicators: forecast cash flow, situation in the markets and of Arkea's refinancing, etc. A Crisis Treasury Committee, meeting at least once a week and attended by the heads of the main units concerned (trading room, middle and back office) provides crisis management and decides on operations to be carried out with the Central Bank and on the markets; it may also propose commercial actions to the Executive Committee. The main axiom, in connection with the survival time indicator, consists in financing projected cash requirements via the mobilization of cash reserves (notably from the Central Bank).

The group has substantial liquidity reserves to protect against market closures. These are set up to comply with the various limits set by the Board of Directors, including the survival time limit.

Binding rules have been established in order to have buffers available quickly in the event of a crisis:

- securities held by Arkéa with a maturity of over 6 months must be highly liquid (i.e. eligible for the LCR numerator) and/or eligible with the European Central Bank, and included in the so-called "3G" asset pool;
- the availability of securities eligible with the Central Bank must be tested each year to check there are no difficulties implementing them within a short time span;

- the amount of liquidity reserves and the level of use of eligible collateral in the Central Bank are subject to a specific limit.

At the end of 2018, liquidity reserves – including available cash – were abundant as they represented twice the LCR requirement.

4.4.3.2 Insurance portfolio

Liquidity risk arises when the company is forced to sell its assets following a massive wave of redemptions. This risk is assessed by studying the liquidity gaps between asset flows (dividends/redemptions, etc.) and liability payments, in both the central scenario and the stress scenario (three-fold increase in redemptions / deterioration in asset valuations).

In the event of a liquidity squeeze, Suravenir has the ability to repo securities, particularly those that are eligible for ECB refinancing, at their market value less a haircut in order to obtain additional liquidity. As at December 31, 2018, the analyses performed show that in the stress scenario, Suravenir could overcome a three-fold increase in redemptions without experiencing any liquidity problems.



4.5

Risks specific to the insurance business

4.5.1 Underwriting risks of life insurance

Suravenir is exposed to underwriting risks in connection with its life insurance and protection insurance business.

Underwriting risk means the risk of loss or of adverse change in the value of insurance liabilities. This results from an increase in claims that was not anticipated at the time of pricing, risk acceptance or risk monitoring (provisioning risk).

To manage and monitor these risks, Suravenir has established underwriting and provisioning policies that have been implemented by the company's departments.

Regarding the provisions established in connection with these risks, the allocation of the various underwriting provisions stipulated in the French Insurance Code according to the nature of the products and therefore of the group's commitments is presented in note 22 to the consolidated financial statements for the year ended December 31, 2018 (Section 3.5 of the Registration Document).

The main underwriting risks associated with Suravenir's activities are described below.

4.5.1.1 Surrender and arbitrage risks

Surrender risk (lapse risk) is the risk of loss or of adverse change in the value of insurance liabilities resulting from an increase or decrease in life-insurance policy surrender rates or in early repayment rates for borrower's insurance. This risk also exists when policyholders switch between unit-linked and non-unit-linked vehicles.

This risk is the principal underwriting risk in life insurance.

4.5.1.2 Biometric risks

The main biometric risks applicable to the insurance policies marketed by Suravenir are:

- **Mortality risk:** Mortality risk means the risk of loss or of adverse change in the value of insurance liabilities resulting from an

increase in mortality in the borrower's insurance activity and the individual protection insurance activity.

- **Risk of incapacity/disability:** The risk of incapacity/disability corresponds to a loss or adverse change in the value of insurance liabilities resulting from an increase in accident and sickness claims leading to a temporary or permanent incapacity subject to claim payments. These risks are associated primarily with the borrower's insurance activity but also with the individual protection insurance activity.
- **Longevity risk:** Longevity risk is the risk of loss or of adverse change in the value of insurance liabilities resulting from an increase in life expectancy over the course of the life-insurance policies in the portfolio.

4.5.1.3 Risk of an adverse change in insurance company expenses

Suravenir's overhead is included in the pricing of its insurance policies. An adverse change in the expenses Suravenir could incur in the future to acquire and manage insurance policies could therefore lead it to underestimate the amount of premiums paid by policyholders.

4.5.1.4 Catastrophe risk

Catastrophe risk is defined as the risk of loss or of adverse change in the value of insurance liabilities attributable to a sudden event that directly causes serious harm to policyholders and which could be related to a natural phenomenon, human intervention or a combination of the two within the scope of the borrower's insurance activity, the individual protection insurance activity and the guaranteed minimum for certain life-insurance policies.

4.5.1.5 Risk management and monitoring systems

Underwriting risk is measured and controlled using the following processes:

- Pricing analysis through cost-benefit studies for new products/ partnerships or any change in the existing offering, prior to their launch,
- Exposure analyses to ensure that risk exposure remains within the risk limits set by Suravenir's management bodies,
- Drawing up the reinsurance plan in order to limit certain exposures to protect solvency and reduce the volatility of financial results,
- Review of underwriting provisions,
- Monitoring of pricing exemptions.

Pursuant to IFRS 4, Suravenir performed a Liability Adequacy Test (LAT) as at December 31, 2018, which clearly showed that total insurance liabilities measured in accordance with French generally accepted accounting practices exceeded their fair value taking into account the redemption option embedded in the policies.

4.5.1.6 Reporting

Suravenir prepares a quarterly underwriting risk report and submits it to:

- Suravenir's Risk Committee
- its Financial Statements Committee and its Supervisory Board
- the Arkéa group's Risk Monitoring Committee

4.5.2 Underwriting risks of non-life insurance

Suravenir is exposed to underwriting and provisioning risks in connection with the non-life (mainly health, car and home) insurance business.

Underwriting risk exists when the pricing of the guarantees granted proves inadequate to cover the insurance liabilities. Within this risk, a distinction is made between the concepts of underpricing risk, catastrophe risk, and anti-selection risk.

Provisioning risk relates to inadequate underwriting provisions on the liabilities side of the balance sheet.

These risks are monitored and managed within Suravenir Assurances on the basis of an underwriting and provisioning risk management policy.

4.5.2.1 Underwriting risk in non-life insurance

The underwriting risk in non-life insurance is the risk of an adverse change in the profitability of the insurance products due to inadequate rules on acceptance, pricing and/or reinsurance cover for the guarantees offered to policyholders.

Underwriting risk consists of three risk sub-types:

- 1) Under-pricing risk which occurs when guarantees are not priced in accordance with the portfolio's profitability objectives. This risk relates to the design of new products and to changes in the offering and/or pricing,
- 2) Anti-selection risk which leads to the excessive underwriting of an undesired risk through inappropriate pricing.

These risks are notably managed and controlled through the regular monitoring of the portfolios' technical indicators. In particular, this monitoring involves an analysis of:

- monthly subscriptions and subscriptions aggregated by product and distributor;
- the segmentation of the portfolio by product and its changes;
- changes in the loss ratio (claims/premiums) by product and by distributor;
- the average premium, average costs and frequency of claims per coverage.

The monitoring and analysis of these data make it possible to define and implement appropriate policies:

- modification of the subscription policy with respect to rate-setting, selection, adjustments to products and coverage provided
- targeting of initiatives by geographic area and by distributor.

- 3) Catastrophe risk, which stems from the occurrence of extreme or exceptional events. Coverage of these potential losses remains the major objective of reinsurance coverage (see "Reinsurance mechanism").

If an exceptional weather event – i.e. one with a statistical probability of occurring once every 200 years – occurs (a storm whose claims payments to policyholders is about €115 million), the reinsurance program is structured so that the residual expense for Suravenir Assurances is limited to €7.5 million, in accordance with the risk appetite framework defined by its Board of Directors.

The overall underwriting policy is also the subject of an independent opinion issued by the Actuarial function. This opinion is documented in an annual Actuarial Report and presented to the Board of Directors of Suravenir Assurance.

4.5.2.2 Provisioning risk

Provisioning risk is the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate provisioning assumptions.

This risk is intrinsically linked to underwriting risk, as the monitoring of provisions must be consistent with the management of the risks and claims associated with the coverage sold.

Provisioning risk is managed and controlled mainly by studying the following:

- Monitoring of gains/losses: excess/inadequate provisions for claims outstanding in a fiscal year;
- Analysis and comparison of the loss ratio by product;
- Monitoring of the distortion between provisions under French accounting standards and those under Solvency 2 standards.

Moreover, in the context of its regulatory mission, based on independent recalculation, the Actuarial function guarantees the appropriateness of the methodology, underlying models and assumptions used to calculate underwriting provisions under Solvency 2. Its conclusions are documented in the Actuarial Report.

4.5.3 The reinsurance mechanism

The use of reinsurance makes it possible to limit the insurer's risk exposure by transferring a portion of it to one or more reinsurers.

The insurer develops a reinsurance policy based on a process that allows it to effectively calibrate the level of risk transferred to reinsurers, in keeping with its risk appetite, and to monitor counterparty risk on reinsurers.

The reinsurance policy is designed to control the two main reinsurance risks:

- the insufficiency of the reinsurance program relative to the group's risk strategy. Deterministic and stochastic actuarial analyses are performed along with stress tests in order to structure reinsurance programs optimally;
- the default of a reinsurer, which could then not cover its share of claims. The mitigation of this risk is achieved through:
 - diversification of reinsurers;
 - the selection of reinsurers based on financial strength criteria;
 - the requirement of pledged securities to cover ceded provisions;
 - the establishment of limits on the maximum amount that may be ceded to a single reinsurer.

Sensitivity analyses are performed over and above the selection process. Reinsurers' ratings are also monitored to verify the counterparties' financial soundness.

The adequacy of the reinsurance measures taken is also subject to an independent review by the Actuarial function and its conclusions are included in the Actuarial Report.

4.6

Market risk

Market risk, or price risk, stems from unfavorable changes in market parameters that affect the value of financial instruments recognized on the balance sheet. The Arkéa group is exposed primarily to significant spread, interest rate and exchange rate risks. The exposure of the proprietary activities to options risk is non-significant.

From a management standpoint, the market risks for the banking scope covered in this section arise either from the financial instrument portfolios managed by Arkéa's Financial Markets department or from Arkéa Direct Bank's portfolio. The latter, which results from the acquisition of Belgian online bank Keytrade in June 2016, was immediately placed in runoff. The market risk exposure of the group's other banking subsidiaries remains negligible as their treasury investments are almost always centralized at Arkéa.

Interest rate risk is mainly managed as a whole through a central interest rate entity whose risk limits and management principles are defined by the group's Assets and Liabilities Management function. Effective management of this central interest rate entity falls under the responsibility of the Financial Markets department.

At the end of 2018, the market risk exposure of investments on the balance sheet totaled €10.7 billion, up slightly from the previous year. It breaks down as follows:

Exposure of banking scope to market risks at December 31, 2018 - in € millions

TOTAL INVESTMENTS	10,739
CRÉDIT MUTUEL ARKÉA LCR PORTFOLIO	7,722
OTHER INVESTMENTS	3,016
Crédit Mutuel Arkéa	2,338
■ Treasury investments with initial maturities of less than two years	2,326
■ Securities held in connection with the origination activity	10
■ Investment portfolio being wound down	2
Arkéa Direct Bank (Keytrade portfolio being wound down)	663
Other entities	15

The value of the investments on the balance sheet is exposed to the risk of a change in issuer spread due to the existence of long-term positions (the share of securities with a residual maturity of more than five years is 14% compared with 21% at the end of 2017). This risk is more specifically concentrated in Arkéa's LCR portfolio.

Interest rate-based changes in the value of Crédit Mutuel Arkéa's investments are transferred, through internal swaps, to the central

interest rate unit, whose purpose is to manage the overall interest rate risk within the sensitivity limits set by the Board of Directors. Changes in the value of Arkéa Direct Bank's investments, 98% of which are fixed-rate securities, are retained in their entirety. Arkéa Direct Bank's interest rate risk is managed directly by matching assets recognized at fair value with liabilities recognized at amortized cost.

The sensitivity of the investments to spread risk and to interest rate risk improved on the whole in 2018 thanks to a decrease in the portfolio's residual term.

Derivative instruments negotiated with customers of the branch networks in connection with the provision of investment services represented a notional amount of €10.8 billion at the end of 2018. The business's market risks are neutralized when these instruments are rolled over in the market, with the exception of the CVA-DVA and FVA risks described in point 4.6.1.3 Sensitivity analysis.

From a regulatory standpoint, the Arkéa group's market risk is limited to the interest rate risk on the trading portfolio¹, CVA risk and currency risk. The trading portfolio is not significant since it is limited to market-making transactions for the group's debt. As for the currency risk, it should be noted that the Arkéa group is not subject to the capital requirement calculation, as mentioned in point 4.6.3. Foreign exchange risk.

The aforementioned exposures relate to notes 2, 3, 4, 7 and 18 to the Arkéa group's consolidated financial statements.

4.6.1 Risk organization and monitoring

4.6.1.1 Organization

Arkéa executes market transactions by way of a trading floor that reports to the Financial Markets department. This floor is organized around three departments: treasury -refinancing-currencies, derivatives-structuring solutions and corporate and institutional sales.

The Back Office department (Financial department) is responsible for account-keeping and transaction settlement.

Within the Risk department, the Middle Office department is responsible for the valuation of positions, assessment of the management result and market risks and the Market Risk department is responsible for the calculation of capital requirements.

Each step in processing transactions is subject to permanent controls in accordance with regulations.

4.6.1.2 Monitoring

Crédit Mutuel Arkéa's Board of Directors, acting on the recommendation of the Executive Committee and following a meeting of the Group Risk Monitoring Committee, sets the overall framework for the level of involvement in capital markets activities each year. The detailed system of limits system is then determined by the group's Executive Committee after a review by the Risk Monitoring Committee.

The system is based on limits or management thresholds applied to positions, sensitivity, losses, capital adequacy requirement and additional value adjustments.

In 2018, the limits for the different portfolios were adjusted, primarily to align with activity levels.

The limits system is rounded out by a procedure to approve new products, which gives rise to a list of instruments authorized for trading.

4.6.1.2.1 Reporting to General Management

The Risk department provides the operating departments with daily reports on the level of indicators subject to limits. If a limit is exceeded, a procedure for notifying the effective managers is activated. The Risk department also regularly prepares consolidated market risk overviews for these managers.

4.6.1.2.2. Reporting to the supervisory body

A report on risks related to capital markets activities is established for each meeting of Crédit Mutuel Arkéa's Board of Directors. It includes a presentation of exposures, results, risk indicators and an update on compliance with the limits set by the Board.

The consolidated risk overview, which includes market risk, is also presented regularly to Arkéa's Risk and Internal Control Committee.

¹ The trading portfolio consists of positions held with the intention of being sold in the short term.

² Including the monitoring of Crédit Mutuel Arkéa run-off portfolio.

4.6.1.3 Sensitivity analysis

The valuations used as references in sensitivity analyses are obtained using various methods ranked by order of importance. If the asset is listed on an active market, fair value is determined using the listed price. If no such listing is available, the price is obtained using market valuation techniques based on the most frequently observed market data. The valuations derived from models may be adjusted in order to take liquidity risk into account.

Also, the valuation of derivative instruments gives rise to two adjustments. In accordance with IFRS 13, the first adjustment aims to integrate the market value of the counterparty risk. The adjustment takes into account the bilateral nature of this risk, i.e. counterparty risk (Credit Valuation Adjustment - CVA) on the one hand, and the Arkéa group's own credit risk (Debit Valuation Adjustment - DVA) on the other.

The second adjustment aims to integrate the financing cost of derivative instruments not subject to margin calls, that is, negotiated with customers (Funding Valuation Adjustment - FVA).

Overall, a net expense of €9.8 million was recorded in 2018¹.

4.6.1.3.1 Value at Risk

The market risk of the trading portfolio is subjected to a VaR measurement.

The method applied uses a full revaluation of positions based on a history of 250 business days.

The model is calibrated with a 99% confidence interval and a timeline of 10 business days. It was neither audited by the statutory auditors nor certified by the French Prudential Supervisory and Resolution Authority for the capital adequacy calculation. The amount obtained is therefore reported for information purposes.

The VaR amount remained zero in 2018 due to the lack of positions in the trading book.

4.6.1.3.2 Potential loss

Changes in the value of the Arkéa group's portfolios recognized at

fair value are controlled by sensitivity limits.

These daily measurements of the portfolios' sensitivity to modest and standardized fluctuations in spreads and interest rates are accompanied by a monthly calculation of the potential loss.

The goal is to assess the impact on net income and shareholders' equity of tensions that might arise in markets under reasonably possible scenarios, with the impact determined on the basis of a complete revaluation of positions.

The choice of risk factors results from a detailed analysis of the portfolio composition, since a financial instrument can be sensitive to several factors.

The potential loss is estimated applying a VaR-type model based on historical data for the most recent sliding three-year period.

Two approaches can be taken:

- **spread, equity and currency risks:** the scenarios applied correspond to relative or absolute changes observed over a one-month period, with a 99% probability over three-year sliding periods.
- **interest rate risk:** the potential loss applied is the historical daily VaR at 99%, extrapolated to one month.

The total potential loss is the sum of the impacts of shocks calculated for each risk.

The model implemented to calculate the potential loss offers three main simplifications:

- the scenarios applied to the positions are based exclusively on historical observations (stationarity assumption);
- given the difficulties in obtaining individualized historical data, aside from interest rates, the volatility of the portfolio's risk factors is estimated based on proxies, which are as granular as possible;
- adding the results of the stress tests for each risk factor leads to a prudent total amount.

¹ DVA-CVA: -€2.7 million, FVA: -€7.1 million.

RISK FACTORS

The potential loss calculation performed at December 31, 2018 showed that adverse market changes would almost exclusively affect shareholders' equity (100% of total losses) and that the portfolio was primarily exposed to spread risk (92% of the total)..

MAXIMUM POTENTIAL LOSS AT 99% AT DECEMBER 31, 2018 - (one-month horizon)

RISK	SCENARIO	EXPOSURE (€M)	POTENTIAL LOSS (€M)	OF WHICH IMPACT ON NET INCOME (€M)	OF WHICH IMPACT ON EQUITY (€M)
TOTAL			-46.9	-0.1	-46.8
INTEREST RATE	SCENARIO APPLIED BASED ON OBSERVED HISTORICAL DATA	10,721	-3.5	0.0	-3.5
FOREIGN EXCHANGE	+/- 4 % ⁽¹⁾	2.3	-0.1	-0.1	0.0
Spread	TOTAL	10,830	-43.3	-0.0	-43.3
	+10bp on supranationals	413	-1.0	0.0	-1.0
	+10bp on German sovereign	44	-0.1	0.0	-0.1
	+10bp on Finnish sovereign	93	-0.1	0.0	-0.1
	+10bp on Austrian sovereign	91	-0.3	0.0	-0.3
	+10bp on French sovereign	2,536	-17.9	0.0	-17.9
	+10bp on Dutch sovereign	263	-0.8	0.0	-0.8
	+10bp on Belgian sovereign	142	-0.5	0.0	-0.5
	+10bp on Spanish sovereign	566	-1.1	0.0	-1.1
	+10bp on Portuguese sovereign	526	-0.9	0.0	-0.9
	+10bp on Italian sovereign	524	-2.9	0.0	-2.9
	+10bp on covered bonds	2,596	-8.3	0.0	-8.3
	+35bp on European financials	1,728	-5.7	0.0	-5.7
	+25bp on US financials	267	-0.5	0.0	-0.5
+20bp on corporates	1,040	-3.4	0.0	-3.4	

(1) in relative value

4.6.1.3.3 Stress scenarios

The stress test calculation scope is identical to that of the potential loss. For each risk factor used, the shocks applied correspond to the most severe changes recorded over a one-year period using a historical baseline ranging from 9 to 14 years depending on available data.

It should be noted that the simplifications mentioned with respect to the potential loss also apply to stress scenarios.

The results obtained are subject to ex-post control.

STRESS SCENARIO AT DECEMBER 31, 2018 - (one year horizon)

RISK	SCENARIO	EXPOSURE (€m)	STRESS TEST (€M)	OF WHICH IMPACT ON NET INCOME (€M)	OF WHICH IMPACT ON EQUITY (€M)
TOTAL			-296.6	-0.6	-296.1
INTEREST RATE	CHOCS DIFFÉRENCIÉS SELON LES MATURITÉS	10,721	-41.1	0.0	41.1
FOREIGN EXCHANGE	+/- 24 % ⁽¹⁾	2.3	-0.6	-0.6	0.0
Spread	TOTAL	10,830	-255.0	0.0	-255.0
	Medium/long-term	6,841	-232.0	0.0	-232.0
	+70 bp on supranationals	404	-9.2	0.0	-9.2
	+40bp on German sovereign	30	-0.5	0.0	-0.5
	+40bp on Finnish sovereign	85	-0.5	0.0	-0.5
	+40bp on Dutch sovereign	254	-2.9	0.0	-2.9
	+115bp on Austrian sovereign	82	-3.9	0.0	-3.9
	+130bp on French sovereign	2,491	-121.6	0.0	-121.6
	+215bp on Belgian sovereign	52	-4.8	0.0	-4.8
	+70bp on covered bonds	2,217	-46.2	0.0	-46.2
	+190bp on European financials	805	-22.2	0.0	-22.2
	+540bp on US financials	87	-6.9	0.0	-6.9
	+100bp on corporates	334	-13.3	0.0	-13.3
	Short term	3,989	-23.0	0.0	-23.0
+125bp on short-term securities	3,989	-23.0	0.0	-23.0	

(1) in relative value

4.6.2 Risk on equities and other variable income securities and risk on investment securities

Equity risk arises in the event of adverse equity market trends, which result in a drop in the portfolio valuation.

Some unlisted variable income securities are exposed to real estate risk, which arises in the event of an adverse change in the valuation of the underlying real estate assets.

The fair value of the equities and other variable income securities portfolio recognized in the IFRS-compliant financial statements totaled €18.0 billion at December 31, 2018.

From an accounting point of view (see notes 28a and 28b to the consolidated financial statements) risk on equities and other variable income securities covers two distinct scopes, in four categories:

4.6.2.1 Banking scope

■ Assets at fair value through OCI (other comprehensive income)

Equities and other variable income securities at fair value through OCI amount to €89 million. These concern securities held by Arkéa with a view to the long term. They consist mainly of listed securities and holdings in unlisted companies.

■ Assets at fair value through profit or loss

Equities and other variable income securities at fair value through profit or loss amount to €387 million. They concern securities of unlisted companies held by the private equity business lines.

4.6.2.2 Insurance scope

■ Available-for-sale financial assets;

Available-for-sale equities and other variable income securities amount to €724 million. They concern securities held over the long term by Suravenir in the context of its portfolio management, mainly shares and mutual funds (private equity, real estate and fixed income).

■ Assets at fair value by option

Equities and other variable income securities at fair value by option amount to €16,856 million. They are held by Suravenir in the context of unit-linked insurance policies to maintain consistency with the treatment applying to the liabilities.

4.6.2.3 Long-term investment securities

The group also holds a portfolio of investment securities whose fair value was €846 million at December 31, 2018. These securities are held for the medium or long term in order to generate a capital gain or to facilitate the development of long-term economic relations with the issuing companies or to exercise influence over them.

4.6.3 Foreign exchange risk

Foreign exchange or currency risk is defined as the risk that the fair value of or future cash flows from a financial instrument will fluctuate with changes in the value of foreign currencies.

The probability of currency risk occurring is considered low in view of the group's low exposure and the existing hedges. If it materialized, the impact would also be small.

The group's currency exposure remains very limited with a total combined exposure limit set at the equivalent of €5 million. As it never represents more than 2% of the group's capital, it is not subject to a regulatory capital requirement as stipulated in Article 351 of Regulation (EU) 575/2013.

The Financial Markets department is responsible for hedging foreign exchange risk either at its own initiative or at the request of the entities affected.

An analysis of the sensitivity of the foreign exchange position is included in point 4.6.1.3 Sensitivity analysis.



4.7

Implementation of the Arkéa group's disaffiliation from the Crédit Mutuel

4.7.1 A cooperative banking group independent of the rest of Crédit Mutuel

At its meeting of 17 January 2018, the Board of Directors of Crédit Mutuel Arkéa mandated the managers to take all necessary measures to enable Crédit Mutuel Arkéa to become a cooperative banking group independent from the Crédit Mutuel, in order to pursue its original development strategy based on three strengths: its territorial roots, its culture of innovation and its intermediate size.

The directors of the local savings banks and federations of Bretagne, Sud-Ouest and Massif Central were invited to vote in the first half of 2018, as part of an orientation vote. At the end of the consultation process initiated by the local savings banks of the Arkéa group and the holding of Board meetings of the federations, the Arkéa group has made the results of the votes of the 307 local savings banks that voted. 94.5 % of the local savings banks voted in favour of the independence project of Crédit Mutuel Arkéa, which will thus become a group cooperative and territorial, independent from Crédit Mutuel. This vote acknowledges the Arkéa group's intention to exit the Crédit Mutuel and allows to open a project to define the modalities of its disaffiliation.

This project aims to preserve the fundamental characteristics of the cooperative model and the «raison d'être» of the Arkéa group. It is also a growth driver and will enable the Arkéa group to continue to serve its members, customers and partners.

4.7.2 The operational implementation of the disaffiliation

The Arkéa group has begun the operational implementation of its disaffiliation. On 29 June 2018, Crédit Mutuel Arkéa's Board of Directors approved the main principles of the target organisational structure of the future independent group. Work to define the detailed technical details of the project has been underway for several months and is in the process of being finalized with the supervisors.

The disaffiliation operations will then be initiated in connection with Confédération Nationale du Crédit Mutuel (the «CNCM») and in the limit of the powers granted to it by law. The Board of Directors of the CNCM, dated 18 February 2019, has recognised the possibility of leaving the Crédit Mutuel by adopting a general decision n°1-2019, relating to the disaffiliation of Crédit Mutuel's credit unions at their request (the «DCG»). In accordance with the DCG, the main stages of disaffiliation are as follows:

- (i) the Boards of Directors of the Arkéa group's local savings banks wishing to disaffiliate from the Crédit Mutuel must adopt a notification file for the disaffiliation project. The consultation with local savings banks will take place at the end of the discussions in progress with the European Central Bank (the «ECB») and the Prudential Control and Resolution Authority (the «ACPR») on the basis of a consultation file;
- (ii) each federation shall then notify the CNCM of the draft disaffiliation of each local savings bank;
- (iii) once authorized by the Board of Directors of the CNCM within two months of receipt of the disaffiliation project, each federation

may organize the consultation of the members of each savings bank in an extraordinary general meeting. The proposed disaffiliation must be adopted by a two-thirds majority of the members present or represented;

(iv) in the event of approval of the disaffiliation project by the members, the Board of Directors of the CNCM shall decide on the request for disaffiliation within two months of receipt of the complete file sent by the federations. In particular, a memorandum of understanding between the outgoing savings banks and the CNCM must be concluded setting out the commitments of the savings banks and the practical arrangements for their disaffiliation;

4.7.3 The Arkéa group's target scheme

As part of the target scheme project, the Arkéa group will be formed around Arkéa (currently Crédit Mutuel Arkéa), a cooperative public limited company with variable capital and a union of cooperatives, which will remain individually authorised as a bank cooperative.

Arkéa will be governed in particular by law n°47-1775 of 10 September 1947 on the status of cooperation (the «1947 Law») and the article L. 512-1 of the French Monetary and Financial Code (the «CMF»).

The local savings banks will become Local Cooperative Companies («Sociétés Coopératives Locales» or SCL), maintaining their status as cooperative companies with variable capital and forming with Arkéa a union of cooperatives, under the 1947 Act. The purpose of the new SCLs will be refocused on their primary purpose: to develop membership and facilitate access to banking and financial services. They will be in charge of the support and promotion of the membership as part of their territorial influence.

To this end, all regulated financial activities of the local savings banks will be contributed to Arkéa, which will open correspondingly local branches within the SCLs. In addition, as part of this new organization, all banking operations and the investment services will then be carried out by Arkéa's local branches.

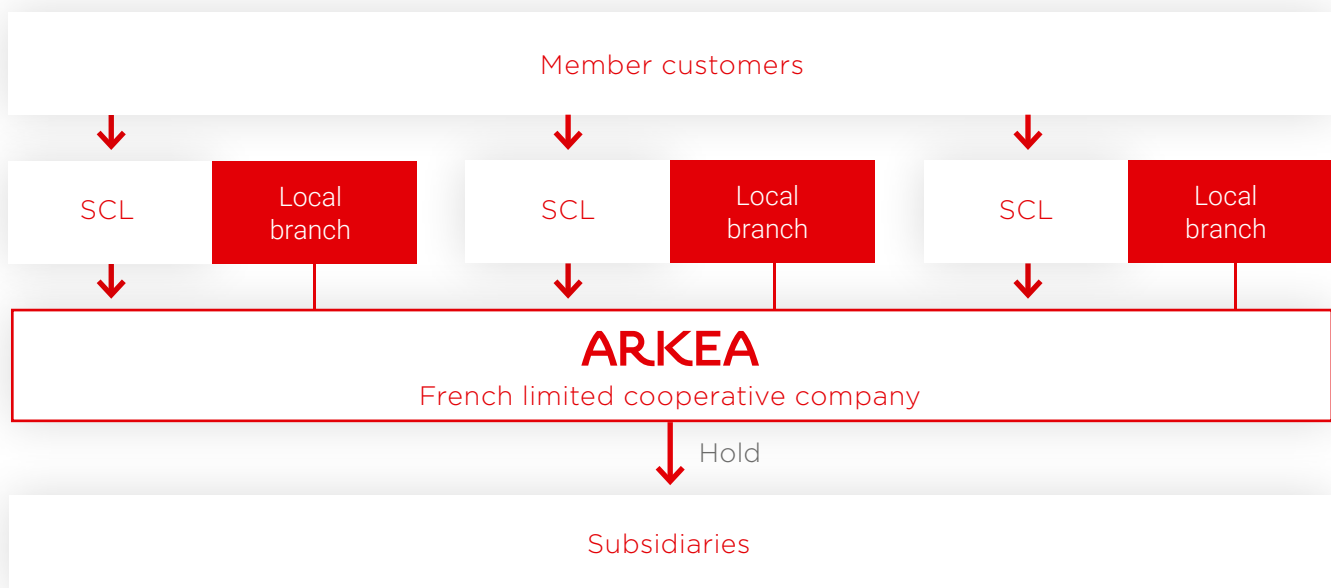
Each SCL will also be able to advise Arkéa's local branch to provide banking services and financial services adapted to members.

In accordance with the 1947 Law, each member will continue to participate in the social life of the SCL in accordance with the principle established «one person, one vote» and stand for election as a candidate for the election of members of the Board of Directors of its SCL. SCL will remain holders of the A shares issued by Arkéa. In other words, Arkéa's governance will be based on involvement and participation of each SCL playing their role as shareholder.

In addition, an affiliation agreement between all SCLs and Arkéa will be concluded for a period of 99 years to implement mechanisms of solidarity, mutual assistance and support to promote the achievement of the primary mission of the SCLs, namely promote access to banking and financial services for all.

Regional federations will guarantee the proper functioning and the good governance of SCL.

Target organisation scheme of the Arkéa group



4.7.4 Convergence process of the local savings banks of the Crédit Mutuel Massif Central federation to Crédit Mutuel Alliance Fédérale

With regard to the convergence process of local savings banks of the Crédit Mutuel Massif Central federation to Crédit Mutuel Alliance Fédérale (CMAF), the Board of Directors of the CNCM on 19 June 2018 has given its prior approval to Crédit Mutuel Massif Central's convergence project to the CMAF. The governance bodies of the federation and the Crédit Mutuel Massif Central regional bank dated 29 June 2018 have approved the convergence process.

In any event, and as long as the operations related to the change and collective agreement, the banking activity of each of Crédit Mutuel Massif's thirty local banks remains under the collective license granted to Crédit Mutuel Arkéa as a credit institution.

4.7.5 Risk factors related to the implementation project work

Crédit Mutuel Arkéa considers that the factors described below could affect the implementation of the group's disaffiliation from the Crédit Mutuel. They are linked to events that may or may not occur. Crédit Mutuel Arkéa is not in ability to measure the probability of these events occurring.

4.7.5.1 Disaffiliation of the Arkéa group from the Crédit Mutuel

The disaffiliation project as planned by Crédit Mutuel Arkéa is unprecedented and involves uncertainty factors described below. Due to its novelty, the disaffiliation project presupposes, for its implementation, that conditions are met in particular at the various stages described in the paragraph on the operational implementation of disaffiliation. The disaffiliation of the Arkéa group from the Crédit Mutuel has a number of consequences, including trade issues linked to Crédit Mutuel Arkéa's adoption of a name and commercial brands that do not include the words «Crédit Mutuel». The preparatory work leading to a new brand is in the process of being completed in order to initiate a new commercial dynamics.

However, the implementation of the disaffiliation of the Arkéa group will not change its nature as a cooperative and territorial group.

4.7.5.2 Local savings banks

Cooperative shares issued by local savings banks before the disaffiliation of the Arkéa group from the Crédit Mutuel.

Crédit Mutuel Arkéa's analysis of the implementation of the disaffiliation of the Arkéa group from the Crédit Mutuel has confirmed that the class A, B and C cooperative shares issued by the local savings banks to date will not be affected.

Indeed, early repayment cases applicable to the A, B and C shares result from (i) the Law of 1947 and (ii) Regulation (EU) No. 575/2013 of 26 June 2013 taking into account the equity quality of the cooperative shares. These laws do not include any case of early repayment relating to the loss of the banking licence of local savings banks or change of purpose as long as the cooperative status remains. Similarly, the contractual terms of the A, B and C shares do not include any prepayment cases relating to the loss of approval of local savings banks that have become SCL.

The issuance of A shares will continue to be carried out by the local savings banks that became SCL.

The implementation of a new issuance scheme for shares after the disaffiliation of the group Arkéa from the Crédit Mutuel.

The disaffiliation of the local savings banks from the Crédit Mutuel group will result in the loss of the benefit of the collective banking licence granted under the conditions of Article R. 511-3 of the CMF, which will have an impact on their ability to issue class B shares by public offer.

These B shares are currently a source of financing essential for Crédit Mutuel Arkéa. An emission scheme of shares is being finalised with the ACPR and the ECB which is intended, when the time comes, to be submitted for their approval.

The fate of the local savings banks that voted against the draft of disaffiliation

The implementation of the operational implementation of the disaffiliation of the Arkéa group remains subject to the approval and vote of the Boards of Directors of local savings banks. Those that would vote against the disaffiliation or not wishing to participate in the vote, may not be part of this new organization.

Even though 94.5% of the local savings banks that voted in 2018 have done so in favour of independence, these results do not pre-judge in no way the results of the future vote of the local savings banks relating to the operational implementation of this disaffiliation from the Crédit Mutuel. Each local savings bank will be asked to give its opinion on the implementation of the disaffiliation of the Arkéa group in accordance with the DCG.

Local savings banks that choose to vote against disaffiliation could be linked to another federal or inter-federal fund in order to benefit from a new collective agreement. This new affiliation would not constitute a refund case of the A, B and C shares held by the

members. These local savings banks would be reimbursed for the A shares they hold in the share capital of Crédit Mutuel Arkéa.

The final vote of the members

The local savings banks that will vote for the disaffiliation from the Crédit Mutuel will have to convene their extraordinary general meeting in order to adopt the disaffiliation project in accordance with the DCG and to approve the amendment of their articles of association relating thereto. The results of the orientation vote on the independence project of the Arkéa group in no way prejudice the results of the future vote of the local savings banks relating to the operational implementation of this disaffiliation from the Crédit Mutuel.

The convergence process of the local savings banks of the Crédit Mutuel Massif Central federation to Crédit Mutuel Alliance Fédérale

The Crédit Mutuel Massif Central federation has initiated the implementation of work of the convergence process. Between September and October 2018, the extraordinary general meetings of the local savings banks of the Crédit Mutuel Massif Central federation were to discuss the convergence process. The statutory amendments necessary to continue the process have been validated by twenty-seven of the thirty local savings banks affiliated to the Crédit Mutuel Massif Central federation. In three local savings banks, the qualified majority was not reached. For these three local savings banks, the Crédit Mutuel Massif Central federation considered in a press release dated October 31 2018 « that it will be the responsibility of the Crédit Mutuel Massif Central federation and the Confédération Nationale to define their future status to secure the interests of clients and members».

The Crédit Mutuel Massif Central federation considers that, from a regulatory point of view, the change of affiliation of the CMMC does not result in the elimination of a federal fund and does not require so no withdrawal of collective agreement. The CMAF and the Crédit Mutuel Massif Central would make a declaration with the ACPR to inform it of the extension of the constituency of the CMAF following the accession of the Crédit Mutuel Massif Central federation.

Discussions are being held between Crédit Mutuel Arkéa, la Caisse fédérale de Crédit Mutuel and the Crédit Mutuel Massif Central federation to study the technical conditions of the change of inter-federal fund for connecting the funds of Crédit Mutuel Massif Central who have so decided.

It is recalled that to date, the banking activity of each of the thirty local savings banks of Crédit Mutuel Massif Central is exercised via the collective license of Crédit Mutuel Arkéa as an institution of credit. At this stage, there is no certainty as to how this situation

could evolve and/or on the deadline at which it could evolve.

4.7.5.3 Crédit Mutuel Arkéa

Following the disaffiliation of the Arkéa group from the Crédit Mutuel of which the CNCM is the central body, the Arkéa group will always be formed around Arkéa (currently Crédit Mutuel Arkéa) licensed as a cooperative bank and directly supervised by the ACPR and the ECB.

The agreement of the supervisory authorities

In accordance with the provisions of the CMF, concurrently with the disaffiliation of Crédit Mutuel Arkéa from the Crédit Mutuel, the CNCM, as the central body, shall notify the ACPR of the disaffiliation of Crédit Mutuel Arkéa.

The ACPR and the ECB will have to review the accreditation of Crédit Mutuel Arkéa and its local banks related. At this stage, extensive and documented work is underway with these authorities in order to obtain their agreement.

Prudential calculations

In addition, the disaffiliation of the Arkéa group from the Crédit Mutuel could lead to an evolution of the internal model of calculation of weighted risks leading to an increase in capital requirements, or even a transition to a standard model.

As at 31 December 2018, credit risk is determined for €95.5 billion of net risk exposures, of which:

- €64.8 billion of risk exposures are valued according to an internal rating approach,
- and €30.7 billion of risk exposures are already assessed according to a standard approach.

Consequently, the disaffiliation from Crédit Mutuel could lead to a review of the method of assessing weighted risks for the €64.8 billion of risk exposures currently being assessed according to an internal rating approach.

CNCM's claims for compensation

The DCG provides that the notification file should mention «the commitments proposed by the fund to indemnify the whole past and future costs incurred by the entities of the Crédit Mutuel group due to the disaffiliation project». In addition, the disaffiliation application file must include the draft memorandum of understanding setting out the commitments of the fund and the practical arrangements for disaffiliation.

In this context, the local savings banks will make a financial proposal to the Board of Directors of the CNCM on the basis of objective elements and legally sound.

Finally, the DCG provides that the Board of Directors of the CNCM shall determine the final terms of the disaffiliation,» holding, in particular, on the effective date of the disaffiliation of the local bank concerned, the amount of the compensation to be paid to the Caisse Centrale de Crédit Mutuel and the memorandum of understanding establishing the Caisse's commitments and the practical terms and conditions of disaffiliation ».

Possible disputes

Following the implementation of the disaffiliation of the Arkéa group from for Crédit Mutuel, there is a risk of legal dispute on the disaffiliation of the Arkéa group, particularly in the framework for the application of the DCG.

In addition, the operational implementation of disaffiliation of the Arkéa group could give rise to various claims on the part of members, customers or counterparties of the Credit Mutuel.

Solidarity mechanism

Crédit Mutuel Arkéa will no longer benefit from the solidarity mechanism in the event of implementation of the independence of the Arkéa group from Crédit Mutuel. However, it should be noted that Crédit Mutuel Arkéa has its own solidarity mechanism that would intervene in the first instance.

Thus an affiliation agreement between all SCLs and Arkéa will be concluded for a period of 99 years to implement solidarity mechanisms, mutual assistance and support to foster achievement the primary mission of the SCLs, which is to promote access to all banking and financial services.

At this stage, there is no certainty as to how the situation will evolve nor the timeframe in which it may be resolved.



5

Statement of non-financial performance

- 5.1 The Arkéa group's business model
- 5.2 The Arkéa group's social responsibility
- 5.3 The Group's main non-financial challenges and risks
- 5.4 Supporting clients and territories in societal, social and environmental transitions
- 5.5 A responsible corporate approach
- 5.6 Consolidated table of indicators

5.1

The Arkéa group's business model

Through a cooperative and collaborative bank, serving its regions and their players with a long-term view and helping each individual achieve his or her objectives, in collaboration with our stakeholders we develop innovative solutions to help our members and

customers accomplish their life projects and fulfill their aspirations. This approach generates shared value among all the various partners of this ecosystem.

Conditions in the banking and insurance sector

Regulatory pressure

Long-term management of resources, respecting our environment

Human capital

Skills and commitment of nearly 10,500 employees and 3,000 directors

Financial resources

Shares held by the customer members, customers' savings, refinancing on the financial markets, etc.

Intellectual capital

Technological innovation, expertise, etc.

Organizational capital

Flexibility linked to its intermediate size, local presence and regional roots

Material resources

Regional head offices and 478 points of sale, datacenters...

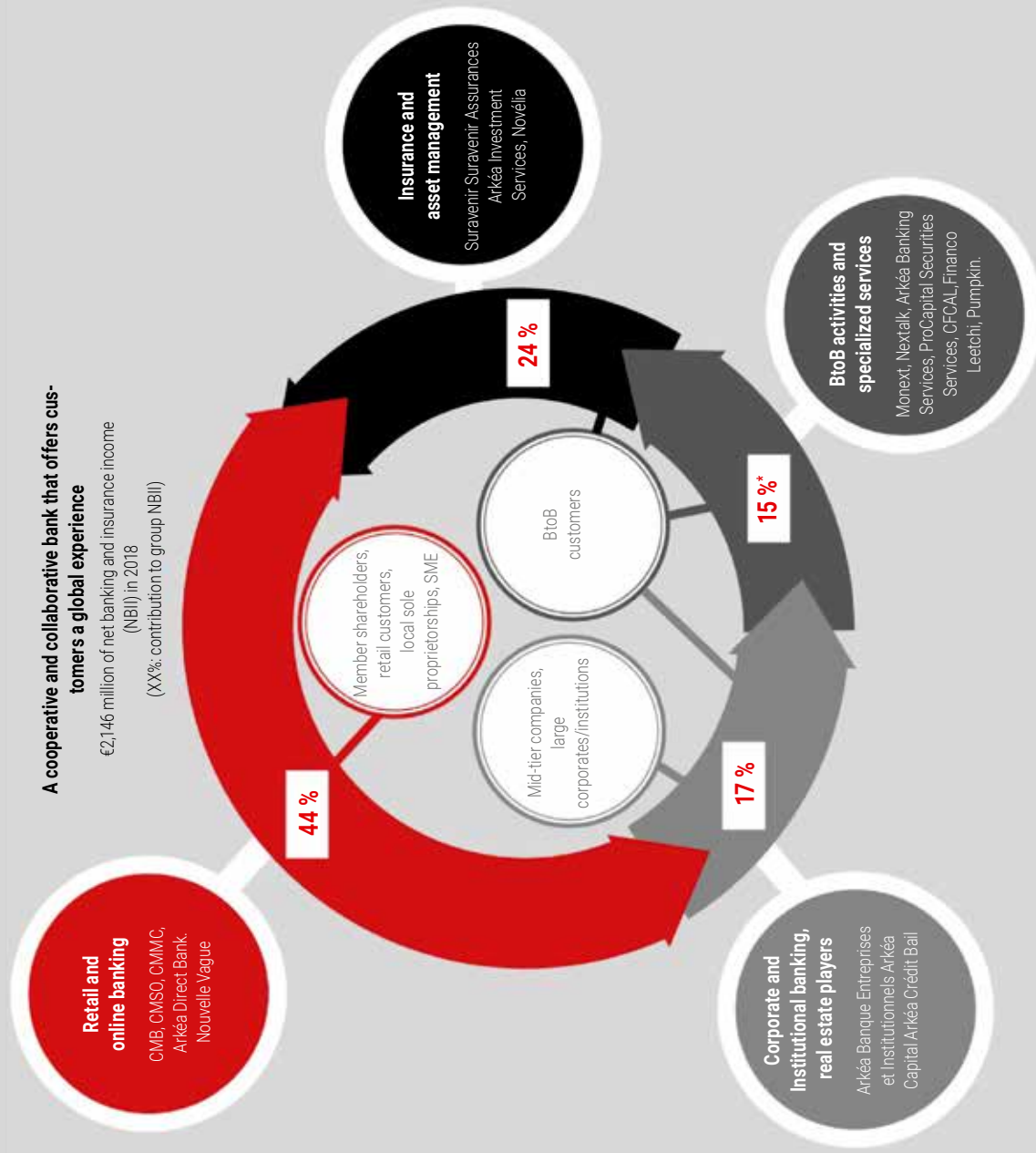
Natural resources

Energy, paper, etc.

Customers recover power

A cooperative and collaborative bank that offers customers a global experience

€2,146 million of net banking and insurance income (NBI) in 2018
(XX%: contribution to group NBI)



Sharing the value created to serve our territories

Customers and member shareholders

€333.8 million in interest paid on customer deposits
€36.8 million in remuneration of member shares
€14 billion in loans granted during the year
€6.1 million in solidarity payments (loans and donations)

Partners

€1,644 million invested in businesses at the end of 2018
€309 million in commissions paid to business providers
€4.6 million in patronage and sponsorship

Employees

837 recruitments (permanent contracts)
96% of employees trained
€575 million in compensation paid

Suppliers:

Nearly 3,000 local businesses
94.6% of purchases made from French suppliers
€423 million paid to suppliers

State and local authorities

€552 million in taxes paid

* Contribution of the BtoB and Specialized Services division to group NBI excluding the BtoB customers of the Insurance, Asset Management and Corporate and Institutional divisions

The group's activities are described in greater detail in Section 1 of this Registration Document

5.2

The Arkéa group's societal responsibility

5.2.1 Responsible development is at the heart of the group's strategy

The Arkéa group has long placed corporate social responsibility at the heart of its corporate strategy.

In 2018, Arkéa wanted to take this approach even farther. As part of its development project, it wished to reflect on the meaning of its action, on the "rationale" for its existence: i.e. on what it has always been and wants to remain, what characterizes it and distinguishes it from other banking groups - a "rationale" that has been an integral part of the Arkéa group for such a long time but which needs to be expressed, revealed and assimilated. As this is a question of identity, with multiple dimensions, the group has chosen to define this "rationale" using an open and participatory method, involving directors and employees.

This approach has led to greater awareness that the Arkéa group's performance is not only measured in the light of its income statement and that value creation is multiple, financial, non-financial, and above all shared with all its stakeholders. The Arkéa group is a cooperative company that is part of an ecosystem within its local environment. A company that has a very strong impact on its territories and a particular responsibility towards all those who contribute to its development.

This particular responsibility of the Arkéa group is reflected in the support it gives its stakeholders in societal and environmental transitions and in a responsible corporate approach.

Faced with the profound and lasting changes in society that are transforming its businesses, Arkéa has put supporting its customers and regions in these societal and environmental transitions at the heart of its corporate social responsibility. It is through its financing and investments that the group has the greatest leverage to help achieve these transitions successfully. This adaptation of its banking, insurance and investment businesses is designed to change its product and services offering but also its financing and investment processes. This approach therefore constitutes a genuine lever for innovation and development for the group. By bringing innovative solutions to its stakeholders, Arkéa gives them

the opportunity to themselves adapt to these challenges, fostering shared value creation with players in its regions. Arkéa thus contributes mainly to the sustainable development goals (SDG) relating to economic growth (SDG 8), combating climate change (SDG 13), responsible production and consumption (SDG 12) and reducing inequalities (SDG 10).

While supporting its stakeholders, the Arkéa group also implements a responsible corporate approach. This involves a proactive human resources policy that contributes in particular to the sustainable development goals of decent work and economic growth (SDG 8) and gender equality (SDG 5). Arkéa's societal responsibility also means that ethics are a key factor in all its business relationships. Lastly, its corporate social responsibility also means reducing its own environmental footprint, which contributes, as a matter of priority, to the sustainable development goal of climate action (SDG 13).

5.2.2 Structured CRS Organization and Governance

Through a dedicated team, Arkéa's Corporate Secretariat and Institutional Communication department is in charge of steering, coordinating and supporting the group's entities in rolling out the CSR strategy.

It works with a community of about 40 CSR advisors in the federations, subsidiaries and central departments, who coordinate and facilitate the CSR actions within their organization. These advisors develop a CSR action plan for their entity and coordinate its implementation over time, in collaboration with the operational teams. They meet several times a year to exchange best practices, both internal and external, thus contributing to cross-group CSR actions. In 2018, they took part in the materiality assessment performed by the group and organized workshops on the approach for integrating environmental, social and governance (ESG) criteria into the group's financing and investment activities. The CSR advisors also initiated an analysis of the contributions made by the business lines in terms of UN Sustainable Development Goals (SDG). Their awareness of energy and climate issues was enhanced by a spe-

cialized association. To supplement this awareness raising program, a special e-learning module on the role of the financial sector in the area of climate change was developed and delivered to them at the beginning of 2019.

This organization is coupled with a communication campaign for all in-house audiences via dedicated spaces for information on the employee intranet and information meetings to raise the awareness of employees and directors. The organization of dedicated events at the various group entities also helps build awareness among employees: for example, during European Sustainable Development Week, Responsible Finance Week, Quality of Life at Work Week, mobility, etc.

Arkéa's governance is particularly attentive to and deeply involved in the group's CSR approach. The Corporate Secretariat and Institutional Communication department reports regularly on the progress of the CSR action plan within the group to the Executive Committee or the General Coordination Committee, as well as to the specialized Strategy and Societal Responsibility Committee. In 2018, follow up reports on CSR actions within the group and the vigilance plan were presented to the Strategy and Societal Responsibility Committee. It was also involved in the various work projects associated with preparation of this Statement of non-financial performance: materiality assessment, business model and main non-financial risks.

The directors at federation level are also involved in CSR, both through special committees (see 5.5.2 Exemplary business conduct and governance) and through solidarity mechanisms (see 5.4.2 Supporting regional development and 5.4.5 Banking inclusion of vulnerable customers).

Another strong indicator of the group's ambitions in this area was the integration of CSR criteria into variable compensation for corporate officers and senior managers.

5.2.3 An approach based on openness and continuous improvement

For Arkéa, a cooperative and collaborative banking group, listening to all its stakeholders is a central part of its business approach. Listening to stakeholders plays a key role in many of the major projects carried out. In 2018, the group organized meetings with its stakeholders throughout the year:

- In spring, 1,500 directors of the Crédit Mutuel de Bretagne and Sud-Ouest federations attended "cooperation workshops" where they could express their expectations with regard to the cooperative movement.
- In the context of the group's materiality assessment, interviews and workshops were also held with the different types of stakeholders (customers, directors, employees, suppliers, etc.).
- Since the summer of 2018, a collaborative project has been underway with employees, managers and directors with the aim of expressing the group's underlying rationale.
- Lastly, collaborative workshops were also organized for employees focusing on the theme of fairness.

This collaborative approach is important for the group, enabling it to gain greater knowledge of its impact on its stakeholders and, in particular, of the social, environmental and societal consequences of its activities. It also gives it a better understanding of their expectations enabling it to take more relevant action.

As mentioned above, in 2018 the group ran a campaign of listening to its stakeholders. This campaign was in addition to the regular contact maintained with the stakeholders.

NON-FINANCIAL PERFORMANCE

MAIN STAKEHOLDERS	MAIN FORMS OF DIALOG AND EXPRESSION
Prospective customers, customers and shareholders (individuals, professional, corporate, institutional, etc.)	<p>Day-to-day relationship with the bank Annual general meeting (shareholders) Surveys, round tables, barometers (federations) Satisfaction surveys Customer relationship services Ombudsman services</p>
Directors	<p>Board of Directors' meetings and Annual General Meetings Commissions and Committees Involvement in solidarity mechanisms (federations) Coordinating (director/employee) training modules for directors Annual seminar for Crédit Mutuel Arkéa's directors on the group's strategy Annual training seminar for second-level directors Annual assessment and three-yearly questionnaire regarding the functioning of the Board for Crédit Mutuel Arkéa's directors Annual seminar for new directors and annual seminar for new Chairmen of the Crédit Mutuel de Bretagne local savings banks</p>
Suppliers	<p>Relations with the Purchasing department (including responses to calls for tender, contracts, questionnaires). Operational follow up of the service provided with the purchasing entities</p>
Analysts and investors	<p>Investor Relations team Investors space on the Arkéa.com website Market press releases Presentation of annual and interim results Roadshows in France and abroad</p>
Rating agencies (financial and non-financial)	<p>Presentation of annual and interim results Contacts with the Financial department correspondents responsible for handling relations with rating agencies Periodic meetings between Arkéa's teams and each rating agency Replying to the agencies' requests and questions</p>
Supervisory authorities	<p>Regular meetings and contact between the relevant Arkéa departments and units and:</p> <ul style="list-style-type: none"> ■ the ECB and ACPR in the context of their missions of authorization, supervision and prudential control (licenses and authorizations, prudential reports, desk controls, on-site inspections, consultations, other requests, etc.) ■ the AMF in the context of its regulatory and financial savings protection missions (licenses, authorizations, approval of information documents and collective savings products, advice, consultations, desk investigations, on-site investigations, periodic reports, sundry requests, etc.) ■ foreign supervisory bodies when assisting subsidiaries with foreign activities (particularly the Luxembourg financial authority Commission de Surveillance du Secteur Financier, National Bank of Belgium and the Belgian Financial Services and Markets Authority)
Trade associations (AMAFI, OCBF, etc.) and professional networks	<p>Meetings, regular contacts and involvement in workshops and work groups Regulatory watch and discussion of legislative and regulatory developments Discussion relating to professional systems and common or different market practices Reflections on operational implementation and interpretation issues Participating in market debate and work projects with the regulators</p>
Media	<p>Contact with the Institutional Communication department Press releases and press conferences Journalists briefings Institutional publications Electronic communications (social networks)</p>
Employees	<p>Relations with management Contact with the HR managers Surveys and opinion polls Internal communications: spring and autumn information meetings, PEPS, 360 Chrono, HR Days, Square Events), intranet, events, etc. Whistleblowing</p>
Social partners	<p>Employee representative bodies Agreement on union rights and employee representation</p>

Arkéa's Societal Responsibility is part of an approach of continuous progress and improvement in the group's non-financial performance.

As a sign of this commitment to progress, the group has chosen to adhere to the UN Global Compact and promote its 10 principles. Since publication of its Communication on Progress in October 2018 (relating to the 2017 commitments), the group has moved up to Advanced level. Arkéa is also a member of the CSR observatory ORSE, which enables it to contribute to corporate endeavors to promote responsible practices and share good practices. As such, in 2018, Arkéa contributed its testimony to the study on CSR and governance (RSE et gouvernance : panorama des acteurs de la transformation) carried out by ORSE and EDH. Arkéa's Chairman Jean-Pierre Denis spoke at the conference called to present the results of this study on June 26, 2018.

Arkéa Banque Entreprises et Institutionnels is also a founding member, alongside other business leaders, of the Breton network

of the Dirigeants Responsables de l'Ouest association. Convinced that businesses must be committed economic agents to meet the social and environmental challenges, these managers meet regularly to exchange views and discuss social and environmental projects.

The aim of Arkéa's involvement in these networks and initiatives is to make an active and collective contribution to achieving sustainable economic development. Its participation in these networks is also designed to improve its non-financial performance, which is assessed by the rating agencies.

RATING AGENCIES	LAST KNOWN RATING OF THE ARKÉA GROUP
Vigeo Eiris	60/10 (2017)
ISS-Oekom	Prime (2018)

5.3

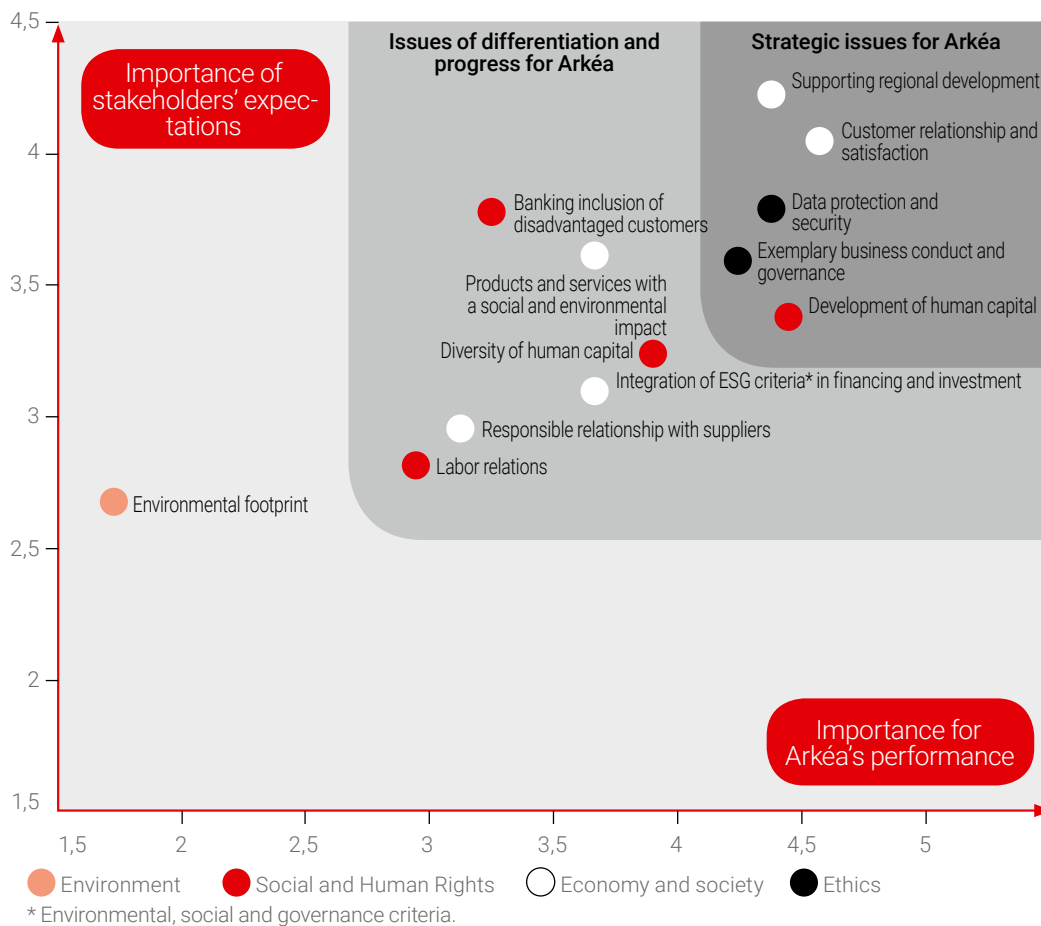
Main non-financial challenges and risks

5.3.1 Materiality assessment

In 2018, Arkéa performed a first materiality assessment to identify the issues at stake in the area of corporate social responsibility (CSR).

Preliminary work was carried out to identify its non-financial issues, drawing on the group's present CSR strategy born from listening to stakeholders and the internal analysis performed in 2014 as well as on international initiatives and existing sector studies, the regulatory environment and the assessment criteria of the non-financial rating agencies. On completion of this phase, a first list of issues was drawn up covering four areas: ethics; social and human rights; environment; economy and society. The assess-

ment of the materiality of these issues was carried out through collaborative workshops and individual interviews with the group's key stakeholders. During these workshops and interviews, employees with CSR expertise, managers, directors of Crédit Mutuel Arkéa's Board of Directors and the federations' specialized committees were asked to assess the importance of these issues to the group's performance (the matrix's x-axis). Customers, directors and representatives of members, employees, suppliers and partners were asked to express their level of expectation vis-à-vis the group (y axis). These discussions resulted in the materiality matrix presented below.



The issues located at the top right-hand side of the chart are considered issues that are currently of strategic importance for the group. They touch on its business continuity and would have strong impacts on its performance in the short term.

The issues displayed at the center of the chart are considered to be factors that differentiate Arkéa from other market players or areas for progress so as to make them genuine levers for Arkéa's performance over the medium term.

This first materiality assessment enabled the stakeholders involved in this work to take stock of all the non-financial issues at stake for the group and indicate their priorities.

MAIN STAKEHOLDERS	NON-FINANCIAL ISSUES
Sole proprietorships, corporate, institutional	Customer relationship and satisfaction Data protection and security Exemplary business conduct and governance Products and services with a social and environmental impact Support for regional development
Employees	Development of human capital Customer relationship and satisfaction Diversity of human capital Supporting regional development
Directors representing customer shareholders	Banking inclusion of vulnerable customers Supporting regional development Data protection and security Customer relationship and satisfaction
Suppliers	Responsible relationship with suppliers Supporting regional development Exemplary business conduct and governance

This assessment enabled Arkéa to identify the issues on which expectations are significant and/or for which progress must be continued. The materiality assessment will be repeated regularly.

These various issues are presented in detail in sections 5.4 and 5.5 of this statement of non-financial performance. They carry both development opportunities for the group and non-financial risks, as described below.

5.3.2 The group's main non-financial risks

To identify its main non-financial risks, the Arkéa group drew on the work carried out as part of the materiality assessment, the vigilance plan (see below) and the existing operational risk map. Based on these different sources, interviews were conducted with the business departments concerned.

This cross-functional approach identified seven main categories of non-financial risks linked to the social and environmental consequences, as well as governance and ethics, of the group's activities and business relations. Given the services profile of the group's activities, direct environmental risks are not considered material relative to the other risks presented below.

The risks presented below relate to the group's activities and its relations with its stakeholders. As well as the impact they could have for the stakeholders, their main consequences would be in terms of impact on Arkéa's image and reputation. Some risks could have financial consequences: possible penalties and fines, customer attrition, employees' lack of commitment, but also credit or counterparty risk over the medium to long term with regard to controversial financing and investments.

DESCRIPTION OF RISK	RISK MITIGATION POLICY	MAIN DUE DILIGENCE MEASURES ASSOCIATED WITH THESE POLICIES	KEY PERFORMANCE INDICATORS	ASSOCIATED NON-FINANCIAL RISK (MATURITY CHART)
COMPLIANCE RISK				
<p>Non-compliance with financial security rules including failure to comply with the regulations in the area of combating money laundering and terrorist financing (AML/CTF)</p>	<p>Framework procedure for detecting and reporting suspicious transactions that could constitute market abuse. Framework procedure for supervising permanent insiders. Framework procedure for protecting inside information and monitoring transactions. Framework procedure governing trading by the persons concerned. Framework procedure covering "Customer information obligations in the area of investment services" Framework system governing "incentives." Procedure for assessing employees' knowledge and skills. Framework system governing Best Execution and Best Selection obligations. Investment services framework "know your customer" procedure. Investment services framework "asset protection" procedure. Framework system governing registration obligations. Framework AML/CTF procedure and supplementary modules.</p>	<p>Operational implementation of the group's framework systems by the group entities subject to them under the regulations (Crédit Mutuel Arkéa and the group subsidiaries concerned). Oversight by the group Compliance and Permanent Control department: regulatory watch (informing group entities); validating operational adaptation by the entities and checking proper implementation (compliance reporting, interviews about the systems, compliance checks, etc.), coordinating the entities (support, advice, training); submitting activity reports to the management bodies (Group Compliance and Permanent Control Committee, Risk and Internal Control Committee, Board of Directors).</p>	<p>86.2% of staff exposed to AML/CTF risk have received training (15589 credit institution scope) No sanction issued by the ACPR with regard to the AML/CTF system</p>	<p>Exemplary business conduct and governance</p>
<p>Non-compliance with rules of good conduct/ business ethics, including corruption</p>	<p>Compliance charter Conflict of interests management policy Framework whistleblowing procedure Framework for prevention of corruption and influence peddling</p>	<p>(support, advice, training); submitting activity reports to the management bodies (Group Compliance and Permanent Control Committee, Risk and Internal Control Committee, Board of Directors).</p>	<p>79% of persons exposed to the risk of corruption within the 15589 credit institution scope have received training</p>	
<p>Non-compliance with customer protection rules</p>	<p>System for prior approval of the compliance of new products and projects "General principles" Framework "Product governance and oversight" procedure Framework "System for managing outsourced services" procedure Framework banking inclusion system Framework basic account rights system Arkéa group policy of facilitating banking mobility Framework customer complaints handling procedure Arkéa group business provider policy</p>		<p>7,498 people have benefited from the special offer dedicated to vulnerable customers (15589 credit institution scope)</p>	<p>Customer relationship and satisfaction Banking inclusion of vulnerable customers</p>

DESCRIPTION OF RISK	RISK MITIGATION POLICY	MAIN DUE DILIGENCE MEASURES ASSOCIATED WITH THESE POLICIES	KEY PERFORMANCE INDICATORS	RELATED NON-FINANCIAL ISSUES
COMPLIANCE RISK				
Non-compliance with fiscal transparency rules	Framework fiscal transparency mechanisms (FATCA, CRS, QI)			Exemplary business conduct and governance
Non-compliance with the General Data Protection Regulation (GDPR)	Group data protection guidelines Personal data protection policies (customers, employees and directors) Information Systems Security Policy (PSSI) that includes data and data processing security	Mandatory e-training for all local savings bank employees and all new hires Open e-training courses for all employees		
RISK OF DATA BREACH				
Inappropriate use of or access to data	Group Information Systems Security Policy (PSSI)	Thematic policy for the protection of sensitive data, including a classification of data and the protection systems associated with the classification level. Thematic policy for managing logical access. Security analysis in projects and impact analysis relating to the protection of personal data.	Unpublishable ISS dashboard.	Data protection and security
RISK OF INAPPROPRIATE GOVERNANCE				
Not sufficiently fit and proper	Board of Directors' internal operating rules Articles of Association Appointments Committee Charter	Annual and three-yearly review of the operation of the Board of Directors Regulators' authorization Training program (in progress) Succession plan (in progress)	94.5% of directors approved by the regulators without conditions precedent (regulated entities scope) 88% attendance rate at Crédit Mutuel Arkéa's Board of Directors meetings. 88% of subsidiaries with attendance rates of more than 75% at meetings of the supervisory body	Exemplary business conduct and governance
Failings in cooperative governance	Articles of Association Operating rules (Federations) Crédit Mutuel Arkéa's internal rules Crédit Mutuel Arkéa's independent director charter Guidelines for local savings bank directors Legal guidelines for Shareholders' General Meetings	Cooperative review Control of Shareholders' General Meetings by the Internal Audit and Periodic Control department	72% of customer shareholders among the federations' retail customers 3.07% participation rate at the local savings banks' Shareholders' General Meetings 91% participation in Crédit Mutuel Arkéa's Shareholders' General Meeting	

NON-FINANCIAL PERFORMANCE

DESCRIPTION OF RISK	RISK MITIGATION POLICY	MAIN DUE DILIGENCE MEASURES ASSOCIATED WITH THESE POLICIES	KEY PERFORMANCE INDICATORS	ASSOCIATED NON-FINANCIAL RISK (MATERIALITY CHART)
CONTROVERSIAL FINANCING AND INVESTMENTS				
Financing of customers or investments in issuers that do not meet the standards in governance and business ethics, employment practices and human rights, the environment and climate.	Group ESG project is underway to define group policies			Integration of ESG criteria in financing and investment
	Asset managers and institutional investors ESG framework of the investment policies of Suravenir, Suravenir Assurances, Federal Finance Gestion and Schelcher Prince Gestion Adherence to PRIs (Federal Finance Gestion, Suravenir and Schelcher Prince Gestion).	ESG research List of excluded companies that seriously breach the principles of the Global Compact (scope managed by Federal Finance Gestion) Monitoring of investments/ cash by committees Monitoring controversies Issuer engagement policy	92% of assets under management at Federal Finance Gestion managed according to ESG criteria	
	Private equity business: Arkéa Capital's ESG Investment Charter	ESG review at the investment phase ESG clause in shareholders' agreements Annual ESG questionnaire		
PSYCHOSOCIAL RISKS				
Psychosocial risks (PSR) are linked to the following risk factors: work load, quality of life at work, lack of employee motivation, sexism and harassment	Group "HR convictions" road map PSR mitigation policy at the level of the Economic and Social Unit (UES)	Training by Arkéa Management Académie QWL barometer (UES) Papripact annual QWL Collective agreements in force (UES) Listening to staff 'Rebond' program (UES)	QWL barometer: 70% positive opinions on the "meaningfulness of work" criterion QWL barometer: 25% positive opinions on the "work load" criterion	Development of human capital
NON-COMPLIANT LABOR PRACTICES				
Discrimination	Group "HR convictions" road map Collective agreements Labor relation risk mitigation policy at the level of the Economic and Social Unit (UES)	All-inclusive training Agreements relating to disabled workers, professional equality, employees aged 50 plus (UES) Harassment work group	-1.6% pay gap between women and men (UES) 3.2% disabled workers	Diversity of human capital
Failure to respect social dialog		Agreement on union rights and employee representation (UES)	39 collective agreements signed	Social dialog
NON- RESPONSIBLE RELATIONSHIP WITH SUPPLIERS				
Collusion Economic dependence Late payments Non-compliant CSR practices	Supplier relations charter signed by the group	Duty of vigilance and Sapin 2 procedure (in progress) Anti-corruption clause in framework contracts Supplier code of conduct appended to the framework contract Supplier questionnaire duty of care (in progress) Code of ethics signed by buyers Code of ethics prescribers	94.6% of supplies purchased from French suppliers	Responsible relationship with suppliers

Methodological notes:

Non-compliance risks: mitigation policies and measures cover the scope of the entities subject to the framework procedures under the regulations.

Risk of data breach: controlling the risk of a data breach means keeping information systems security efficient and up to date. There are numerous indicators that measure the level of implementation of the security systems. The ISS dashboard enables the measures in place to be monitored and adjusted if necessary. Given the highly confidential nature of the ISS dashboard, the indicators in this dashboard are not published.

Risk of inappropriate governance:

- Risk of failure to meet fit and proper standards: the policies and main due diligence measures cover the group scope.
- Risk of failings in cooperative governance: the policies and main due diligence measures cover the scope of the company Cr dit Mutuel Ark a, the local savings banks and the federations to which they are affiliated.

Non-responsible supplier relations risk:

- The main due diligence measures are implemented by the Purchasing department to start with.
- The percentage of purchases from French suppliers relates to the following scope: equivalent to UES scope, Ark a Banking Services, Armoney, CFCAL, Financo, Nextalk, Fortuneo, Nouvelle Vague, Ark a On Life, Nov lia and Suravenir. Sliding one-year period from mid-2017 to mid-2018.

These risks, policies and mitigation measures, together with the performance indicators, were presented to the Strategy and Societal Responsibility Committee for approval on January 21, 2019 and then to the group's Board of Directors on January 25, 2019.

The methodology used in 2018 will be strengthened in 2019.

Lastly, the group may itself be subject to risks linked to climate issues. In the area of insurance, for example, the growing risks associated with global warming are mainly linked to damage caused by storms, floods and drought, which are now more frequent and often more destructive than in the past. Already faced with these hazards, Suravenir Assurances draws on reinsurance to reduce the financial impact, both to protect earnings and to protect capital. Nonetheless, given the increase in climate-linked events, the cost of reinsurance is rising which will have to be passed on

to the price of home insurance to maintain a sustainable cover for policyholders. In addition, in line with its policy of prevention, Suravenir Assurances has put in place a mechanism designed to reduce the damage caused by weather events by sending emails and SMS to the policyholders in the affected areas.

5.3.3 Report on implementation of the vigilance plan

To comply with the requirements of the French Act of March 27, 2017 on the duty of vigilance of parent companies and ordering companies, Ark a has rolled out a vigilance plan for the risk of serious breaches of human rights and fundamental liberties, health/safety and the environment, both for the scope of its activities, and with respect to its main suppliers and service providers.

The implementation of this plan continued in 2018 with:

- The creation of a cross-functional Vigilance Plan Steering Committee, whose role is to oversee implementation of the plan by the business line entities, follow up validated actions and draw up a progress plan.
- The construction and deployment of an alert mechanism dedicated to the risks concerned by the vigilance plan.
- The launch of work groups in some risks identified in the context of the 2017 vigilance plan.
- Construction of solutions designed to strengthen knowledge of supplier risks.

The scope of the vigilance plan was extended through the gradual integration of the financing and investment activities and the definition of additional risk measurement indicators.

The 2018 vigilance plan was presented to the group's Executive Committee on December 17, 2018 and to the Strategy and Societal Responsibility Committee on January 21, 2019. A summary of the 2018 vigilance plan is presented below:

	HUMAN RIGHTS	HEALTH/SAFETY	ENVIRONMENT
AS A COMPANY			
Mapping	Mapping of human rights risks	Mapping of physical health/safety risks Mapping of psychosocial risks	Mapping of environmental risks
Regular assessment procedures	Mapping updated annually with regard to changes in the group's geographic presence, the systems in place and the performance indicators	The occupational risks evaluation questionnaire completed by the entities serves as the basis for the mapping QWL barometer Performance indicators	Interviews with building managers Carbon footprint indicators
Main risks	Medium risk: discrimination/inequality	Significant risks: work stress, traffic accident risk, aggression/aggressiveness, serious events	Proven impact: greenhouse gas emissions linked to travel and energy consumption; asbestos waste
Main risk mitigation actions	Diversity action plan Gender equality agreement (UES scope) Agreement on the employment of people with disabilities (UES) Agreement for employees over age 50 (UES) Setting up of a work group on harassment	Training, awareness raising campaigns Actions in favor of the Quality of Life at Work and the development of collaborative methods Adaptation of work processes to address workplace stress Setting up of a work group on harassment Safety mechanism to deal with aggression and serious events	Measuring the carbon footprint Entities' mobility plans Action designed to improve energy efficiency and optimize energy consumption Carbon footprint criterion for increasing the incentive/profit sharing budget (UES)
AS ORDERING PARTY			
Mapping	Mapping of risk by purchasing family Mapping of the level of risk of the top 50 suppliers (by volume of purchases)		
Regular assessment procedures	Mapping updated annually		
Main risks	The group's purchasing families are more exposed to labor/human rights and ethics risks than to environmental risks.		
Main risk mitigation actions	Clauses in Crédit Mutuel Arkéa framework contracts (labor rights, corruption) Suppliers code of conduct Dialog with suppliers In preparation: CSR assessment questionnaire for suppliers		

	DROITS HUMAINS	SANTÉ/SÉCURITÉ	ENVIRONNEMENT
AS FUNDER AND INVESTOR			
Mapping	Simplified mapping at end-2018 for the scope of corporate and professional financing and investment (excluding sovereign debt)		
Regular assessment procedures	Annual update to be performed		
Main risks	Analysis to be continued		
Main risk mitigation actions	<p>Investors and asset managers: ESG framework integrated into the investment policies of Suravenir, Suravenir Assurances, Federal Finance Gestion, Schelcher Prince Gestion and Arkéa Capital List of excluded companies that seriously breach the principles of the Global Compact (scope managed by Federal Finance Gestion)</p> <p>Scope of Arkéa's Financial Markets department: in progress</p> <p>Arkéa Banque Entreprises et Institutionnels: customer CSR maturity assessment grid initiated in 2018.</p>		
WHISTLEBLOWING			
Alert and reporting system dedicated to the risks of serious breaches of health/safety, human rights and respect for the environment, deployed in 2018. The Employee Representative Bodies (of the UES) were involved in putting together this system.			
MONITORING OF MEASURES IMPLEMENTED AND ASSESSMENT OF THEIR EFFICIENCY			
Cross-functional Steering Committee: overseen by the CSR department and involving all the main departments concerned: Human Resources; Purchasing; Organization and Resources; Compliance and Permanent Control and Risk departments. It met four times in 2018.			

5.4

Supporting customers and regions through societal, employment and environmental transitions

5.4.1 Customer relations and satisfaction

Non-financial risks associated with this issue:

Compliance risk: non-compliance with customer protection rules

Arkéa has always paid particular attention to the quality of its customer relations and satisfaction, especially since customer members are at the heart of the operation of a cooperative group such as the Arkéa group: in its cooperative movement, the customer shareholder owns a member share and is both shareholder and customer. The holding of shares in their local bank makes them joint owners. As such, they are invited to attend the Shareholders' General Meeting of their local savings bank each year and have voting rights to elect the members of its Board of Directors on the principle of "one person, one vote". They may also apply to be a director on the Board of their local savings bank.

At the end of 2018, 72% of the individual customers of the Arkéa group's federations were member shareholders.

The Annual General Meeting is a valuable opportunity for exchanges between member shareholders, directors of the local savings bank and employees in which to present activity reports to member shareholders and members of the Board of Directors and put resolutions to the vote. It is also an opportunity for discussion on topics related to current economic and financial events, banksurance or the life of the local bank. In 2018, more than 80 local savings banks in Brittany brought up the subject of corporate social responsibility at their annual general meeting. In 2018, more than 46,200 customer shareholders attended the shareholders' meetings of the local savings banks. The voting participation rate was 3.07%.

Each year, a portion of the distributable profit is paid to customer shareholders in the form of remuneration of the shares they hold. In 2018, customer shareholders received €36.8 million as a return on their member shares in respect of fiscal year 2017.

The Arkéa group federations position their account managers as genuine financial coaches for their members and customers. The federations aim to offer members and customers the best possible experience, through a clear, simple approach, a local presence, and by really listening to and responding to their needs. They draw on technological innovation to make their customers' daily lives easier and simpler. Since 2017, new customers have been able to open an account online in under ten minutes and immediately obtain a means of payment. In 2018, the Sud-Ouest and Bretagne federations launched a budget management coaching service, Bud'JET, based on personalized alerts.

The federations are also attentive to the opinions of the people who live in their regions. Through regular surveys and round tables, they identify the expectations of their members, customers and prospective customers in order to better meet their needs. They measure the quality of their relations with members and customers through barometers that enable them to ensure continuous improvement. To strengthen their engagement with customers, at the Sud-Ouest and Bretagne federations a panel of 4,900 customers and customer shareholders has been in place since 2016 with the aim of together building the solutions for the future.

The group's subsidiaries also pay close attention to customer satisfaction, through regular measurement of this indicator.

To satisfy customers' interests as far as possible, group entities that are in contact with customers each have a special unit dedi-

cated to processing customer complaints and ensuring they are handled promptly and efficiently.

In addition, with a view to ongoing improvement in practices and in customer satisfaction, complaints handled are subject to qualitative monitoring. Since 2017, a Customer Complaint Analysis and Quality Committee meets each quarter with the relevant departments to analyze customer complaints received by the Arkéa group federations and adjust processes accordingly. Lastly, a community of practitioners comprised of the heads of customer relations departments and of internal control at the group entities meets each year to discuss regulatory developments and share their best practices in the area of complaints handling.

More specifically concerning mediation, 157 cases eligible for mediation were recorded in 2018 by Arkéa's ombudsman, of which 139 concerned the group's banking entities. A dedicated website is available to the public (<https://lemediateur.creditmutuelarkea.fr/>).

Several procedures and systems (described in section 5.5.2 Exemplary business conduct and governance) establish the rules that group entities must comply with to guarantee customers that their best interests will be respected.

SCOPE OF THE THREE FEDERATIONS: CRÉDIT MUTUEL DE BRETAGNE, CRÉDIT MUTUEL DU SUD-OUEST, CRÉDIT MUTUEL MASSIF CENTRAL

	2016	2017	2018
Number of local savings banks	334	332	329
Number of customers	2,290,293	2,295,796	2,330,375
of whom individuals	2,091,451	2,090,712	2,120,918
Number of customer shareholders	1,482,077	1,506,025	1,520,780
Rate of customer shareholding (among individual customers)	70.9%	72.0%	71.7%
Voting participation rate at shareholders' meetings	3.3%	3.1%	3.1%
Average amount of share capital owned (in euros)	1,480	1,460	1,485

5.4.2 Supporting regional development

As a local banking group, Arkéa supports and fosters economic development, employment and innovation in its regions through its financing, investment and participation in the local economic ecosystem. A committed company, it also contributes to the dynamism of its regions in areas such as culture, sport, etc. The group also implements an active recruitment policy (see section 5.5.3 Developing human capital).

FINANCING THE REAL ECONOMY

Financing and equity investment in businesses and companies

The Arkéa group assists businesses and companies from creation through to growth phases and transmission. It pays particular attention to innovative entrepreneurs who will be the leaders of the future. This support takes the form of providing expertise, funding, equity investments and participating in outside initiatives.

At the end of 2018, the Arkéa group had a total of €12.7 billion in loans outstanding to businesses and companies.

For the group's three federations and Arkéa Banque Entreprises et Institutionnels, support for business creation and acquisition is a key issue for economic growth. Many partnerships have been formed that allow the group to be present at each stage of the process of creation or acquisition, along with specialized players who bring to these entrepreneurs skills that are complementary to the group's own: business organizations (Chambers of commerce and industry, Chambers of trades and crafts, etc.), support

structures (management boutiques, local platforms of the Initiative France network, Bretagne Active, Réseau Entreprendre), etc. For instance, Crédit Mutuel de Bretagne partners with the Initiative Bretagne network, which supports businesses in the region through interest-free guarantee-free loans (business creation and transmission) and through the BRIT (Bretagne Reprise Initiative Transmission) and PHAR regional funds set up to help the creation of innovative businesses in Brittany.

Financing solutions for business creation and the takeover of small businesses are offered by the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central networks.

The group's federations also offer their individual customers the "La Vie d'iCi" savings account, whose funds in particular enable loans to be granted within our regions, "La Vie d'iCi" loans to facilitate the creation and takeover of businesses in the regions and "La Vie d'iCi Innovation loans", for innovative projects with the support of specialized innovation networks (Competitiveness clusters, technopoles, etc.).

In 2018, Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest renewed the "New Ideas Award" competition to reward entrepreneurs with innovative projects. This targets innovative companies and future business creators in these regions.

Again, during the business creation or takeover phase, the group supplements its bank loans with additional support mechanisms:

- The association Ark'ensol Créavenir, whose goal is to foster and accelerate the economic and social development of the regions covered by the Arkéa group's federations, grants aid, under certain conditions, in the form of donations to small companies being founded or purchased and that create jobs. These grants may be financial and/or in the form of services, such as making a film to spread the word about a project and/or creating a website. This assistance may be provided in addition to an "Ark'ensol Pro" interest-free loan which is granted by the local savings banks and remains conditional upon the granting of a traditional bank loan.
- Kengo, the group's crowdfunding platform, also allows project owners in Brittany to increase their visibility and receive funding, with or without rewards. Kengo has been chosen to grant the "green growth financing" label to projects that must meet requirements of information transparency, environmental and social impact and mechanisms for measuring their positive contribution to energy and environmental transition.
- Crédit Mutuel de Bretagne, Kengo and Ark'ensol Créavenir have been coordinating their actions since 2016 to allow business creators who have already received support for an innovative project from identified structures (technopoles, incubators, etc.)

to qualify, under certain conditions, for a specific additional grant of up to €5,000.

ARK'ENSOL CRÉAVENIR	2016	2017	2018
Donations (in € thousands)	350	596	512
Guarantee-free loans and "interest-free" loans (in € thousands)	1,433	2,155	2,348
Number of jobs supported	613	898	943

In addition to business creation and acquisition, the group supports companies throughout their entire development, via specific organizations based on the size of the customer companies and bankinsurance products and services adapted to their needs.

Arkéa Banque Entreprises et Institutionnels works with more than 10,000 companies, the majority of which are mid-tier or medium-sized. The bank operates in targeted business sectors, in which it has developed strong expertise. Each year, it strengthens its presence with its long-standing customers: agri-food, retail, construction and public works companies. It supports these companies through a network of 19 regional business centers. Its sales teams are specialized by sector, which enables the bank to provide appropriate responses to the needs and expectations of its customers (financing, savings, payment instruments, asset management, international trade, insurance). In addition to these traditional financing solutions, at the end of 2017, Arkéa Banque Entreprises et Institutionnels dedicated a budget of €200 million of discounted financing to companies in Arkéa's traditional regions (Brittany, South-West, Massif Central) to support their investments and bring their projects to fruition.

Private equity plays a particular role in the group's strategy. Arkéa Capital finances and supports the projects of managers of SME and mid-tier companies seeking additional capital to accelerate their growth and/or as part of transmission issues. With assets under management totaling €1 billion and six regional offices, Arkéa Capital now partners nearly a hundred companies. Arkéa Capital positions itself as a minority shareholder and acts alone or as a co-investor in growth/transmission capital through three complementary investment vehicles:

- Arkéa Capital Investissement, with €250 million, supports SME management projects in France;
- Arkéa Capital Partenaire, with €400 million, supports large regional companies as a major shareholder over a time horizon of more than 10 years.

- Arkéa Capital Managers, with €200 million, enables managers to strengthen/consolidate their shareholdings in their companies.

In 2016, Arkéa Capital diversified its activities by launching an innovation division to support the creation and growth projects of innovative start-ups, from their very first fund-raising rounds. Arkéa Capital operates through two investment funds:

- West Web Valley provides innovation capital to support the digital economy sector in Brittany and the Greater West region.
- We Positive Invest provides innovation capital to players involved in environmental transition and societal entrepreneurship (see 5.4.4 Products and services with social and environmental impact).

The group also enables its customers to make equity investments in companies. SWEN Capital Partners, 40%-owned by Federal Finance Gestion and OFI AM and its employees, specialized in responsible investment in unlisted companies, offers innovation investment funds (FCPI) and local investment funds (FIP). These funds support the development of innovative businesses (FCPI) and businesses operating in the regions (FIP). They contribute directly to the development of the economic fabric and have supported more than 250 companies since 2008.

Support to farmers, wine producers and fishermen

Farming, wine-growing and fishing are key markers of economic activity in the Arkéa group's historical territories.

In the farming sector, the group's federations make support for young farmers a priority. In 2018, more than 40% of young farmers setting up their own business in Brittany were supported by Crédit Mutuel de Bretagne. Crédit Mutuel de Bretagne has a partnership with BRIT (Bretagne Reprise Initiative Transmission) for supporting the startup of young farmers by granting guarantee-free farming loans. In its region, Crédit Mutuel du Sud-Ouest has a market share of more than 20% in loans to young farmers. The Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations offer their individual customers a special savings account known as "La Vie d'iCi Jeunes Agris". The assets deposited in this savings account enable Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest to help finance projects presented by young farmers in the region via the La Vie d'iCi Jeunes Agris loan. For Crédit Mutuel Massif Central, this program targets all farmers and is called "La Vie d'iCi Agris."

In addition to supporting young farmers, the group's federations offer financial solutions for day-to-day farm management or for upgrading equipment or expanding. Crédit Mutuel de Bretagne addresses the specific environmental challenges facing farmers by developing financial solutions to support farmers who wish to

take this path (see 5.4.4 Products and services with a social and environmental impact).

Crédit Mutuel de Bretagne also supports maritime activities and actively cooperates with the industry's various representative bodies. The Breizh Armor Capital professional private equity fund (FCPI) was created by Arkéa Capital in partnership with private professional investors including the Arkéa and Crédit Maritime banking groups. The purpose of this private fund is to invest in entrepreneurial projects in the fisheries sector, and more broadly in activities related to the maritime economy in Brittany. It supports companies' financial structure and facilitates the financing of costly investment programs, such as the construction of high-sea fishing vessels.

Institutional financing

Through its federations and Arkéa Banque Entreprises et Institutionnels, the Arkéa group is a preferred partner for institutional players. In 2018, the group granted €0.6 billion in loans to local authorities.

Arkéa Banque Entreprises et Institutionnels supports both local public-sector players and private players with public interest missions. Its institutional clients include local authorities, in particular municipalities and municipal groupings with more than 50,000 inhabitants, two departments out of three, 11 out of 13 regions and the 15 most populated towns in France. The bank also finances the tools employed by local authorities, i.e. local public institutions, healthcare and medical-social facilities, social housing bodies, mutual schemes and pension funds, associations, etc.

Illustrating the group's openness and capacity for innovation, a new group subsidiary, Arkéa Lending Services, was launched in 2018. Arkéa Lending Services is an electronic meeting place for project owners looking for financing (local authorities, SMEs, very small enterprises, social housing bodies, public companies, hospitals, etc.) and the ecosystem of lenders (credit institutions, asset managers, institutional investors, etc.).

Supporting the voluntary sector

The group has more than 70,700 non-profit organizations among its customers in all sectors. In addition to banking solutions, initiatives to support non-profit associations are regularly offered: the "A 100% pour les associations" campaign with the Défi Territoires d'Initiative challenge, which rewards associations that carry out initiatives or projects that benefit employment, regional revitalization, solidarity or sustainable development, and the "5/7 asso" event dedicated to the association managers of Massif Central, etc. Lastly, the group supports associations and players in the Social and Solidarity Economy by enabling them to benefit from reconditioned computers in very condition. Since 2013, more than

550 non-profits have received more than 1,100 items of equipment to help them in their work.

SOCIAL AND SOLIDARITY ECONOMY	2016	2017	2018
Customer non-profit organizations	68,917	70,547	70,749

SUPPORTING REGIONAL TALENT AND CREATIVITY

As an extension of its financing activity and its involvement in economic development, Arkéa shows its commitment to local players through sponsorship and patronage. The group thus works with organizations and associations that work to enhance and promote creativity and excellence (cultural and sporting) in the regions, to share knowledge and expertise (in the areas of health and education) and to develop the resources and skills of the regions. In 2018, Arkéa's corporate giving and sponsorships totaled more than €4.6 million.

The Arkéa group structures its financial sponsorship around flagship initiatives in its home regions, in several complementary areas:

- Culture, by supporting cultural venues that are open and accessible to all (Fondation Leclerc, Quartz de Brest, Arkéa Arena de Bordeaux, etc.).
- Health, in particular by financing actions designed to improve the daily lives of hospitalized patients (Blouses roses, Fondation Ildys, association SOS préma, etc.) and the comfort of elderly people residing in retirement homes, and by supporting research (Foundations Innovéo, Bergonie, Nominoe, etc.).
- Education, by providing financial aid to three regional excellence sites: the Rennes 1 University foundation, the Université de Bretagne Occidentale foundation and the University of Bordeaux.
- Social enterprise, by supporting young talent and favoring job creation (Share IT, etc.)

The group also wished to better include the issues of environmental transition and assistance to people in financial difficulty in its corporate giving choices. The Arkéa group and its employees also show solidarity with their regions and support many charities and general interest bodies through local initiatives (collections, races, etc.).

With regard to sports sponsorship, the group supports numerous sports clubs from its regions (such as Union Bordeaux Bègles, Stade Rennais Football Club, Lorient Football Club, En Avant Guingamp, Girondins de Bordeaux as well as Stade Brestois 29 and

Clermont Foot Auvergne). Alongside the Brittany regional authorities, Crédit Mutuel de Bretagne is also involved in sailboat racing, with the "Brittany – CMB" ocean race, an initiative aimed at supporting young talent. The group also gave its support, in partnership with Paprec, to skipper Sébastien Simon, who will be taking part in the next Vendée Globe race. Lastly, Arkéa is the official sponsor of the Arkéa-Samsic professional cycling team, which competes at the Professional Continental level.

(en millions d'euros)

SPONSORSHIP	2016	2017	2018
Total sponsorship budget	4.43	4.12	4.56

5.4.3 Integration of ESG criteria in financing and investment

Associated non-financial risks: risk of controversial financing and investments

As a financial player, integrating environmental, social and governance (ESG) and climate criteria into its financing and investment activities is a key issue for the Arkéa group. Taking these criteria into account enables a better assessment of the overall performance of the customers and issuers financed as well as the associated non-financial risks for the group. This issue is closely linked to that of developing impactful products and services to support transition (see 5.4.4 Products and services with a social and environmental impact).

In September 2018, a cross-functional project dedicated to this goal was launched to further increase the integration of these criteria into all of the group's financing and investment activities. The aim is to make this a driver of development and growth for the group and its stakeholders. The CSR team manages the project in conjunction with ESG specialists.

ASSET MANAGERS

Federal Finance Gestion has been involved in Socially Responsible Investment (SRI) since 2000. Federal Finance Gestion has been a signatory to the Principles for Responsible Investment (PRI) since 2009 and is committed to continuously improving its third-party investor practices. Finance Gestion is also a signatory to the Paris Pledge for Action, the Global Investor Statement on Climate Change and the Climate Action 100+ initiative, thereby reaffirming its determination to participate in the objective of reducing greenhouse gas emissions alongside other investors. Federal Finance Gestion is a member of the Forum for Socially Responsible Investment and has served on the French asset management association AFG's "Socially Responsible Investment" technical committee since 2009.

Drawing on its expertise in analyzing ESG data, Federal Finance Gestion has created its own SRI analytical framework based on best-in-class methodology. The analysis criteria in the framework are based on an examination of three major non-financial subjects directly related to sustainable development issues: Environment (E), Social (S) and Governance (G), adapted depending on the nature of each issuer. The analysis of these non-financial risks is intended to capture types of risks that are not properly evaluated by traditional financial analysis, such as reputation risk and the risk of a decrease in asset values associated with the challenges of reducing global warming. Federal Finance Gestion's ESG analysis universe consists of 2,000 companies and 160 governments. ESG research, which was previously dedicated only to SRI funds, is now distributed to all fund managers, who are thus informed about companies whose practices are the most questionable and therefore pose the highest risk. Now, with a view to producing increasingly detailed and qualitative research incorporating non-financial criteria, all issuer analyses incorporate the ESG dimension. This new dimension of analysis is intended to highlight in particular ESG/Climate investment risks and opportunities. It is supplemented by in-depth research into the controversies companies face. This work is carried out jointly with Schelcher Prince Gestion analysts. Thus, each issuer analysis is performed by a two-person team.

Federal Finance Gestion has supplemented its SRI screening, based on the ESG analysis pillars, with exclusion criteria. It therefore analyzes the various issuers using the UN Global Compact filter. This analysis aims to identify:

- Players whose products and services are, by nature, incompatible with sustainable development goals. These are mainly manufacturers of controversial weapons (cluster bombs and landmines). This exclusion targets investments in securities issued by these companies and exposure to these securities through derivatives whose only underlying is the company in question; the knowing provision of an investment service to a company included in the list of excluded companies.
- Players who do not guarantee compliance with the recognized primary minimum international social, environmental or governance standards, which are grouped within the Global Compact. At the end of 2018, ten companies were excluded because they did not guarantee compliance with the UN Global Compact. These companies were excluded from the investment universe of all active Federal Finance Gestion collective investment.

Federal Finance Gestion has developed an engagement policy to hold constructive discussions with companies whose non-financial rating is far below that of their business sector. The team responsible for these discussions may contact the company in the manner it deems most appropriate. Federal Finance Gestion believes that companies should be given an 18-month grace period, because it takes time

to change behavior. These interactions should encourage them to adopt responsible behavior and policies for the non-financial issues they have addressed either minimally or not at all. The intent is also to encourage companies to take their negative non-financial impacts into account to reduce the risk exposure of the investments, and ultimately of the funds held by customers.

Federal Finance Gestion also participates in the shareholders' general meetings of companies whose shares are held in its funds and under discretionary management. By exercising these voting rights, it can defend the interests of the minority shareholders who are its customers. It is also a way to dialogue with the company and make it aware of expectations of responsible investors.

Assets managed by Federal Finance Gestion in accordance with an ESG policy accounted for 92% of its assets under management at end-2018 (including assets managed for Suravenir and Suravenir Assurances).

Schelcher Prince Gestion joined Federal Finance Gestion in the Arkéa Investment Services holding company in 2011. Since then, the two teams have collaborated closely in integrating ESG criteria into financial management. Schelcher Prince Gestion has entered a phase of progress and assimilating the approach implemented at Federal Finance Gestion so as to implement its own policy in line with its active wealth management philosophy. After implementing a dedicated governance structure in 2016, Schelcher Prince Gestion expanded its policy of integrating ESG criteria to all of its asset management in 2017. All issuers are now analyzed using the financial and non-financial approach by a pair of analysts and presented by the same two-person team at the weekly Analysis Committee meeting. This approach consists in further optimizing the risk/return ratio of its investment choices. The aim is to better understand the risks specific to each investment by determining non-financial criteria that supplement the financial analysis of the issuers. Further to this aim, Schelcher Prince Gestion signed up to the Principles for Responsible Investment (PRI) at the end of 2018.

SWEN Capital Partners, 40%-owned by Federal Finance Gestion, alongside OFI AM and its employees, implements a Responsible Investment policy across all its institutional strategies (Primary, Secondary and Direct Investment) and managed asset classes (Private Equity, Private Debt and Private Infrastructure). SWEN Capital Partners is a PRI signatory and seeks to take part in promoting best practices in its profession. Every year it publishes two studies of progress in the private equity and infrastructures market in terms of integrating non-financial criteria into investments outside the listed market. In June 2018, SWEN Capital Partners held the fifth ESG Best Practices Honours, gathering close to 450 professional participants. On this occasion, SWEN Capital Partners highlighted the need for the private sector in particular and therefore the financed companies

and assets to press ahead in better addressing the planet's societal and environmental issues. European Private Equity and Infrastructures management companies with outstanding ESG practices were honored. SWEN Capital Partners also strengthened its commitment to a fair transition to a low-carbon society. SWEN Capital Partners has been a member of the 2020 Climate Initiative (IC20) since its launch and put in place a Climate Strategy in 2017 in which it describes its convictions and its process of integrating climate issues into its asset management and its reporting, which discloses the carbon footprint of its funds. It has also undertaken to allocate a minimum share of the new funds it manages to financing companies whose activities contribute to energy and environmental transition.

(* in € millions)

SOCIALLY RESPONSIBLE INVESTMENT (SRI) OFFER AND ESG CRITERIA (SCOPE MANAGED BY FEDERAL FINANCE GESTION)

2016 2017 2018

SRI assets under management*	1,283	1,433	1,060
ESG assets*	4,199	37,287	28,018
Number of shareholders' meetings in which the company participated	114	98	69
Rate of approval of resolutions	72%	73%	82%

Institutional Investor

Suravenir, the group's life insurance subsidiary, has integrated an ESG framework into its investment policy that includes non-financial risks in the investment process. It did so using Federal Finance Gestion's ESG expertise. Suravenir's ESG policy incorporates exclusion criteria identical to those of Federal Finance Gestion (Global Compact and controversial weapons), to which it adds the non-OECD country exclusion criterion (on all direct investments and all indirect investments over which Suravenir has more than 50% control, with the exception of funds whose objective is to replicate the performance of an index). These criteria apply to both stock and flows. To limit non-financial risk, Suravenir also chose to restrict the share of issuers rated E to 10% of all annual investments. As a sign of this commitment, at the end of 2018, Suravenir adhered to the PRI (Principles for responsible investments) charter.

In order to help limit global warming and reduce the financial risks resulting from energy transition in the short/medium term, Suravenir is working on implementing a climate strategy. This climate strategy led to two key actions in 2018:

- For the first time, in 2018 Suravenir disclosed its portfolio's carbon footprint in its Energy Transition Act report, based on data at the end of 2017. So as not to penalize issuers with the best practices in terms of information disclosure, Suravenir chose only scopes 1 and 2 for the 2017 carbon footprint calculation. This choice covers 63% of corporate issuers and 100% of sovereign issuers held directly in the portfolio. Physical assets, indirect investments and the unit-linked portfolio are excluded from the calculation scope.
- At the beginning of 2018, Suravenir approved a principle of excluding any new investment in companies involved in the coal industry that meet at least one of the following three criteria: companies for which coal accounts for more than 30% of revenues or more than 30% of their energy production; companies that develop new projects in the coal industry (power plants or mines); companies whose coal production exceeds 20 million tonnes per year. The exclusion applies to all Suravenir's portfolios with the exception of unit-linked portfolios (for which investment decisions are made directly by the policyholders), on all direct investments and indirect investments where Suravenir has more than 50% control, with the exception of funds whose objective is to replicate the performance of an index.

Convinced that its financial responsibility is a key element of its CSR strategy, Suravenir also engages in dialog with the companies in which it invests. In concrete terms, Suravenir works jointly with Federal Finance Gestion to engage directly with companies whose non-financial ratings are low compared with those of their competitors. Suravenir also delegates to Federal Finance Gestion its policy of exercising voting rights.

With regard to the unit-linked portfolio, it is through its offer that Suravenir can have an impact. For the past several years, Suravenir has focused on offering SRI-type unit-linked policies in the contracts it markets. In its unit-linked range, Suravenir now offers 103 funds classified as "SRI" by Morningstar, i.e. 61 more in one year, including 19 with the public SRI label. All the contracts marketed by Suravenir included at least one unit-linked policy with a public SRI label in their range at end-2018 (excluding PEA-PME contracts).

Suravenir Assurances has also integrated ESG criteria into its investment policy. The financial investments made by Suravenir Assurances are via the intermediary of Federal Finance Gestion. Suravenir Assurances's ESG policy uses the same exclusion criteria as Federal Finance Gestion, as well as a sector-based filter: as a provider of personal insurance, Suravenir Assurances refuses to invest in securities or instruments issued by companies involved in the manufacture of tobacco products. Suravenir Assurances has also implemented non-financial selection criteria based on SRI ratings: to limit the non-financial risk, it decided to limit the share of issuers with an E rating to 10% of its total annual investments. A formal review of Suravenir Assurances's financial portfolio in terms of ESG is conducted at trea-

surey committees at least every half-year. Non-financial monitoring of investments made during the half-year is also conducted.

To contribute positively to limiting global warming, Suravenir Assurances has built a climate strategy around three areas:

- Measuring the carbon footprint of its financial portfolio: this is a necessary starting point for defining an efficient strategy in order to limit the CO₂ emissions resulting from its investment decisions to sustainable levels. For the first time, in 2018 Suravenir Assurances measured the carbon responsibility and carbon intensity of its corporate and sovereign investments.
- Reducing/disposing of investments in the coal industry. To ensure the objectivity of its decisions, the company has decided to analyze issuers based on four areas: development of projects related to the coal industry, the level of coal production, the weight of coal in the issuer's revenues and the weight of coal in the issuer's energy mix. To date, Suravenir Assurances has not defined exclusion thresholds or constraints for its investments.
- The identification of carbon-intensive players: in the same way as players involved in the coal industry, Suravenir Assurances has not yet defined exclusion thresholds or constraints for its investments. The company wishes to reflect further and develop more effective measurement tools.

PRIVATE EQUITY

Arkéa Capital, the Arkéa group's private equity subsidiary, takes ESG criteria into account in its investment process and its investment monitoring processes. In 2017, Arkéa Capital formalized its values and commitments through an ESG charter. This charter confirms sustainable development of the regions as a major strategic priority, as well as the inclusion of extra-financial criteria in the investment policy and support for companies in their efforts to progress in the area of ESG. Since 2018, Arkéa Capital has formalized the inclusion of ESG criteria in its investment decisions for the Arkéa Capital Investissement, Arkéa Capital Managers, Arkéa Capital Partenaire, West Web Valley 1 and We Positive Invest vehicles.

Arkéa Capital has undertaken not to invest in certain activities in accordance with the Oslo and Ottawa international agreements and with its values:

- Production or marketing of anti-personnel mines and cluster bombs;
- Gambling and gaming industries;
- Tobacco production or marketing activities;
- Activities related to prostitution and pornography.

During the investment phase, the Arkéa Capital team conducts a simplified internal review using a sector-specific tool to assist in ESG analysis of investment opportunities. The assessment criteria of the analysis tool are based on the study of four major non-financial issues directly related to sustainable development: governance, human capital, environment and external stakeholders. Subjects linked to climate change are studied in the Environment issue.

Arkéa Capital aims to support its portfolio companies in their CSR approach. Therefore, since 2018, for each new investment made by one of the vehicles managed by Arkéa Capital, the objective is to define an ESG action plan and monitor its implementation annually. This objective is formalized by an ESG clause inserted into the shareholders' agreements.

BANKING ACTIVITY

In addition to the initiatives designed to encourage its customers' responsible projects (see 5.4.4 Products and services with a social and environmental impact), Arkéa Banque Entreprises et Institutionnels wishes to pay particular attention to the approach adopted by the players it finances. After two years of experimentation, in 2018, Arkéa Banque Entreprises et Institutionnels rolled out a CSR qualitative analysis grid for its counterparties. This grid aims to assess the structure's CSR maturity and broaden the customer vision, by addressing the issues of human capital, regional footprint, the environment and relations with stakeholders (suppliers/partners and customers). Within three years, a CSR assessment will have been performed on the entire portfolio.

The Arkéa group federations, which cater for smaller companies (revenue of less than €30 million) almost exclusively located in France, will begin to take ESG aspects into account in their financing policies in 2019.

5.4.4 Products and services with a social and environmental impact

The various Arkéa group entities contribute positively to societal, social and environmental challenges through their products and services. As well as economic support (see 5.4.2 Support for regional development) and ESG analysis of financed customers and issuers (see 5.4.3 Integration of ESG criteria in financing and investments), the Arkéa group is committed to developing products and services that respond to the social and environmental challenges facing its customers, as well as supporting those who provide solutions to these challenges.

To encourage and promote responsible practices among all players, in 2017 Arkéa Banque Entreprises et Institutionnels launched a financing package of €200 million dedicated to its customers' CSR projects (infrastructures, renewable energies, building energy efficiency, clean materials, etc.). This initiative aims to encourage its customers and

prospects to implement their responsible development projects by offering them discounted borrowing rates. This package has financed 120 projects.

In 2018, this initiative was supplemented by two new financing packages:

- One of €100 million for interest-free loans to finance the CSR projects of public works companies. This concerns projects such as the financing of clean equipment or materials such as the acquisition of hybrid motorized equipment; the financing of systems to manage waste or reduce water consumption on the construction site; the deployment of new techniques such as suction earthworks or cold mixes, and investments in supporting professional development, etc.
- A second package, of €20 million, intended to grant loans at reduced rates to finance the CSR investments of Breton companies in the agri-food sector, in partnership with the Association Bretonne des Entreprises Agroalimentaires (ABEA). This is intended to support the sector's ecological transition by encouraging responsible investment.

PRODUCTS AND SERVICES WITH AN ENVIRONMENTAL IMPACT

In 2016, the Arkéa group launched We Positive Invest, an investment fund that supports entrepreneurs who are pioneers in three sectors: energy transition, the circular economy and social entrepreneurship. The fund has €20 million which it uses to support innovative companies with venture capital. In just over 2 years, We Positive Invest has made six investments: Cozynergy (home energy renovation), Osmia (bee pollination services), Algo Paint (bio-sourced seaweed paint), iQSpot (building energy efficiency monitoring service), Newcy (reusable cups service) and Phenix (smart management of unsold products and waste).

Arkéa Banque Entreprises et Institutionnels and Arkéa Crédit Bail also fund companies specializing in new energies and the circular economy. At end-2018, they financed companies in this sector for a total of €86 million.

Home energy efficiency

The group's federations offer their individual customers a range of loans for energy renovation work: the regulated interest-free Eco-prêt loan and the environmental loan. This latter category of loan offers preferential conditions for financing equipment that will produce energy savings, for primary and secondary homes and rental properties. Financo also offers a "works loan" to finance energy savings works (insulation, windows, etc.).

Since 2016, Crédit Mutuel de Bretagne has been a partner of the Brittany regional authorities to facilitate the renovation of housing

in Brittany. Through this partnership, Crédit Mutuel de Bretagne undertakes to facilitate access to the interest-free Eco-prêt loan in Brittany and to encourage its customers to use the engineering services proposed by the home renovation platforms. Since the beginning of 2018, some large cities in Brittany (Rennes Métropole, Saint-Malo Agglomération), in concert with social housing players, have decided to facilitate home ownership in very strained areas through a new mechanism: the Organisme Foncier Solidaire (OFS) and the Bail Réel et Solidaire. Thanks to the OFS, buyers do not have to buy the land made available to them, instead they pay a fee that is less costly than a loan repayment. Crédit Mutuel de Bretagne is the first bank to have adapted its financing offering and trained its network to finance these projects on good terms. Crédit Mutuel du Sud-Ouest has a partnership with the regional agency for energy renovation (Agence Régionale pour les Travaux d'Énergie) and the Nouvelle Aquitaine regional authorities, through which financing solutions adapted to energy renovation work are offered. Crédit Mutuel du Sud-Ouest also participates in Bordeaux Métropole's "Marenov" platform, which helps households make their homes less energy intensive. Lastly, since 2017, Financo has been a partner of the social home ownership promotion network Proci-vis, to provide a financing offer for energy renovation work suited to low-income homeowners.

LOANS TO FINANCE ENERGY EFFICIENCY IMPROVEMENT RENOVATIONS	2016	2017	2018
Number of interest-free Eco loans granted in the year	979	851	708
Average amount of interest-free Eco loans granted (in €)	16,624	17,727	17,856
Total amount of interest-free Eco loans granted (in € millions)	16	15	13

Sustainable mobility

Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central offer advantageous loan terms to future owners (individuals and businesses) of environmentally friendly vehicles.

The group also seeks to support and promote positive behavior for its insurance customers via its insurance products. Suravenir Assurances designed a connected car insurance with the broker AcommeAssure.com that rewards good drivers. Based on the "Pay how you drive" principle, this targets new drivers and measures the policyholder's behavior and vehicle use. With the start-up Wilov, Suravenir Assurances has also developed a use-based car insu-

rance solution, based on a number of driving days per month. Policyholders are therefore encouraged to limit the use of their vehicles so as to benefit from a price reduction. Furthermore, through incentive pricing, Suravenir Assurances promotes the use of hybrid vehicles, which benefit from a 15% annual premium reduction.

Sustainable agriculture

Committed to farmers (see 5.4.2 Support for regional development), the Arkéa group federations seek to support their customers through the current transitions.

To support projects in favor of the energy transition, Crédit Mutuel de Bretagne offers two loans to finance energy production and energy savings equipment: the Environment loan to finance buildings with high energy performance, energy efficiency works and upgrading of livestock facilities (thus favoring animal welfare) and the Agrinovéo loan to finance renewable energy production facilities (biogas, cogeneration, solar panels, etc.). The Agrinovéo loan is also offered by Crédit Mutuel du Sud-Ouest.

Crédit Mutuel de Bretagne financially supports almost half of the farm biogas systems operating in Brittany. It is also a partner of the Breton biogas economic and environmental interest group (GIEE), which focuses in particular on regular exchanges of advice and good practices.

Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest also offer a Clémat + loan to fund precision agricultural equipment that reduces inputs.

Crédit Mutuel de Bretagne is also the leading bank for financing the startup of young farmers in organic farming, with a 58% market share. Crédit Mutuel du Sud-Ouest is a partner to Agrobio Périgord, an association with which various actions are carried out to promote more responsible farming (training, visits to showcase organic farms, program to support plant biodiversity, etc.). Crédit Mutuel du Sud-Ouest has also joined the Interbio Nouvelle Aquitaine financiers' club, which enables it to participate in the financing of projects by agri-food companies specializing in organic produce. Finally, it supports wine-growing/agricultural businesses working in short supply chains (direct sales/AMAP/markets/trade fairs).

Crédit Mutuel de Bretagne is also a partner in a Payment for Environmental Services (PES) project aimed at enhancing the environmental services provided by ecological farming systems. This LabPSE project aims to test the establishment of a PES market in the greater West region and to demonstrate that the development of PESs is positive for farmers, buyers and for speeding up agro-ecological transition.

Lastly, since 2017, Crédit Mutuel de Bretagne has been a partner to the Bleu-Blanc-Cœur association as part of its Eco-methane program. This system supports dairy farmers who commit to reducing their farms' methane emissions by feeding their livestock a more balanced diet.

The group also enables its customers to respond to this environmental challenge by directing their savings to companies that apply best practices. In addition to ESG analysis of issuers under SRI, in 2018 Federal Finance Gestion proposed the Federal Ambition Climat fund. This fund, whose marketing period has ended, was aimed at investors seeking to reconcile the search for financial performance and consideration of the climate dimension. The investment is based on the ECO 50 index, composed of 50 European equities selected on the basis of their "climate" score and their liquidity.

PRODUCTS AND SERVICES WITH A SOCIAL IMPACT

Access to health, home care, social inclusion

The Arkéa group federations offer their customers a range of insurance products, designed by Suravenir Assurances, to cover various health and dependency risks: health insurance, long-term care insurance (annuity in the event of loss of autonomy), accidental death and disability cover, and health insurance for caregivers.

In the area of public health, the Arkéa group finances university hospitals (CHUs) and the main hospitals in Brittany. Arkéa Banque Entreprises et Institutionnels financed around 100 institutions in the medical-social sector for a total of €600 million in long-term financing and €200 million in short-term financing at end-2018. The group is also a sponsor of this area (see 5.4.2 Support for regional development).

Arkéa On Life, the Arkéa group brand dedicated to the connected services offered by the Arkéa Assistance subsidiary, focuses on home care, social connection and personal safety. It offers a remote assistance service for isolated people (with disabilities or the elderly), as well as a smart watch for keeping the elderly at home, which is designed to break their isolation. Arkéa Assistance also offers a dedicated range for senior residences and homes for dependent elderly people (EHPAD). Since 2016, Arkéa On Life has offered connected healthcare solutions to improve support and follow up care for post-operative patients at home, for example with Foch Hospital in Suresnes. In total, Arkéa On Life now assists more than 22,000 people.

Lastly, the Arkéa group federations offer the Prêt Accessibilité Pro loan to professionals to finance the works required to make their premises accessible to people with disabilities.

Support for the Social and Solidarity Economy and social entrepreneurship

The group partners with several major players in the Social and Solidarity Economy (ESS): Association pour le Droit à l'Initiative Economique (ADIE), Fondation Crésus, Secours Catholique and Chambre Régionale de l'ESS. The federations are also partners of ESS players at the local level. Given the stakes in terms of jobs in the regions, the Arkéa group wants to further enhance its support for social entrepreneurs. The group is a partner of ShareIT, an initiative that aims to bring together the most innovative social entrepreneurs and the best tech talents to collaborate in building solutions that respond to the major societal challenges. The ShareIT program seeks to support social entrepreneurs over a ten-month period, with access to technological expertise that would normally be out of their reach (designers, developers, data experts, tech entrepreneurs, etc.).

The group therefore directly finances initiatives that have a positive social impact and also enables its customers to direct their savings towards societal causes. With the Livret Solidaire savings account, the three federations enable their individual customers to donate some or all of the interest earned each year to public interest associations chosen from the list of partner organizations in four areas for action: social and housing, employment, international solidarity and environment. The Livret Solidaire has received Finansol's "solidarity finance" certification. More than €126,000 was thus donated to the associations in 2018.

Lastly, the solidarity share of Federal Finance Gestion's FEE Solidarité SRI employee mutual fund is invested in the capital of France Active Investissement. France Active offers support and financing for entrepreneurs in the social and solidarity economy and to people facing challenges who want to start their own company. To remain close to the Arkéa group's regions, the investments made by France Active Investissement are directed towards four Regional Solidarity Investment Funds (Brittany, Auvergne Rhône-Alpes, Nouvelle Aquitaine and Provence-Alpes Côte d'Azur).

(in € millions)

SOLIDARITY SAVINGS: ASSETS	2016	2017	2018
Employee solidarity savings	6.32	7.44	8.75
Livret Solidaire	21.13	28.60	34.08
Total	27.46	36.04	42.83

Initiatives in favor of housing and home purchasing assistance

As access to housing is a major concern for its customers, Arkéa has chosen to contribute to this issue with various types of interventions that go beyond real estate financing. The banking offer of the three federations helps finance social housing, in particular through part of the savings collected in the CMB, CMSO and CMMC savings accounts.

Arkéa Banque Entreprises et Institutionnels has made support for the housing sector one of its priorities. It works with more than two-thirds of the social housing landlords with more than 10,000 units. Since 2010, it has provided more than €10 billion in financing to the public sector.

Arkéa Banque Entreprises et Institutionnels partners with various stakeholders in the sector. It has signed agreements with all the professional federations in the social housing sector and formed a flagship partnership with Action Logement. It is now present throughout the entire housing chain. Arkéa Banque Entreprises et

Institutionnels finances local authorities that own land, developers and social housing bodies, helping them to carry out their projects successfully (construction of low-income rental housing, renovation, urban renewal policy and home purchasing assistance, etc.).

(in € millions)

DEPOSITS AND LOANS CONTRIBUTING TO FINANCING LOW-INCOME HOUSING	2016	2017	2018
CMB savings account, CMMC savings account, CMSO savings account	6,010	6,302	6,578
Social housing incentive loans (PLS and PLSA)	1,087	1,023	1,001

5.4.5 Banking inclusion of vulnerable customers

Associated non-financial risks: compliance risk: non-compliance with customer protection rules.

The Arkéa group, true to its mutualist and cooperative values, also pays particular attention to access to banking and insurance for all (financial products and services).

SUPPORT FOR THE FINANCIALLY VULNERABLE

The group supports its financially disadvantaged customers and customer shareholders by involving employees and directors and by adapting its offers and business lines.

For many years now, the Arkéa group has implemented its own mechanisms to help customer shareholders in difficulty. The association Ark'ensol Entraide seeks to help people in temporary difficulties with four types of approach: borrowers' assistance, personal microloans, the "sensitive accounts" system (reversal of processing fees), and, since 2015 as part of banking inclusion, budget support from specialized partners.

Assistance to borrowers in difficulty consists of one-time coverage of loan payments for customer shareholders (capped at €7,500 per year and per customer shareholder) who, as a result of life events, are encountering temporary difficulties in repaying their loans. In 2018, new aid totaling €182,000 was provided to 97 customers.

Ark'ensol Entraide also offers personal microloans of up to €3,000 via its partners. These loans cater for people who cannot access "traditional" credit. As part of a social lending system, these microloans might help pay to maintain or purchase a vehicle or household appliance, or assist with self-reliance, access to housing or family cohesion projects. In 2018, 332 personal microloans were granted for a total of €790,000.

Monitoring sensitive accounts enables the Boards of Directors of the local savings banks to offer a reversal of fees for customer shareholders with substantial monthly charges. In 2018, more than €500,000 was not debited or was reversed, benefiting 3,773 customer shareholders.

Since 1994, the Arkéa group has been a partner of Adie. This partnership provides in particular for the opening of credit lines enabling Adie to grant microloans and funding for guarantee-free loans. These loans are extended to business creators in Brittany, the South-West and Massif Central regions. In 2018, €1.7 million was allocated in the form of microloans to 703 project owners receiving support. Since 2015, an additional boost has been given to the financing granted by Adie. This assistance, subject to conditions, takes the form of a solidarity grant given by the Ark'ensol Cré-avenir association to the project owners. It reinforces the beneficiaries' financing plan and generally supplies the startup cash flow.

In addition to these measures, specific to the Arkéa group, the regulatory mechanisms relating to banking inclusion are also implemented within the group.

In accordance with the charter on banking inclusion and prevention of over-indebtedness approved by the decree of November 5, 2014, the Arkéa group has since 2015 strengthened its system in favor of customers in precarious financial situations.

In addition to the regulatory obligations arising from the system applicable to group entities vis-à-vis customers in financial difficulty depending on their activity (information, proposal of adapted products, customer support), the Arkéa group has formed, through the Ark'ensol association, partnerships with specialized third-party players (Crésus, Atelier Budgétaire, etc.) to facilitate customer orientation, when the financial difficulties cannot be addressed by the bank alone. In 2018, Arkéa also launched Bud'JET, a new budget coaching service that can be offered to financially fragile customers.

To help customers who are financially vulnerable, the group's entities also train the employees in contact with customers in the mechanisms available and the procedures for implementing these special systems.

Placing customers at the heart of its concerns, the Arkéa group has adopted a genuine governance system for dealing with people in financial difficulty. Thus, in 2018, Arkéa created the Banking Inclusion Coordination Committee (CCIB) which brings together the relevant Arkéa group departments in this area and which meets quarterly. The particular purpose of the Banking Inclusion Coordination Committee is to monitor initiatives taken in accordance with the recommendations of the Observatoire de l'Inclusion ban-

caire (OIB) with regard to the reliability of data communicated to OIB identifying individuals in financial difficulties, the promoting of the specific offer dedicated to these individuals, and the training of customer-facing employees.

At the end of 2018, there were 7,498 beneficiaries of the group's special offer dedicated to customers in financial difficulty.

ACCESS TO REAL ESTATE LOANS AFTER A HEALTH PROBLEM

Faced with the difficulties encountered by some people in obtaining a property loan following a health problem, in 2018 the group decided to strengthen the support provided to this population excluded from borrower's insurance by creating an expert unit and a system aimed at finding tailor-made solutions for these customers, thereby enabling them to make their home project a reality and become home owners (primary or secondary residence or rental property).

SERVICE ACCESSIBILITY

The Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central websites have been designed for easy use by all. They comply with the web standards defined by the W3C and with WAI (Web Accessibility Initiative) directives. Mobile sites mon.cmb.fr, mon.cmmc.fr and mon.cmso.com are accessible to visually impaired users with voice transcription software. Withdrawals from ATMs were also made available to these persons via audio guidance (requires the use of earphones or headphones). Lastly, the federations' telephone numbers, and those of Suravenir Assurances and Suravenir for borrower's insurance, are accessible to deaf and hearing-impaired individuals via a connected real-time transcription or interpretation service.

In 2018, the group decided to strengthen its resources in the area of accessibility by appointing a dedicated contact person to take this issue into account right from the design stage of the projects, and raise awareness and provide training in the use of tools, etc.



5.5

A responsible corporate approach

5.5.1 Data protection and security

Non-financial risks associated with this issue:

risk of a data breach
compliance risk, non-compliance with GDPR

Data protection is a key issue for the bank, in a context where general exposure to cyber risk is increasing.

To respond to this situation and in addition to the existing systems, the Arkéa group strengthened its IT risk governance by setting up:

- a new executive management committee, the IS Risk Governance Committee, dedicated to monitoring this risk;
- an Operational Risk and IT Risk department within the Risk department, which is responsible for assessing and managing cyber risks and, as such, protecting the data of all its stakeholders.

In addition, the Information Systems Security function was strengthened in 2018 to guarantee group coverage, which relies on the Group Information Systems Security Manager, who reports to the Operational Risk and IT Risk department, and on the Group Head of Operational Security. This organization is completed by a network of information systems security correspondents in the main Group entities who report on a functional basis to the Group Information Systems Security Manager.

This ISS function, and more generally IT risk as a whole, is supervised by the group's executive management through the IS Risk Governance Committee.

Data protection, a major focus of IT risk management, is covered by the group Information Systems Security Policy (PSSI) drawn up by Arkéa's Executive Management.

This policy, based on ISO 27000 standards, establishes the general guidelines for identifying, reducing and managing risks related to any dysfunction or potential vulnerability of group information sys-

tems, whether accidental or intentional. These general guidelines define topical policies, procedures, rules, instructions and operational recommendations, organized by specialized domain where applicable.

This body of texts includes the sensitive data protection policy, which defines the various levels of data classification in terms of confidentiality, and the recommendations for protecting this data in terms of storage, exchange and processing. This policy was updated in 2018 in conjunction with the Data Protection Officer (DPO) to take account of the European regulation on the protection of personal data.

More generally, the measures implemented in the various security domains contribute to protecting the data of the Arkéa group and its stakeholders, whether hosted in its own data centers or outsourced (small share of the data). Various systems are in place to verify its effectiveness, including periodic intrusion tests, performed both internally and by external companies with expertise in IT security.

A user charter, available on the group intranet and shared with every new employee, informs every employee about legal provisions and internal rules for secure use of data, the internet, and internal tools, including their work stations. This charter clarifies and supplements the rules and procedures in force in the company and in particular the internal regulations.

Lastly, the group has developed formal incident response and crisis management plans.

5.5.2 Exemplary business conduct and governance

Non-financial risks associated with this issue:

Risk of inappropriate governance: not sufficiently fit and proper, failing in cooperative governance
compliance risk

RESPONSIBLE GOVERNANCE

At local bank level, voluntary directors are elected by and from members (see 5.4.1 Customer relations and satisfaction). This system ensures genuine representation for customer shareholders on the boards of directors of each of the local savings banks, the regional federations and Crédit Mutuel Arkéa, independent of corporate executive management. Elected for three years (Brittany) or four years (Southwest and Massif Central), the directors listen to the member shareholders and pass on their expectations and suggestions to their Board of Directors. They are in particular directly involved in the solidarity initiatives of the Arkéa group's federations. They represent their federation at local or departmental events and help strengthen relations with the various players in the local economy and the voluntary sector. Directors' involvement in local life cultivates and strengthens Arkéa's local and regional attachments. As test consumers, they also ensure a balance between the interests of the members they represent and the company's management imperatives. Control of operating decisions and structures by elected directors enables the company to formulate its actions for the long term. This control focuses on responsible management to ensure the longevity of economic, social and environmental investments.

In 2018, 133 new directors were elected by the local savings banks. The trend is towards greater diversity of profiles, in terms of both gender and profession. Women accounted for 59% of new directors and 67% of new local savings bank Chairs.

The federations offer a training program for directors to support them in their mission. The Arkéa 2020 plan makes training mandatory at all the group entities in which directors serve. In 2018, more than 2,100 directors received training in the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations. Directors of the Crédit Mutuel du Sud-Ouest and Bretagne federations are offered remote training.

The federations' Boards of Directors are assisted by specialized committees. Thus, at Crédit Mutuel de Bretagne, the Cooperative Living, Training, Responsible Development and Customer and Customer Shareholder Relations committees formulate opinions and suggestions that nourish and guide the work of the federation's Board of Directors. At Crédit Mutuel du Sud-Ouest, these committees are «Conciliation», «CSR», «Control and Review», «Agribanque», «Training» and «Regulation of Investments and Cooperative Actions».

In the federations, the directors are particularly involved in the CSR process. The Crédit Mutuel de Bretagne Responsible Development Committee comprises 13 directors and has the mission of staying apprised of current affairs in the area of Corporate Social Responsibility and of participating in implementation of the CSR strategy for Crédit Mutuel de Bretagne. It may propose, or participate in imple-

menting, any event or function designed to promote Corporate Social Responsibility among directors, customer shareholders and the Crédit Mutuel de Bretagne audience in general. The CSR committee at Crédit Mutuel du Sud-Ouest serves to enrich reflection, encourage implementation, formulate recommendations and propose solutions for the sustainable development strategy and related issues at Crédit Mutuel du Sud-Ouest, and to identify, evaluate and measure the actions to be conducted. The committee comprises five directors and five employees and meets at least three times per year. The members of these committees were involved in the materiality assessment work carried out in 2018.

At the level of Crédit Mutuel Arkéa, the group's Board of Directors comprises 19 directors and one non-voting member:

- 15 directors representing the customer shareholders. They are elected at the Annual General Meeting and come from the main territories where the Arkéa group operates:
 - 12 directors representing the local savings banks affiliated with Fédération du Crédit Mutuel de Bretagne;
 - 3 directors representing the local savings banks affiliated with Fédération du Crédit Mutuel du Sud-Ouest;
- 2 independent directors: elected by the Annual General Meeting of May 4, 2017, they were previously approved by Crédit Mutuel Arkéa's Appointments Committee and Board of Directors;
- 2 directors representing the employees. They are designated by the Central Works Council.
- One non-voting member elected by the Shareholders' General Meeting.

The directors on the Board are of French nationality.

The integration of independent directors into the group's Board is one of the key governance objectives of the Arkéa 2020 plan. At its December 2016 seminar, the Board of Directors defined the procedures and action plan for adding two directors who meet the independence criteria, as adopted, beginning with the 2017 Shareholders' General Meeting. Since their appointment to the Board of Directors, one has become a member of the specialized Risks and Internal Control Committee, and the other sits on the Strategy and Social Responsibility Committee.

Concerning the policy of diversity of the Board of Directors, the Appointments Committee is guided by a framework document during its annual examination of new candidates and term renewals. Since 2017, the percentage of women on the Board of Directors has reached 40%.

The Board of Directors met 15 times in 2018. The directors had a

meeting attendance rate of 88 %.

Since 2016, the Board of Directors is governed by internal rules of operation. These internal rules of operation confirm the basic responsibilities of Crédit Mutuel Arkéa directors, set out the Board's operating procedures and describe the rights and obligations of each director. Since 2017 they also include the charter of the independent director on the Crédit Mutuel Arkéa Board of Directors.

Crédit Mutuel Arkéa's Board of Directors therefore fulfills its mission in accordance with the provisions of the bylaws, the financial internal regulations, its rules of operation and the charters specific to each of its five specialized committees.

The members of the Crédit Mutuel Arkéa Board of Directors benefit from an annual training program.

To ensure effective governance by the Board of Directors, at least once a year, at the initiative of the Chairman of the Appointments Committee, an item on the agenda of the Crédit Mutuel Arkéa Board of Directors' meeting is devoted to assessing the operation of the Board and of its specialized committees. Every three years, the Committee, either alone or with the help of a consultant, conducts a formal assessment of the operation of the Board of Directors. In 2018, such an assessment was made with the support of the Corporate Secretariat and Institutional Communications department based on a questionnaire completed by the 19 directors and the non-voting member and providing an assessment of 207 check points relating to performance of its oversight duties. The summary of these analyses confirms that the governance exercised by the Board of Directors is efficient. The contribution made by the special committees and the quality of the files presented to the Board of Directors are seen as vectors for informed decision making. Strategic guidance and risk management seem particularly well handled. Moreover, the operation of the Board of Directors with the Executive Management is deemed to be balanced and based on a relationship of trust.

In accordance with the provisions of the law on the social and solidarity economy, Crédit Mutuel Arkéa's Shareholders' General Meeting held on May 16, 2018 appointed PHF Conseils as cooperative auditor. This unprecedented process aims to ensure compliance with the principles of cooperation by cooperative societies and must be renewed every five years.

The review performed in 2018 consisted of:

- an in-depth documentary analysis of Crédit Mutuel Arkéa and of a panel of local savings banks conducted in the second half of the year;
- detailed control questionnaires in accordance with the require-

ments of the Council for Cooperation (Conseil supérieur de la coopération) for companies licensed to operate as cooperative banks;

- interviews with management;
- an on-site audit carried out on December 17, 2018 at the Arkéa group's head office..

This work, coordinated by the Corporate Secretariat and Institutional Communications Department, continued until February 2019. The final cooperative review report will be presented to the members' representatives at the Crédit Mutuel Arkéa Board of Directors' meeting scheduled for February 27, 2019 and then at the Shareholders' General Meeting of May 16, 2019. This report addresses the measures designed to guarantee voluntary and open membership for all, the nature of the dual quality of members, the mechanisms ensuring the democratic governance of our cooperative company and a good level of members' economic participation, the procedures for allocating operating surpluses, the training mechanisms for directors and the various cooperation initiatives with other cooperative companies. As well as certifying compliance with the principles of cooperation, this report will highlight Crédit Mutuel Arkéa's best practices.

The involvement of Crédit Mutuel Arkéa's governance in the group's CSR approach is described in section 5.2.

DIRECTORS OF THE LOCAL SAVINGS BANKS	2 016	2017	2018
Number of 1st level directors	3,468	3,302	3,016
% of female directors	38.4%	39.0%	40.6%
Number of new directors elected during the year	125	153	133
% of women among the new directors	44.0%	47.1%	59.4%
Rate of participation in local savings bank board of directors' meetings	70.3%	69.8%	84%
Number of new Chairpersons - local savings banks	17	26	24
% of women among new bank Chairpersons	52.9%	46.2%	66.7%
DIRECTORS OF FEDERATIONS			
Number of federation directors	117	121	108
% of female federation directors	29.9%	32.2%	33.3%
Number of new federation directors	26	29	7
% of women among the new federation directors	19.2%	31.0%	57.1%
TRAINING			
Number of directors who took at least one training course in the year (local savings banks)	1,697	1,503	2,141
Total number of training hours dispensed	15,123	12,349	12,831
% of directors trained (local savings banks)	48.9%	45.5%	71.0%
Duration of training per director trained (in hours)	9	8	6

EXEMPLARY BUSINESS CONDUCT

As an entrepreneur in banking and insurance, the Arkéa group operates in a variety of business lines and territories. This diversity requires compliance with multiple regulations. However, regulatory pressure has tended to accelerate in all areas in recent years, thereby putting banks at increased risk of sanctions and reputational damage. In the face of these constraints, the Arkéa group constantly conducts its business according to an ethical and societal approach designed to protect customers' interests while preserving its integrity and reputation. While above all ensuring compliance with the regulations, the teams in charge of compliance work closely with the teams that work to build a stronger common compliance culture. Preventing, protecting, informing and supervising, compliance teams work each day to enable the group to control its risks and adapt to changes in the economy and in society with complete peace of mind. To prevent any risk of sanctions, financial loss or damage to reputation, the compliance teams draw on a body of rules that revolves around four major areas.

• Financial security

- Market integrity

To preserve the integrity of the markets, the group ensures that its activities comply with the rules defined with regard to:

- the circulation of confidential and inside information and the prevention of insider dealing,

- trading in financial instruments,
- post-trade transparency,
- prevention and detection of market abuse,
- detecting and managing conflicts of interest situations.

The entities concerned within the group rely in particular on operational procedures, dedicated training to raise awareness among the employees concerned and tools for detecting market abuse.

- Fight against money laundering and terrorist financing

The Arkéa group has defined a framework policy and an organization that can effectively contribute to the fight against money laundering and terrorist financing (AML/CTF). This system applies to the Arkéa group and to all group subsidiaries exposed to money laundering and terrorist financing risks. It incorporates the regulations in this area (in particular the Fourth EU AML Directive and the EU Funds Transfer Regulations).

The Arkéa group has also developed a classification system indicating the overall risk of each country evaluated according to criteria related to the quality of the tax system, the quality of AML and CTF systems, the risk of presence and activity of terrorist organizations, and the existence of international sanctions or restrictive measures against the country. Procedures have been put in place to:

- prevent transactions from or towards countries that have been sanctioned by the European Union and French regulators;
- strengthen the monitoring of business relationships in countries with a high risk of money laundering and terrorist financing.

The Arkéa group's framework AML/CTF procedure is rolled out operationally by each entity, using a risk-based approach that takes into account the type of customer, the products and services distributed, the distribution channels, the type of customer transactions and their geographical location.

The group's AML/CTF function is overseen and managed by the group's Compliance and Permanent Control department (CPCD). This department is also responsible for operational implementation of the Arkéa group's AML/CTF system.

A network of Tracfin correspondents (or other financial intelligence units for entities outside France) is assigned to the group's subsidiaries subject to AML/CTF. It is managed by the DCCP via an annual meeting onsite and half-yearly plenary sessions.

The actions undertaken by Arkéa group in 2018 in the area of AML/CTF are described in chapters 2 and 4 of the Registration Document. They take account of the trends and analyses set out by the TRACFIN financial intelligence unit in its annual reports, FATF and European Union country evaluations, and communications issued by the regulator (guidelines, sanctions, etc.).

The diversity of the grounds for suspicious transaction reports issued by all Arkéa group entities to the financial intelligence units to which they report demonstrates, once again this year, the Arkéa group's contribution to ALM/CFT, where the issues at stake concern in particular:

- drying up the sources of terrorist financing;
- preventing the laundering of dirty money through banking channels;
- combating corruption;
- combating tax and social security fraud;
- protecting the interests of customers that fall victim to abuse of weakness, identity theft or fraud in organized gangs.

The results of the application of the anti-money laundering and terrorist financing system are regularly presented by the CPCD to the group's Compliance and Permanent Control Committee, Risks and Internal Control Committee and Board of Directors.

In 2018, under the framework training scheme, the CPCD trained the members of the Arkéa group executive and decision-making bodies in combating money laundering and terrorist financing. 86% of staff exposed to ALM/CTF were also trained in 2018 (15589 credit institu-

tion scope).

Lastly, the Arkéa group reports to its customers, partners and other counterparties by publishing on the www.arkea.com website a completed Wolfsberg questionnaire, as well as its money laundering and terrorist financing policies and commitments in an "AML statement".

• Business conduct and ethics, including the fight against corruption

As part of its corporate social responsibility, the Arkéa group undertakes to conduct its business competently, diligently, faithfully and fairly.

The Arkéa operates with complete peace of mind thanks to the implementation of all the applicable rules relating to the fight against corruption and influence peddling, prevention and management of conflicts of interest, market integrity, whistleblowing and implementation of rules of good conduct.

A dedicated training system involves all the group's players in order to raise their awareness of the issues associated with non-compliance with the rules of good conduct.

The systems in place are described in section 4.3.5 of the Registration Document.

• Protection of customers' interests

Protecting customers' interests is a major concern for the Arkéa group, which is committed to fair behavior and commercial practices towards its customers.

The group ensures that the customer's interests are respected right through from product design to complaint handling. As training plays a vital role in achieving this, many awareness-raising actions are carried out among customer-facing employees.

In addition, in accordance with its mutualist and cooperative values, the group places the customer at the heart of its concerns and carries out its day-to-day operations in keeping with its "Customer Focus Ambition" approach. This has led, in particular, to the group setting up a committee to monitor support initiatives for financially fragile customers and a community of complaints handling practitioners that brings the group entities together in their endeavors to improve customer satisfaction.

• Transparency and the fight against tax evasion

Contributing to the fight against fraud and tax evasion is an integral part of the group's corporate social responsibility.

The Arkéa group therefore has several systems in place to combat fraud and tax evasion based on the principles laid down by international agreements, in particular that signed between France and the

United States (the "FATCA Act") and the standard for the automatic exchange of information relating to financial accounts in tax matters (the "OECD Common Reporting Standard").

The Arkéa group and the subsidiaries concerned continuously adapt their procedures and information systems to comply with regulatory developments and improve the effectiveness of their systems.

Crédit Mutuel Arkéa has no subsidiaries outside the euro zone and does not offer offshore banking services to its customers and customer shareholders. It has no activity in countries that are included in the European Union's blacklist of Non-Cooperative Countries and Territories.

The Compliance and Permanent Control department coordinates the overall implementation of the compliance control system to ensure consistent practices within the group. To this end, it:

- Drafts and oversees the implementation of the framework policies in accordance with legislative and regulatory changes that impact the group's activities,
- Performs a constant regulatory watch with regard to the group's activities and passes on the information to the compliance officers at the group's entities,
- Oversees adaptation and updating work to comply with regulations that have a strong impact at group level,
- Advises the executive and supervisory bodies,
- Advises and assists the compliance officers of the group entities in the implementation of their obligations: it helps the entities to carry out their activity in accordance with the requirements arising from external/internal standards, acting fairly towards customers,
- Provides training and contributes to strengthening a shared compliance culture within the group. Training initiatives to combat corruption and influence peddling were delivered to the most exposed persons within the group during the year. In 2018, 79% of persons exposed to the risk of corruption within the 15589 credit institution scope had received training.

At each entity, a compliance control manager ensures compliance with the principles set by the group with regard to preventing and controlling compliance risk within the entity, supported by the operational entities, which must also incorporate the need to carry out their day-to-day actions in accordance with the group principles so as to comply with the compliance rules set by the group. Each group employee is therefore involved in this process and, through their actions, contributes to controlling compliance risk.

In 2018, the organization of the compliance control system changed with the entry into force of the General Data Protection Regulation (EU

Regulation 2016/679 of the European Parliament and of the Council of 7 April 2016) on May 25, 2018. In this context, group governance and the resources associated with the personal data protection activity have been entrusted to the Personal Data Protection department which, within the Compliance and Permanent Control Department, monitors compliance by the group entities with the principles of the regulation, such as transparency in data processing, the strengthening of personal rights and the accountability of the various parties involved. In accordance with its cooperative and mutualist values, the group places people at the heart of its actions and concerns. Procedures have therefore been drawn up to effectively control the risks associated with the protection of personal data and employees have been made more aware of data protection issues.

5.5.3 Development of human capital

Non-financial risks associated with this issue: psychosocial risk

The total number of Arkéa group employees under permanent contract was 9,407 at end-2018, an increase of 4.1% over the previous year. The group operates mainly in France with 79% of its workforce located in the home regions of its three federations, in Brittany, the South-West and Massif Central. 3% of Arkéa's workforce is located abroad (Belgium, Luxembourg, Switzerland, United Kingdom and Germany).

The group complies with the fundamental principles of the International Labour Organization, concerning freedom of association and the right to collective bargaining, eliminating discrimination in employment and occupation, eliminating forced and compulsory labor and abolishing child labor.

The Arkéa 2020 strategic project focuses in particular on the importance of what is Arkéa's prime resource: its human capital. The HR dimension of the Arkéa 2020 strategic plan is based on four convictions that guide the group's HR policy for 2016-2020:

1. Unleash energy and entrepreneurship;
2. Continue to support career development, nurture talent and promote mobility to create additional innovation capacity;
3. Support managers in their role of caring and exemplary coaches and develop collaborative cross-functional approaches;
4. Develop a responsible HR approach, promoting quality of life at work and greater diversity.

This ambitious "HR Convictions" road map was published and circulated to all employees in 2016.

Supporting career paths within the company

The Arkéa group implements a dynamic recruitment, mobility and

training policy, which aims to develop its employees' entrepreneurial spirit.

It maintains an active recruitment policy to support the growth of its businesses and attract new talents to its business lines. The group takes a proactive approach to recruitment and supports the creation of a new "applicant experience". In 2018, the group recruited 837 people under permanent contracts. Given the new behaviors of applicants and their extensive use of social networks in their job search, the recruitment team has adopted a new stance and deploys multiple recruitment strategies based on recruitment volume, the profile scarcity and the business expertise sought. The recruitment officers are trained in practices enabling them to identify and assess applicants' potential. All the Arkéa entities have adopted harmonized procedures with regard to recruitment and integration to ensure employees' mobility over the course of their career. The Human Resources functions of the various group entities organize specific integration and training trajectories for new employees. The goal is to provide optimal job performance conditions for each new hire and to verify that his or her aptitudes match the company's expectations. This approach also seeks to create ties between the employee and the company, and also between the new hire and other employees. The Arkéa group organizes a "Carrefour des nouveaux recrutés" conference, the goal of which is to present the company's strategic plan to the group's new employees, meet the managers, and also encourage cross-functionality and create a network of relationships.

The group also participates in basic training by hosting interns and work-study students. In 2018, more than 1,000 interns and work-study students were hosted by the group, of whom 30% were hired at the end of their program.

Given changes in the banking and insurance market, and in its strategic goals, age pyramid and regional positioning, the Arkéa group views professional mobility as a crucial component of its development and that of its employees. Mobility, both functional and between entities, is encouraged. A mobility committee meeting takes place every month between the recruitment and mobility teams of the head office and the subsidiaries to discuss the positions to be filled and the profiles of employees reported as having changed jobs. In 2018, 13% of group employees changed jobs within the organization.

In addition to this commitment to mobility, the group would like to support career development and nurture talent to further increase its innovation capacity. Every year, an annual performance review gives employees the opportunity to discuss their accomplishments and skills with their managers. During the 2017-2018 campaign, 88 % of annual reviews were completed. Employees and their managers also have career reviews, at least once every two years, to discuss their career path and 1- and 3-year career plans. Employees also have the

possibility of benefiting from reviews with an HR advisor to explore in more depth the pathways mentioned during the career review. To encourage employees to be active agents in their own careers, the company posts open positions in a job exchange system. Every year, Arkéa organizes a Career Fair to showcase and promote the diversity of the group and its professions, as well as the tools available to employees to take action for their own career mobility.

To encourage employee autonomy and entrepreneurship, the group launched a welcome service for "intrapreneurs" in 2017, enabling company employees to develop new activities on their own personal initiative. The aim is to provide project owners with a point of contact, expert advice and even logistical support, and for the group to consider their project, whether or not it comes to fruition. Nine projects were supported in 2018.

Beyond individual career paths, when businesses are under stress or restructuring is needed, these changes are anticipated and managed as part of a mobility policy within the group. To strengthen this moral commitment, the UES has adopted an agreement on informing and supporting employees during restructuring projects. The goal of this agreement is to describe and deploy an operational system to improve support for employees during restructuring and to facilitate the change process. When restructuring occurs, several provisions included in the group mobility charter serve to support the employees concerned (such as a mobility bonus under certain conditions relating to geographic mobility). Each restructuring project is accompanied by a dedicated Human Resources advisor responsible for providing support for both collective and individual situations. Supporting an employee always begins with an individual meeting, where the employee and their HR advisor discuss possible pathways for change and the employee's wishes. The HR advisor uses tools on a case-by-case basis to help keep the affected employees in the group (dedicated training, skills mentoring, skills assessments, and a specialized outside agency, etc.).

Skills development

Training is a key resource for adapting to change, developing skills and supporting employees in their careers, and thus contributes to greater efficiency within the company. The Arkéa group continues to be highly committed to training: 96% of employees received training in 2018. This commitment corresponded to 4.9% of the payroll in 2018.

The group provides training to support its business strategy and to help its employees grow; to facilitate job adaptation; to promote career development and to foster employee motivation. Training designed to encourage an entrepreneurial, collaborative and cross-functional spirit is offered to the employees of the UES, such as the "facilitators" training, which aims to disseminate the method for running collaborative workshops within all group entities. Specifically with regard to climate

and environmental issues, training and awareness raising programs have been put in place for group employees (see section 5.5.7 Environmental footprint).

In addition to the training plan, employees have the individual resources provided for by French law, such as: recognition of acquired skills and experience, the individual training account, individual training leave and a financing system governed by the joint individual training leave management committee. This plan, which is specific to the Arkéa group, contributes to financing retraining projects outside the group, contributions to the non-profit sector and personal training needs.

Management quality

Management quality is a key factor behind employee success, motivation and engagement. The aim of the Managers 2020 program is to give priority to the manager's role of supporting and advising the teams in order to promote cross-functionality and cooperation. A management charter was drawn up for managers in 2017. A genuine operational tool for day-to-day use, it gives managers an inspiring toolkit to become an agent of change and contribute to the development of four values: caring, inclusion, cross-functionality and intrapreneurship. Since 2017, the group has deployed its new management entry pathway: Arkéa Management Académie. This program lasting several months covers the following subjects: management techniques, group coordination, motivation, labor law, stress management, personal development and quality of life at work. Every manager also undergoes an annual review, like all group employees. Managers are evaluated on the knowledge and skills specified in their job description and adapted to their management situation. Managers' line managers are also asked to evaluate them on specific skills associated with the "Arkéa 2020" strategic project.

Promoting quality of life at work and managing occupational risks

Motivation from pleasure and the meaningfulness of work has an impact on the quality of life at work: interest in the content of tasks, the opportunity to develop new skills and support for moving on to new roles are key factors.

The Arkéa group also seeks to provide greater clarity on its corporate project. This is the purpose of the "autumn meetings", a special opportunity for discussion of the corporate project between Management and all employees. The Arkéa group has also set up annual information and exchange meetings with all group managers.

A team dedicated to well-being at work and the prevention of psychosocial risks is responsible for this task at the Human Resources department in collaboration with all the entities. It also coordinates a community of stakeholders involved in the quality of life at work within the various departments to share ideas, projects and information and

thus anticipate and prevent possible risks.

The company applies a continuous improvement and risk prevention approach. An assessment of all occupational risks, including psychosocial risks, is formally documented in a single document (document unique or DU) each year, which sets out the results of the occupational risk assessment. This Single Document provides the basis for the PAPRIPACT, the annual plan of HR actions and the corresponding resources to be implemented. The intranet site for UES staff provides information about existing resources and supports available in the workplace. It represents a permanent source of information for all employees on the prevention of occupational risks. Managers and the various occupational risk liaisons are trained on occupational risk prevention through specific training courses.

Given the group's activity, physical risks are limited. Workplace and work travel accidents remain infrequent and of low severity: 91 in 2018 compared with 87 in 2017. The total number of days of absence arising from these accidents was 5,430 days. There was one report of occupational illness recognized as such by the CPAM in France.

An agreement on the supplementary health and personal protection scheme was signed in 2017. Its purpose is to define the guarantees that employees receive in respect of benefits in addition to social security coverage and benefits in the event of incapacity for work, disability or death, in accordance with the legal provisions relating to so-called "responsible" policies. This collective scheme, with mandatory membership, benefits all employees of the UES and their beneficiaries.

As a service company, particular attention is paid to psychosocial risks within the group. A new survey of quality of life at work was launched in early 2018 for the scope of the UES, with a response rate of 57% of the employees concerned. The key criteria assessed and monitored are workload, clarity of roles, physical environment, clarity of assessment criteria, managerial support, change, autonomy, relationship with colleagues and meaningfulness of work. The results were communicated to all employees in September 2018 and an action plan was put in place.

Work organization plays a major role in simplifying tasks and reducing workloads and in protecting the health and safety of employees effectively and sustainably. Taking action on workloads by improving employees' quality of life is therefore crucial to preventing accidents at work, occupational sickness and stress. The group seeks to encourage a more flexible organization of employees' working hours. Company agreements are implemented within the scope of the UES in order to enable a more flexible organization of employees' working hours.

- Telecommuting agreement: telecommuting will now be offered to all eligible employees in the central departments, and to some employees in the sales networks in a trial format. Some subsidiaries also offer or are experimenting with telecommuting (Suravenir, Suravenir Assurances, Fortuneo, Armorique Habitat, Nouvelle Vague). A telecommuting charter for traveling sales staff was also implemented at Financo in 2017. In 2018, more than 800 group employees telecommuted. Arkéa's goal is to reach 1,000 telecommuting employees, or 10% of the workforce.
- Agreement on choice of part-time work: this aims to take better account of employees' aspirations with regard to their work-life balance and to give greater access to part-time work.
- Fixed Days package agreement: the spirit of this agreement is the desire to leave behind a rigid system of daily work hours, in favor of annual management of days worked that leaves more flexibility to employees in how they organize their work and personal time. In the Arkéa group, 1,450 employees are now covered by this arrangement.
- Donation of leave for seriously ill children or spouses: this anonymous, unpaid donation of leave allows the recipient to maintain his or her compensation during his or her absence. In 2018, 159 employees donated a total of 209 days of leave. Suravenir also has a system of leave donation for seriously ill children or spouses.

These agreements are aimed at supporting the company's development from a social and economic point of view, offering employees a more flexible working environment, and continuing initiatives in terms of work/life balance.

While new technologies are now an integral part of the work environment and necessary for companies to operate properly, the group is also sensitive to the right to disconnect. Automatic disconnection (over defined time slots) of some employees' external access to the group's IT tools is currently being implemented with the new messaging tool gradually adopted by employees in 2018.

The Human Resources department also organizes employee stress management sessions throughout the year. In 2018, some 900 employees participated in webinars on well-being at work. Lastly, discussions were held with more than 500 employees on quality of life at work and stress management during Quality of Life at Work Week 2018.

Any employee may experience difficulties of a professional and/or personal nature over the course of their life, which may have consequences for his or her health, which is why the Arkéa group has put in place different types of support.

A network of social workers is available to employees within the scope

of the UES. Moreover, since 2016, the Human Resources department has been experimenting with a personalized support system for employees of the UES experiencing difficulty at work for professional or personal reasons. Under the "Rebound" program for around 20 employees, a customized action plan is designed and put in place based on the employee's specific situation.

There is a full-time nurse on the premises of the group's central departments.

Lastly, with regard to sexism and psychological or sexual harassment at work, the Human Resources department created a «sexism and harassment at work» working group in 2018. The challenge is to put in place a mechanism to prevent and raise employee awareness so as to break the silence and create a process for mobilizing the right people at the right time so as to act promptly.

The quality of life at work approach also continues to expand. In November 2017, the Arkéa group decided to embark on the Great Place To Work certification process, with the goal of obtaining this label by 2020. A new department called Arkéa 360 has been created to work around four areas: facilitating understanding of the Arkéa group's purpose and strategy; improving management practices; promoting and better rewarding collaborative work at the group level and strengthening the sense of belonging to the group. This Quality of Life at Work approach received an award at the "Victoires des leaders du capital humain" event in November 2018 which highlights the three innovative projects promoting employee commitment and well-being: skill sponsoring, solidarity leave and Sport@Work. In 2018, a "Sport@work" internal cohesion project was launched. It aims to identify and support employees who take part in a high-level sport, by enabling them to display the Arkéa group's colors, share their feedback and encourage participation in sport among all employees. The company also supports employees who are engaged in humanitarian and civic endeavors. Suravenir has also put in place a wage rounding mechanism that enables employees to make monthly micro-donations to two associations directly from their wages.

Since 2017, several initiatives are underway to redesign workspaces and improve working conditions for employees in the central departments and subsidiaries. Conference and break rooms were reconfigured to encourage conversation, community and modularity. In the networks, the concept of the new local savings bank offers workspaces for employees and reception areas for customers that are fully consistent with the goal of keeping a genuine focus on customers and employees, as advocated by the group.

An attractive wage policy

Since 2015, a bonus system has been in place for all group employees. It is conditional upon the achievement of group targets and is redistributed in an equitable manner.

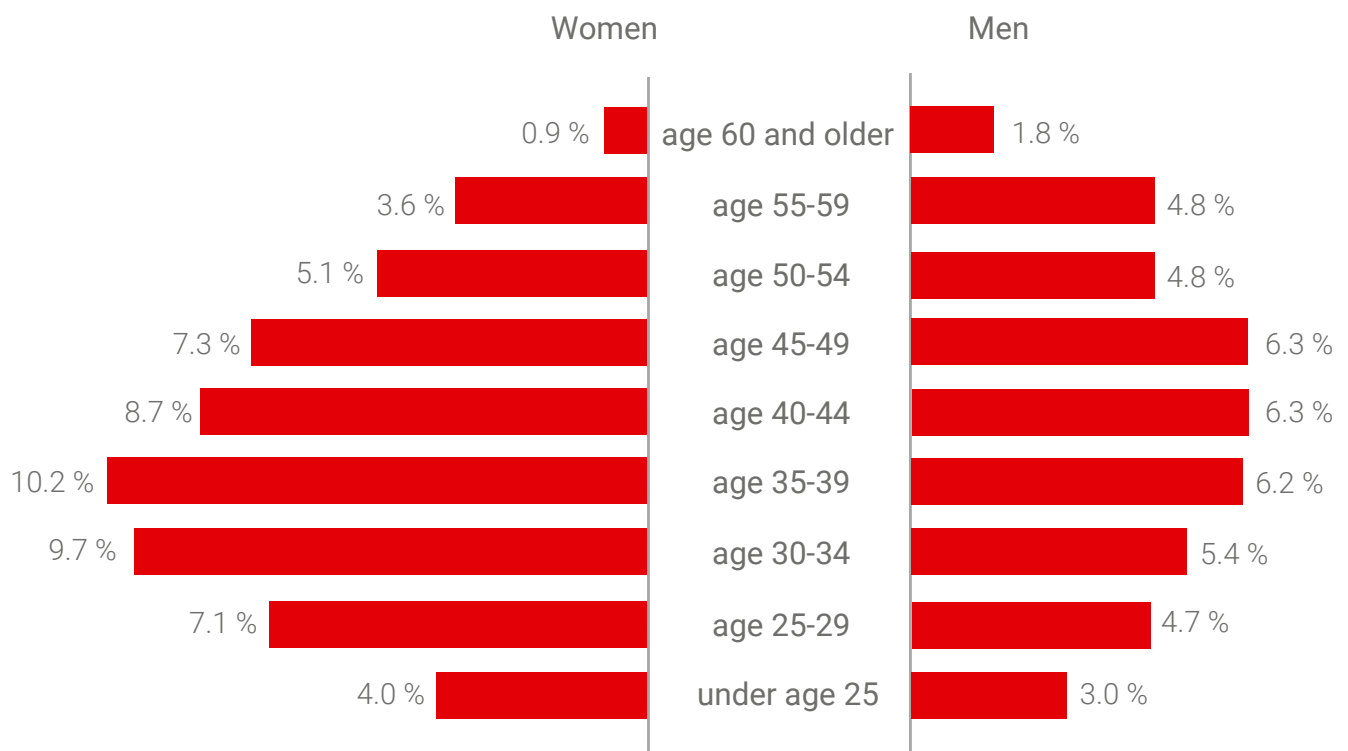
The mandatory annual bargaining (NAO) in 2018 led to an overall annual wage increase of €400 per employee of the UES. Subsidiaries outside the UES scope conduct their own mandatory annual bargaining. In 2018, 28% of group employees also received an individual wage increase.

Employees participate in the company's performance via profit-sharing and incentive schemes. In 2018, a total employee savings budget of €97.8 million was distributed to group employees. A new profit-sharing agreement for the 2017-2019 period, is in force at the UES scope. It includes criteria for increasing the budget, some of which relate to the group's carbon footprint and diversity. The goal is to continue to strengthen the link between profit-sharing and achievement of the Arkéa 2020 objectives.

In addition, within the UES, there are also variable compensation schemes designed to reward collective and individual sales performances. The following are affected by these schemes: trading floor managers (Federal Finance Gestion and Arkéa group), the sales staff of the Arkéa Banque Entreprises et Institutionnels delegations, the sales staff of the Arkéa Banque Privée structure, the employees of the Arkéa Capital front office, and sales network employees (three federations). For the latter, variable compensation can reach 2.5 months of salary and is based on collective performance with an acknowledgment of individual effort. In 2017, €8.023 million in variable compensation was distributed under this plan to 3,576 employees.

	2 016	2017	2018
TOTAL WORKFORCE (PHYSICAL PERSONS)	9,539	9,891	10,297
Permanent workers (physical persons under permanent contract)	8,797	9,070	9,407
Non-permanent workforce (physical persons)	742	821	890
Management and supervisors	5,266	5,627	5,883
Non-managers	4,273	4,264	4,414
Average age (years)	40	40	40
Recruitments (permanent & temporary contracts)	1,815	1,888	1,972
Number of employees under permanent contract who left the company	509	534	613
of which dismissals	43	80	83
Average compensation per permanent employee (in €)	44,786	45,464	46,162
Average number of training hours per employee who took training	25	24	22
% of total payroll allocated to training	4.7%	4.6%	4.9%
Total calendar days of absence	177,282	163,728	161,285
TOTAL WORKFORCE (FULL TIME EQUIVALENT)	9,241	9,590	9,978.6
Permanent employees (permanent contract - FTE)	8,587	8,856	9,142.2
Non-permanent workforce (full time equivalent)	654	734	836.4

Age pyramid (breakdown by age bracket, as % of the total workforce)



5.5.4 Diversity of human capital

Non-financial risks associated with this issue: risks of non-compliant labor practices linked to the risk of discrimination

Promoting diversity

The Arkéa group wants to be an “inclusive” business model. The group’s conviction is that a company that is more inclusive of all types of diversity will gain in terms of overall performance.

The Arkéa group strives to combat all forms of discrimination, whether direct (such as disadvantaging one employee in favor of another because of non-objective criteria when hiring) or indirect, when rules and practices, accepted for economic or functional reasons, have a discriminating impact on individual employees or groups of employees.

Group executive management is responsible for highlighting non-discrimination principles within the company. Every employee receives the internal bylaws upon their arrival, which includes these elements. Internal bylaws are specific to each company in the group.

The Human Resources teams operate within a procedural framework that enables them to prevent any discrimination, with an awareness of inclusion and an embrace of all differences. Line management participating in the recruitment panels is also introduced to hiring practices that combat all forms of discrimination, as part of the training given to new managers.

There is also no discrimination between full-time and part-time workers in the benefits offered by the UES.

“Everyone inclusive” training has been rolled out since 2017 to help staff better recognize the stereotypes that might influence their judgment, often subconsciously. The group has set the goal of training every employee on this topic by the end of 2020. At end-2018, more than 3,000 employees had taken the module.

Gender diversity

One of the group’s main challenges in the area of diversity in human capital concerns gender diversity and in particular the proportion of women in high-level positions of responsibility. To achieve a better balance, in early 2016 the group created, “Mixité inside”, a special task force whose goal is to act both on the organization of work and on attitudes (individual stereotypes and corporate culture). Over a three-year horizon, the objective is to trigger momentum and lay the foundations for lasting change, borne autonomously and at the heart of the business lines, by each of the group’s entities. This task force is backed by a network of more than 400 ambassadors from among voluntary male and female employees, whose role is to raise awareness of this issue and help coordinate action by steering the action plans deployed within their entities. A criterion related to gender diver-

sity has also been integrated into the variable compensation for the group’s officers, directors, and senior and executive managers.

Following a diagnosis of the obstacles to gender diversity drawn up in 2016, a group-wide action plan was launched, as well as decentralized action plans specific to each entity. The Gender Diversity task force coordinates all these action plans throughout the group. New managers also receive a half-day training devoted to gender balance, diversity and inclusion. Several topics are addressed in this course: self-censorship, sexism, and support for maternity leave. This module is also provided to existing managers upon request.

Since 2004, the actions taken to support gender equality have been governed by the signing of five successive company agreements for the scope of the UES. The purpose of the new gender equality agreement signed in 2018 is, for equivalent jobs, to measure and reduce gaps in compensation and professional development or career paths between men and women. To limit and eliminate these gaps, it provides solutions in terms of career paths, training and support mechanisms for a better balance between professional and personal life. A special “Professional equality” budget has been in place since 2015 to reduce pay gaps. The allocated budget was raised to €600,000 in 2018. In 2018, the wages of 366 women were adjusted using this system. At the end of 2018, the median pay gap between women and men at all job levels within the UES was -1.6%.

A maternity, adoption or parental leave support system has also been in place within the UES since 2015, in accordance with the commitments made in the collective agreement. “Workplace gender equality” agreements were also in place at some subsidiaries in 2018.

The group also backs external gender diversity initiatives: in particular, it is a partner of the Diversity Observatory think tank comprised of large companies committed to this issue. This partnership resulted in the drafting of a “Green book of six concrete measures to improve gender diversity in companies”.

At December 31, 2018 the group’s workforce was composed of 56.6% women and 43.4% men. 45% of the group’s management staff are women.

PROPORTION OF WOMEN IN UPPER MANAGEMENT AND EXECUTIVE POSITIONS AT DECEMBER 31, 2018:

- Second-level managers (department managers at headquarters and directors of regional units in the networks): 31% (+2 points)
- Senior managers: 32% (-2 points);
- Executive managers: 17 % (-2 points);
- Members of the group General Coordination Committee: 20% (-1 point);
- Members of the group Executive Committee: 22% (-3 points);
- Effective managers of Crédit Mutuel Arkéa 50%

Employees with disabilities

Another important issue for the group in terms of diversity is the continuing and increased employment of people with disabilities as well as retaining and supporting employees with disabilities and those who develop disabilities during their working lives. At the end of 2018, individuals with disabilities made up 3.2% of the group workforce.

In accordance with its values and in a context where the unemployment rate of people with disabilities is far higher than the rest of the labor force, the group must continue its efforts. In 2018, a new three-year agreement on the employment of people with disabilities, covering the scope of the UES, was signed. This sixth agreement is designed to:

- Develop the employment of people with disabilities in its regions, as part of the company's internal recruitment plan and through partnerships with establishments in the protected sector for identified activities (see 5.5.6 "Responsible supplier relations"). The group has set an internal goal of bringing the number of employees with disabilities up to 6% of the workforce, with a minimum of seven hires a year.
- Maintaining the employability of disabled employees, in particular through access to professional training throughout their career. The aim is to find a suitable work solution for everyone, by encouraging equipment adaptation and/or adjustments to work situations, by monitoring employees with disabilities in terms of career development, and finally by providing individual assistance to employees.
- Improve working conditions for employees with disabilities, with a particular focus on digital accessibility to company tools.

A dedicated unit coordinates promotion and facilitation and organizes tracking of actions in support of people with disabilities, in coordination with the Disability officers at the various establishments of the UES. A disabilities IT officer has also been appointed. He works in collaboration with the Disabilities Mission and with people with disabilities to provide suitable IT tools, support and train the users concerned, ensure the accessibility of communication media and anticipate the deployment of new better adapted IT solutions.

Awareness campaigns on disability issues were held for the group's employees during the 2018 European Disability Employment Week. Arkéa has also developed partnerships in this area, such as sponsorship of the Startup & Handicaps contest organized by the Morbihan chamber of commerce and industry, which aims to find solutions to compensate for a disability and/or a loss of autonomy, and skills sponsoring for certain entities.

Support for employees in the second half of their career

In a regulatory and labor context supporting a longer professional career, the company wishes to develop a full array of tools for preparing for retirement. An agreement on support for employees older than 50 was signed in December 2017 by the four representative unions of the UES.

This agreement includes the following objectives:

- Implement a career and training management policy adapted to workers over age 50;
- Support and maintain motivation via a good work-life balance, and support the end of career transition;
- Encourage measures for developing employee skills;
- Support and anticipate retirement.

Through this agreement, the company is committed to maintaining employment and supporting career paths for employees over 50, in particular through mobility and training.

Employee engagement and solidarity

In accordance with the undertakings given under the aforementioned agreement, the Arkéa group began skills sponsoring in 2018. The group offers volunteer employees aged over 59 the possibility of making their services available free of charge, for part or all of their working hours, to a general interest organization located in the group's territories. Consequently, the employee's work contract is maintained and they continue to receive their salary and all the accompanying benefits. In this way, the company seeks to encourage the employees' involvement in the voluntary sector before their effective departure from the company, to enable them to better manage the end of their working career and the start of retirement. At the end of 2018, three employees benefited from this system.

Other actions have also been implemented within the company to promote the values of employee engagement and solidarity. These include the leave donation scheme put in place in 2015 (see section 5.5.3). In collaboration with the association Planète Urgence, the company supports some 20 employees who have committed to taking solidarity leave in 2018 and 2019 to teach French to female micro-entrepreneurs in Benin.

5.5.5 Labor relations

Non-financial risks associated with this issue: risks of non-compliant labor practices linked to deficient social dialog.

The group supports social dialog that is respectful of different viewpoints and perspectives.

Every group company has, based on its own regulatory requirements, certain personnel representative institutions, such as employee representatives, union representatives, works councils and health, safety and working conditions committees. The UES and each subsidiary

outside this scope negotiates their own company agreements. There is also a body for economic, social and organizational information: the Group Committee, which meets twice a year. This body is informed of the situation and prospects of all entities.

At the end of 2018, 98% of group employees were covered by a collective bargaining agreement.

Within the UES, the new architecture for employee representative bodies has been in place since May 2016, based on an agreement about union rights and staff representation. This agreement, anticipating the provisions of the Rebsamen law, provides employee representatives with new resources to combine their terms of office with their career pathways and orientations.

There are now eight local delegate bodies (IDP) that meet every two months. A permanent coordination committee for the health, safety and working conditions committees of these new IDPs has also been formed. Four establishment committees are also in operation (Crédit Mutuel de Bretagne, Crédit Mutuel Massif Central, Crédit Mutuel du Sud-Ouest, Headquarters-Corporate and Institutional division).

The scope of this dialog with employees created the need to acknowledge the particular position of employee representatives, who benefit from a specific agreement with respect to raises and career development.

Social dialog takes the form of negotiating and signing company agreements. In 2018, 39 agreements were signed at group level. In 2018, four agreements were signed together with an amendment to the incentive agreement for the UES scope.

MAIN COLLECTIVE AGREEMENTS SIGNED IN 2018 OR WHOSE IMPLEMENTATION BEGAN IN 2018 (UES SCOPE)	EXPECTED IMPACT OF THE AGREEMENTS ON THE COMPANY'S ECONOMIC PERFORMANCE AND ON EMPLOYEES' WORKING CONDITIONS
Gender equality agreement	Measure and eliminate gaps between women and men, for equivalent jobs, in compensation and career paths or career development. Implement solutions to enable a fair work-life balance for all. Raise awareness and provide information and training on gender diversity and inclusion.
Agreement on the employment of people with disabilities	Develop the employment of people with disabilities within the company and in its regions, maintain the employability of employees with disabilities, improve the working conditions of employees with disabilities.
2018 Annual Wage Bargaining Agreement	Reward the level of commitment and contribution of all the teams to the group's development
Amendment to the profit-sharing agreement for the 2018-2019 period	Involve the employees in the company's development by giving them a direct stake in the performance of the UES.
Agreement for employees over age 50 (signed in December 2017).	Implement a career management and training policy adapted to people over the age of 50, energize and maintain motivation through a fair work/life balance and support the transition towards the end of their career, encourage measures to build employees' skills and support and plan for retirement.
On-call agreement (signed December 7, 2018)	Ensure, outside normal working hours, the operational continuity of essential company services by responding to occasional and unforeseen events through the rapid response of an employee designated for this purpose, either remotely or on-site within the company. Ensure respect for employees' personal and family life and their health. Define the conditions under which on-call duties are organized within the UES in accordance with the provisions of Article L.3121-11 of the French Labor Code.

The Human Resources department regularly communicates on discussions with employee representatives during bargaining committees and at establishment committees. Employees are kept abreast of labor dialogue via these communications, with a review of proposals made and decisions taken. Union organizations have several means of communication and are provided with infrastructures including union premises.

5.5.6 Responsible supplier relationships

Non-financial risks associated with this issue: risk of non-responsible supplier relations associated with risks of collusion, economic dependency of suppliers, late payment of suppliers and suppliers' non-compliant CSR practices.

Since 2017 the Arkéa group has been a signatory of the Responsible Supplier Relationships charter, which commits it to ten principles of responsible purchasing, such as financial equity towards suppliers, reducing risks of reciprocal dependency, and consideration of environmental issues. At that time, Arkéa also appointed a company mediator within the group, to whom suppliers can refer any contractual or relationship difficulties that might arise.

Over one year, the group made 94.6% of its purchases from French

suppliers .

The group's Purchasing policy considers the regional dimension when choosing providers, consistent with the group's positioning. The Arkéa group works with nearly 3,000 local companies, scattered throughout its three home regions (Brittany, the South-West and the Massif Central region).

Knowledge of employment, human rights, environmental and anti-corruption practices

Since 2017, the Purchasing department has carried out an annual assessment of environmental, ethical, health/safety and human rights risks by major service families (or sectoral risks).

The group's framework contracts with suppliers and service providers include clauses concerning compliance with labor law and anti-corruption efforts. A supplier code of conduct has also been attached to the group's framework contracts since autumn 2017. By signing it, the supplier undertakes to comply with principles regarding human rights (non-use of forced labor and child labor, non-discrimination, etc.) and labor rights (compensation, hours and leave, collective bargaining, etc.), business ethics (anti-corruption, conflicts of interest, etc.) and respect for the environment.

A group framework procedure relating to the Sapin 2 law and the duty of vigilance in the context of supplier relations is being drafted by the Purchasing department and will apply to all group entities. Questionnaires for assessing suppliers' knowledge of CSR practices are also being finalized.

A code of ethics has been signed by the Purchasing department's buyers. It defines the rules of conduct and ethical standards to be promoted within the Arkéa group and its subsidiaries.

The choice of provider also takes into consideration environmental, employment and social criteria. For services of equal quality, suppliers and subcontractors may thus be preferred on the basis of criteria such as wage policy or training programs implemented in support of employee development or risk prevention, and resource and waste management policies.

Environmental issues are taken into account in calls for tender involving environmental constraints: When assessing the bids, an environmental criterion is included to favor the suppliers and subcontractors that apply the best practices. This criterion may be based on products, techniques used but also on certification.

Recourse to the adapted and sheltered employment sector

The Purchasing department, together with the Human Resources department, also promotes the use of employment assistance esta-

blishments (ESAT) and adapted enterprises (EA) for certain activities.

This results in:

- improved awareness for internal purchasing advisors of the value of this approach;
- mapping of all business sectors for which the use of adapted sector providers could be considered;

To develop subcontracting to this sector, Arkéa group buyers and business providers were trained in 2017, in partnership with the French national union of companies in the adapted sector. These training courses were followed by a morning event presenting businesses from the adapted sector in early 2018.

Under the new company agreement on the employment of people with disabilities (UES scope), the company has set a target of 30% growth in revenue with the sheltered sector to reach €1 million in revenue by 2020 (according to the regulations in force on the date the agreement was signed).

5.5.7 Environmental footprint

As a financial institution, the main environmental and climate-related opportunities and risks are indirect for the Arkéa group (see 5.4.3 Integration of ESG criteria and 5.4.4 Products and services with a social and environmental impact). As part of its duty of vigilance, the Arkéa group has also mapped its direct environmental risks.

EMPLOYEE AWARENESS AND TRAINING IN BEST PRACTICES

Numerous initiatives are carried out each year to raise employee awareness of these issues. The group intranet space dedicated to Social Responsibility suggests various actions to group employees to reduce their environmental footprint, as well as initiatives rolled out by the entities. A film to raise awareness of the group's carbon footprint is also available. In 2018, training in energy and climate issues was provided by the association Avenir Climatique to certain communities of employees involved in the group's CSR approach.

MONITORING AND REDUCING THE GROUP'S CARBON FOOTPRINT

Each year, the group measures its carbon footprint by conducting a group carbon audit. Accordingly, the group performed a carbon audit in early 2019, based on 2018 data, and in accordance with the "Base Carbone" association method. Because of its significant regional coverage, the group decided to include commuting in scope 3. To date, scope 3 does not include the carbon footprint of the financing and investments made by the group. However, Suravenir and Surave-

1 Scope covered: equivalent to the UES scope, Arkéa Banking Services, Armony, CFCAL, Financo, Nextalk, Fortuneo, Nouvelle Vague, Arkéa On Life, Novélia and Suravenir. Sliding one-year period from mid-2017 to mid-2018.

nir Assurances made an initial measurement of the carbon footprint of their investment portfolios in 2018 (see 5.4.3 Integration of ESG criteria in financing and investments).

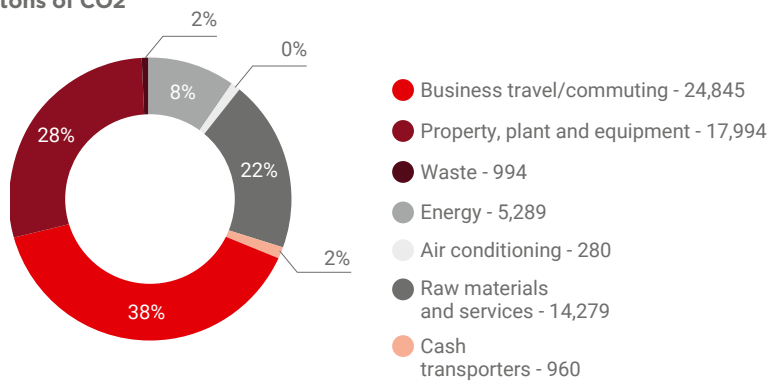
The group's carbon footprint is 64,642 metric tons of CO2 for the 2018 fiscal year, or 6.48 tons of CO2 per FTE. Each division receives its carbon footprint to see where it stands relative to the group average and then formulate an action plan for its scope.

The Arkéa group seeks to limit its carbon footprint by focusing on

travel and energy consumption. To date, it has not set quantitative emission reduction targets. In order to mobilize all employees around this objective, since 2017, the profit-sharing agreement for UES employees has included a criterion for increasing the budget associated with a reduction in the carbon footprint per employee.

Breakdown of the Arkéa group's carbon emissions

Total 64,642 metric tons of CO2



EMISSION CATEGORIES	NUMBERS	EMISSION ITEMS	SOURCE	BREAKDOWN
Direct GHG emissions (scope 1)	1	Direct emissions from fixed combustion sources	Natural gas and domestic fuel oil at the sites	6%
	2	Direct emissions from mobile sources with combustion engines	Diesel in the automobile fleet	
	4	Direct emissions leaks	Refrigerant leaks	
Indirect emissions associated with energy (scope 2)	6	Indirect emissions related to electricity consumption	Electricity at the sites	5%
Other indirect GHG emissions (scope 3)	8	Emissions related to energy not included in items 1 to 6	Same item 1 and 6	89%
	9	Purchase of products or services	Paper, ink and services	
	10	Capital property	Building, vehicle and computer equipment property	
	11	Waste	Treatment of conventional waste	
	12	Upstream transportation of goods	Fund transport and internal shuttles	
	13	Business travel	Travel by car, rail and air	
	23	Commute from home to work	Employee travel	
TOTAL				100%

Proactive and innovative action for travel

As the top item in its carbon footprint, the group is putting in place proactive initiatives with regard to travel, so as to limit the number of journeys and shift practices towards eco-mobility. Mobility plans are therefore deployed in many group entities. During the 2018 European Mobility Week, employees learned about sustainable mobility via a variety of initiatives organized by the group's entities. Since 2018, electric vehicles have been offered for short distance travel to employees at the central departments and charging stations are available to central department staff. The car fleet policy has been modified to encourage the choice of rechargeable hybrid or electric vehicles.

Lastly, videoconferences and remote document sharing tools continue to be encouraged within the group, thereby reducing business travel. At the same time, telecommuting continued to grow in 2018. Aside from its impact on work-life balance for staff, telecommuting should lead to a significant reduction in carbon emissions from daily commutes.

Energy savings and environmentally friendly design

As a financial sector player, the group's main energy consumption is by its IT equipment and data centers. For the past several years, the group has been implementing various measures to optimize this consumption (insulation of the cold paths of data centers, reflective paint test, etc.). Between 2017 and 2018, the group managed to disassemble around 200 servers in its data centers. This process helped contain the rise in energy consumption despite growth in services and scope. The IT teams also rolled out a system in the central departments and local savings banks to better support turning off power to work stations. In addition, the group has begun work to improve the design of its IT applications with the aim of reducing energy consumption.

The group also pays close attention to the energy performance of its buildings. Fortuneo's new building incorporates the most advanced sustainable development criteria with the goal of obtaining BEPOS

positive energy building and High Quality Environmental (HQE) certifications. In 2018, all the homes delivered by Armorique Habitat (a social housing subsidiary) met High Energy Performance standards. Lastly, in 2018, as part of the renewal of its energy contracts, the group put in place "green electricity" contracts for around 60% of its electricity consumption.

In addition to these actions aimed at reducing greenhouse gas emissions, carbon offset initiatives are being carried out.

RESPONSIBLE RESOURCES MANAGEMENT

As a player in the financial sector, consumption of natural resources by the Arkéa group remains limited compared with other activities and mainly concerns paper. The main lever used by the group to reduce paper consumption in its customer relations is the creation of paperless offers with electronic signature, which continued in 2018. For its internal paper consumption, the group is continuing its efforts to reduce the volume of paper used (double-sided printing, trialing of badge printing, Wi-Fi in the central departments' conference rooms, etc.). In addition to the attention paid to consumption, the group is also vigilant with regard to supply: paper supplying photocopy stations is certified PEFC and FSC; for employees' daily consumption, recycled paper was rolled out during 2018.

Circular economy and waste management

There are various waste sorting systems within the group. The main waste generated by the group's business is paper and waste electrical and electronic equipment (W3E). As regards paper, all group entities (except the Crédit Mutuel du Sud-Ouest local savings banks) benefit from a recycling solution. The Ark'ensol association, also donates refurbished IT equipment to non-profits that are customers of the federations.

Since 2017, collection of organic waste has been reorganized in the company cafeterias. This waste is now collected by a service provider for reuse in bio-gas production.

5.6

Consolidated table of indicators

CSR INDICATORS	2018 DATA
KEY PERFORMANCE INDICATORS	
Annual percentage of staff exposed to AML/CTF risk that received training (15589 credit institution scope)	86%
Number of sanctions issued by the ACPR relating to the AML/CTF system	0
Percentage of training for persons exposed to the risk of corruption within the 15589 credit institution scope	79%
Number of beneficiaries of the special offer for financially vulnerable customers (15589 credit institution scope)	7,498
% of directors approved by the regulators without conditions precedent (regulated entities scope)	95%
attendance rate at Crédit Mutuel Arkéa's Board of Directors meetings	88%
Percentage of subsidiaries with attendance rates of more than 75% at supervisory body meetings	88%
% of customer shareholders among individual customers	72%
Rate of participation in voting at Crédit Mutuel Arkéa Shareholders' General Meetings	91%
% of participation in voting	3.1%
% of assets under management at Federal Finance Gestion managed according to ESG criteria	92%
% of positive opinions on the criterion "meaningfulness of work" in the QWL barometer	70%
% of positive opinions on the criterion "work load" in the QWL barometer	25%
% pay gap between women and men	-1.6%
% of people with disabilities in the total workforce	3.2%
Number of collective agreements signed during the year	39
% of supplies purchased from French suppliers	94.6%
GOVERNANCE	
CUSTOMER SHAREHOLDERS - CUSTOMERS	
Number of local savings bank customers	2,330,375
■ of whom individuals	2,120,918
Number of customer shareholders	1,520,780
Number of customer shareholders last year	1,506,025
% of customer shareholders among individual customers	71.7%
Average amount of share capital owned (in euros)	1,485
Amount of compensation for share capital paid in 2017 in respect of 2016 (in €)	36,818,854
Number of customer shareholders present and represented at shareholders' meetings (local savings banks)	46,258
% of participation in voting	3.1%

CSR INDICATORS	2018 DATA
DIRECTORS OF THE LOCAL SAVINGS BANKS	
Number of local savings banks	2,330,375
Number of directors - local savings banks	2,120,918
■ of which women	1,520,780
Number of local savings bank board of directors meetings held during the year	1,506,025
Number of women chairpersons of local savings banks	71.7%
% of women chairpersons of local savings banks	1,485
Number of directors summoned to local savings bank board meetings	36,818,854
Number of directors present at local savings bank board meetings	46,258
Number of new directors - local savings banks	3.1%
■ of which women	
% of women among the new directors	59.4%
Number of new chairpersons - local savings banks	24
■ of which women	16
% of women among the new chairpersons	66.7%
DIRECTORS OF FEDERATIONS	
Number of federation directors	108
■ of which women	36
Number of new federation directors	7
■ of which women	4
% of women among the new federation directors	57.1%
Number of new chairpersons - federations	0
DIRECTORS OF CRÉDIT MUTUEL ARKÉA	
Number of elected members on the Board of Directors of Crédit Mutuel Arkéa	17
■ of which women	7
■ of which independent directors	2
TRAINING	
Number of directors or officers who received at least one training course during the year (local savings banks)	2,141
Total number of training hours dispensed	12,831
% of directors trained (local savings banks)	71%
Duration of training per director trained (in hours)	6

CSR INDICATORS	2018 DATA
SOCIETY	
Number of Arkéa group points of sale in France and abroad	478
Number of Crédit Mutuel points of sale	426
Number of Arkéa group points of sale outside France	4
Periodic points of sale	715
MICROCREDIT	
PERSONAL SUPPORTED MICROCREDIT (PARTNERSHIPS)	
Number of personal microloans granted in the year	332
Average amount of personal microloans granted (in €)	2,381
Amount of personal microloans financed in the year (in €)	790,529
ADIE INTERMEDIATED BUSINESS MICROCREDIT	
Number of intermediated business microloan applications	703
Available amount of credit lines (in €)	1,761,757
OTHER SUPPORTED BUSINESS MICROCREDIT	
Number of supported business microloans granted during the year (in the framework of a partnership)	0
Amount of local microloans granted locally by the group (in €)	0
ARKENSOL CREAvenir	
Donations (in € thousands)	512
Guarantee-free loans and "interest-free" loans (in € thousands)	2,348
Number of guarantee-free loans and "interest-free" loans granted	576
Number of jobs supported	943
SRI - ESG	
SRI assets (in € thousands)	1,060,262
ESG assets (in € thousands)	28,018,215
VOTING POLICY	
Rate of approval of resolutions	82.4%
Number of shareholders' meetings in which the company participated	69
SOLIDARITY SAVINGS	
Overall solidarity savings deposits (in €)	42,825,866
of which donated to associations	126,412
Solidarity savings account (Livret Solidaire) deposits excluding capitalization (in €)	34,077,023
Savings deposits for products with FINANSOL certification (in €)	34,077,023
Employee solidarity savings deposits (in €)	8,748,843
ASSOCIATIONS MARKET	
Number of non-profit customers (associations, unions, works councils, etc.)	70,749
CORPORATE GIVING AND SPONSORSHIP	
Overall budget dedicated to corporate giving and sponsorship (in €)	4,561,714

CSR INDICATORS	2018 DATA
LOANS FOR RENEWABLE ENERGIES AND ENERGY EFFICIENCY	
Number of interest-free Eco loans granted in the year	708
Average amount of interest-free Eco loans granted (in €)	17,856
Total interest-free Eco loans granted (in €)	12,642,323
Number of projects financed (professionals and farmers)	253
PRODUCTS AND SERVICES WITH SOCIAL PURPOSE	
Regulated social loans outstanding (PLS, PSLA) (in €)	1,001,254,860
MEDIATION	
Number of eligible files	157
Number of decisions favorable to the customer	31
FINANCIAL INDICATORS	
Gross technical provisions for insurance subsidiaries (in € thousands)	31,418,985
Technical provisions on unit-linked contracts for insurance subsidiaries (in € thousands)	10,841,557
LABOR	
WORKFORCE	
Physical person workforce	10,297
■ of which France	9,999
■ of which outside France	298
■ of which non-management	4,414
■ of which men	4,468
■ of which women	5,829
Total FTE workforce	9,979
Permanent contract workforce FTE	9,142
■ of which women	5,041
■ of which non-management	3,673
% of employees under permanent contract	91.6%
RECRUITMENT	
Total number of hires	1,972
■ of which women	1,152
■ of which permanent contracts	837
Number of interns and apprentices hosted during the year	1,044
Conversion rate (permanent and fixed-term contracts) (as %)	30.5%
DISMISSALS AND REASONS	
Number of employees under permanent contract who left the organization	613
■ of which dismissals	83
Turnover (%)	5.0%
ORGANIZATION, WORKING HOURS AND ABSENTEEISM	
ORGANIZATION OF WORKING HOURS	
% of full-time employees	93.3%
% of part-time employees	6.7%

CSR INDICATORS	2018 DATA
ABSENTEEISM AND REASONS	
Total calendar days of absence	161,285
■ of which illness	155,856
■ of which workplace accidents	5,430
Number of declared work-related illnesses	1
HEALTH AND SAFETY CONDITIONS	
Number of reported workplace accidents with work absence	91
TRAINING AND WORKPLACE EVOLUTION	
Total payroll invested in training (in €)	21,871,530
% of total payroll dedicated to training	4.9%
Number of employees who received at least one training course	9,846
% of employees trained	95.6%
Total number of hours devoted to employee training	220,810
Average number of training hours per year and per employee who took training	22
% of annual performance reviews completed	88.0%
Internal mobility rate (%)	13.5%
ÉGALITÉ PROFESSIONNELLE HOMME-FEMME	
Number of female managers	2,538
% of female managers	45.4%
% of female members of the Executive Committee	22%
% of female members of the General Coordination Committee	20%
% of female senior managers	17%
% of female executive managers	32%
% of female second-level managers (department managers at headquarters and directors of the regional units in the networks)	31%
Number of managers promoted during the year to a higher-level function	429
■ of which women	166
% of women promoted to manager	38.7%
Women who received a wage adjustment under the gender equality at work budget allocation	366
EMPLOYEE DIALOGUE	
Number of condemnations for hindrance (in France)	0
Number of consultations with personnel representatives (works council, CHSCT, DP)	433
Number of information procedures with personnel representatives (works council, CHSCT, DP)	286
% of employees covered by a collective bargaining agreement	98.0%
EMPLOYMENT AND INTEGRATION OF WORKERS WITH DISABILITIES	
Number of workers with disabilities	329
% of people with disabilities in the total workforce	3.2%

CSR INDICATORS	2018 DATA
COMPENSATION AND ITS EVOLUTION	
Gross total payroll (in €)	447,220,960
Average gross annual compensation (in €) - all levels, permanent contracts	46,162
Average gross annual compensation (in €) - non-managers, permanent contracts	31,713
Average gross annual compensation (in €) - managers, permanent contracts	55,865
Total gross annual compensation (in €) permanent contracts	422,026,556
Total gross annual compensation (in €) non-manager permanent contracts	116,471,132
Total gross annual compensation (in €) manager permanent contracts	305,555,424
Employee savings	97,863,683
% of employees who received an individual raise	28.1%
ENVIRONMENTAL	
CARBON FOOTPRINT	
Carbon footprint (in metric tons of CO2)	64,642
Carbon footprint (in metric tons of CO2/FTE)	6.48
WATER (M3)	
Water consumption (m3)	64,771
ENERGY (KWH)	
Total energy consumption (kWh)	52,375,066
■ of which cold water in the urban network, invoiced (kWh)	44,100
■ of which steam heating - urban grid, invoiced by metric ton of water returned (kWh)	113,311
■ of which electricity (kWh)	45,745,187
■ of which gas (kWh)	6,142,987
■ of which heating oil (kWh)	329,481
PAPER (METRIC TONS)	
Consumption of paper (metric tons)	1,259
■ of which paper for internal use (metric tons)	397
■ of which paper for external use (outside use: printing, communication, customer statements, checkbooks, etc.) (metric tons)	862
% of purchased paper recycled	59.3%
Weight of paper recycled (metric tons)	759
DÉPLACEMENTS (KM)	
Travel (km)	
Business travel - Air (km)	11,085,763
Business travel - Rail (km)	5,285,710
Business travel - Automobile fleets (km)	17,888,099
Business travel with private vehicles (km)	9,706,893
Mail management: interbank and inter-business shuttles + currency transport (km)	1,754,831
Number of liters of gasoline consumed by the company fleet	173,223
Number of liters of diesel fuel consumed by the company fleet	922,673

CSR INDICATORS	2018 DATA
DIRECT EMISSIONS LEAKS	
Refrigerant leaks from air conditioning installations (tertiary water and air conditioning) (kg)	154
SYSTEMS FOR REDUCING ENVIRONMENTAL IMPACT AND GREENHOUSE GAS EMISSIONS	
Number of videoconferencing systems	111
Number of videoconferences	31,947
Number of digitized documents and pages	105,000,000
SANCTIONS	
Amount of indemnities paid during the financial year as a result of a legal decision in the environmental arena (in €)	0
RISKS	
Amount of provisions for environmental risks (in €)	0
Number of ministerial orders recognizing a state of natural disaster during the calendar year	23
Number of claims reported in respect of these orders	359
Number of claims processed and closed during the year	184
Total number of natural disaster claims processed and closed during the year, regardless of the date of disaster recognition	281

Methodology note

Methodology

The methodologies for identifying the group's non-financial risks and issues are described in section 5.3.

The CSR indicators listed in the tables of the Statement of Non-Financial Performance section of the Registration Document are part of a measurement and reporting methodology first developed in 2008 and updated annually. This methodology organizes the rules for gathering, managing, calculating and consolidating indicators, their scope and the controls performed.

It is designed for the advisors and collectors in the Arkéa group's three federations, its subsidiaries and its central departments, which contribute to this Statement of Non-Financial Performance, using an application developed for this purpose in 2013 and updated in 2016. It defines the audit trail for both internal and external audits.

Each department in charge of collecting data is responsible for the indicators provided. The control is performed when the data are collected (separation of the collection and validation roles) and when they are consolidated (review of changes, inter-entity comparisons, etc.).

From a qualitative standpoint, the actions described in the report are documented and approved by the relevant entities.

The approach used is based in particular on:

- The Arkéa group's CSR strategy,
- The Arkéa group's materiality and non-financial risks analysis,
- Exchanges with the stakeholders during 2018,
- Articles L. 225-102-1 and R. 225-105 of the French Commercial Code relating to the Statement of Non-Financial Performance,
- The Global Compact, of which the Arkéa group has been a member since the end of 2015,,
- The Sustainable Development Goals (SDG),
- The Energy Transition law,
- The French law on the duty of vigilance of parent companies and ordering companies,
- The Base Carbone Association method for preparing greenhouse gas emission measurements,

REPORTING SCOPE

The scope covered by the reporting process corresponds to the Arkéa group as a whole, as defined by the financial consolidation. Equity-accounted subsidiaries are therefore excluded from the collection scope.

The subsidiaries Izimmo and Pumpkin, acquired by the Arkéa group

in the second half of 2017, are included for the first time in this Statement of Non-Financial Performance.

REPORTING PERIOD

This report covers calendar year 2018 (January 1 to December 31) including the data on the group's carbon footprint.

In 2018, energy data (gas, electricity) was collected from two suppliers. For one supplier, the data relate to a rolling year from December 1, 2017 to November 30, 2018. For the other supplier, the data relate to the calendar year.

METHODOLOGICAL SPECIFICITIES OF THE INDICATORS

For social data, the scope is that of the group unless otherwise specified. When that is not the case, the scope covers the scope of the UES, which comprises 69% of the group's permanent and fixed term employees.

Clarifications regarding certain business model indicators:

Remuneration of shares: remuneration of shares paid in 2018 (in respect of 2017).

Amounts invested in companies at end-2018: amount defined based on the cost price of Arkéa's portfolio of investments at December 31, 2018 including: equity interests held by Arkéa; investments by subsidiaries in equity interests.

Compensation paid: staff costs excluding employer's contributions, including additional compensation (bonuses, incentive/profit-sharing, etc.).

Amounts paid in respect of solidarity: amounts of loans and donations granted to project owners supported by Ark'ensol Créavenir and Adie, personal microloans granted, reimbursement of bank charges in connection with sensitive accounts and assistance to borrowers in difficulty.

Clarifications regarding certain key performance indicators:

Annual percentage of staff exposed to AML/CTF: this calculation was done for the training campaigns launched in 2018.

Gender pay gap: average of the gaps (in %) in median compensation of Women/Men observed for each job level, weighted by the workforce at each job level.

Clarifications regarding certain governance indicators:

Training

The duration of training for directors for Crédit Mutuel de Bretagne is estimated at eight hours for one-day training, three hours for half-day training and two hours for evening training

Clarifications regarding certain social indicators:**Workforce**

- Workforce is understood to exclude service staff at 45 local savings banks.

Absenteeism

- The total number of calendar days of absence includes the following absences by employees under permanent contract, fixed term contract, or work-study: paid sick leave, unpaid sick leave, sick leave without a medical certificate, workplace accidents (including those not recognized by CPAM) and commuting accidents, special leave, leave for sick children, long-term leave without pay (lasting longer than one month), sabbatical leave, parental leave, and disability leave.
- Absences not accounted for are paid vacation or contract-based leave (working time reduction, seniority, marriage, etc.) and maternity, paternity and adoption leave.

Payroll

- The payroll expenditures invested in training include Fongecif subsidies and work-study training

Mobility

- The rate of internal mobility includes movements within and between group entities of natural persons with a permanent contract.

Turn over

- Turnover is calculated as the ratio of the number of departures (excluding retirements) to the average workforce during the year.

Clarifications about certain environmental indicators:**Carbon footprint**

- The 2018 carbon footprint was measured using the latest method of the Base Carbone association (V8.1), which is more precise in calculating emissions.
- In the item "raw materials and services", the consumption of inks relates to 2017.

Water consumption

- Water use concerns use actually observed for all group entities, with the exception of use by the Crédit Mutuel de Bretagne entities, which is estimated based on average water use per employee.

EXCLUSIONS

The following topics are not described in the Statement of Non-Financial Performance, as they are considered immaterial in the context of the group's direct activity: food wastage, means of combating food insecurity and promoting animal welfare and responsible, fair and sustainable food.

EXTERNAL VERIFICATION PROCESS

In order to obtain an external opinion on the reliability and fairness of the non-financial data, Arkéa group appointed Mazars, as an Independent Third Party, to verify the Statement's compliance with the provisions of Article R. 225-105 of the French Commercial Code and the accuracy of the information provided pursuant to paragraph 3 of sections I and II of Article R. 225-105 of the French Commercial Code, i.e. the results of the policies including the key performance indicators and the actions relating to the main risks.

The assurance report issued by the independent third party and detailing the work done, along with its comments and findings, is included in this registration document.



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General
information

Information relative to sites and activities within the consolidation scope as of 31 December 2018

The main information relating to locations as of 31 December 2018 aggregated at the Country and Territory levels is as follows:

(€ thousands)

ZONE	COUNTRY	NBI(*)	EMPLOYEES (FULL-TIME EQUIVALENT)	NET INCOME (LOSS) BEFORE TAX (*)	CORPORATE INCOME TAX (*)	SUBSIDIES (*)
France	France	2,056,523	9,490	583,424	-153,024	0
Other EU countries	Germany	0	0	226	0	0
	Belgium	74,664	227	10,919	-3,012	0
	Spain	0	0	-403	0	
	Italy	0	0	-592	0	
	Luxembourg	13,077	36	1,465	292	0
	Portugal	0	0	-71	0	
Other European countries	Switzerland	1,541	11	-1,740	49	0
OVERALL TOTAL		2,145,805	9,764	593,227	-155,695	0

(*) The share of net income of companies accounted for by the equity method is recorded directly in pre-tax income. Their contribution to consolidated NBI, income taxes and subsidies is therefore nil.

Information about the Company

Registered company name and trade name: Crédit Mutuel Arkéa

Place of registration and registration number:

Siren number: 775 577 018 Brest Corporate and Trade Register / APE Code: 651 D

Creation date and incorporation period:

The company was created on September 24, 1960 for a period of 99 years, i.e. its registration expires on September 23, 2059.

Registered office: 1 rue Louis Lichou, 29480 Le Relecq-Kerhuon

Telephone: +33 (0)2 98 00 22 22

Fax: +33 (0)2 98 28 46 32

Legal form:

The company is a French-incorporated variable capital credit cooperative. It is also a union of cooperatives.

It is subject to the following laws:

- law of September 10, 1947 on cooperatives;
- articles L 231-1 to L 231-8 of the French Commercial Code on variable capital;
- the provisions of the French Commercial Code on commercial companies;
- the provisions of the French Monetary and Financial Code on the activity and control of credit institutions;

- articles L 512-55 to L 512-59 of the French Monetary and Financial Code and all laws related to Crédit Mutuel;

- the provisions of its by-laws and internal regulations.

Nature of control over the company

The Group's basic unit is the local savings bank ("Caisse locale"). Each local savings bank has a restricted area of operations and its capital is owned by customer shareholders in the form of shares. In accordance with the provisions applicable to Crédit Mutuel, and in particular the provisions of Articles L. 512-55 et seq. of the Monetary and Financial Code, Crédit Mutuel Arkéa's capital is owned by the local savings banks of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations. There is no agreement that could result in a change of control of the company. Changes in Crédit Mutuel Arkéa's share capital are also governed by the provisions of Article 9 of the Articles of Association and also apply in compliance with the provisions applicable to cooperatives.

Litigation and arbitration

As of the publication date of this Registration Document, neither the company nor any other member of the Arkéa group is or has been involved in any governmental, judicial or arbitration action (including any pending or imminent procedure about which the company has knowledge) that could have, or has had within the past 12 months, a material impact on the financial situation or profitability of the company and/or Arkéa group.

Major agreements

No major agreements (other than agreements entered into as part of the company's ordinary business) have been entered into that could bestow on any member of the Arkéa group a right or obligation that would have a material effect on the company's ability to fulfill its obligations pursuant to the financial securities issued on behalf of their holders.

Material changes in the company's financial situation

No material change in the company's financial situation has occurred since the end of the last fiscal year, and notably since the approval of the 2018 financial statements by the company's Board of Directors on February 27, 2019.

Audit of annual historical financial information and sources of financial information appearing in this document

For the 2018 fiscal year:

See statutory auditor's report for 2018.

For the 2017 fiscal year:

See statutory auditor's report for 2017.

For the 2016 fiscal year:

See statutory auditor's report for 2016.

This Registration Document does not include any other information audited by the statutory auditors, and all financial information appearing in this document is taken from the company's audited financial statements.

This Registration Document contains no information from third parties, statements of experts or statements of interest.

Earnings forecasts or estimates

This Registration Document contains no earnings forecasts or estimates.

Date of most recent audited financial information

The date of the most recent audited financial information is December 31, 2018. This information was certified by the Board of Directors on February 27, 2019 and will be submitted to the Shareholders' General Meeting for approval on May 16, 2019.

No quarterly or interim financial information has been published subsequent to the most recent audited financial statements.

Documents available to the public and documents incorporated by reference

During the period in which the Registration Document is valid, a copy of the following documents may, where applicable, be viewed:

- The company's by-laws;

- All reports, correspondence and other documents, historical financial information, assessments and statements prepared by an appraiser at the request of the company included in this Registration Document;

- The financial information of the Crédit Mutuel Arkéa parent company and of the group for the fiscal years ending December 31 of 2016, 2017 and 2018;

- This Registration Document;

- Registration Document number D.18-0427 of April 27, 2018, incorporated by reference and updated on August 29, 2018 under number D.18-0427;

- Registration Document number D.17-0503 of May 9, 2017, incorporated by reference and updated on August 31, 2017 under number D.17-0503;

The Issuer assumes responsibility for the information incorporated by reference.

Registration Document number D.18-0427 of April 27, 2018 incorporated by reference and updated on August 29, 2018 under no. D.18-0427 as well as this Registration Document are also available on the French Financial Markets Authority's web site: www.amf-france.org

These documents may be viewed at the company's registered office during normal business hours. A copy of this Registration Document will be sent at no cost to any person requesting it. These documents may also be viewed on the company's web site (www.arka.com).

Incorporation by reference

In accordance with Article 28 of European Regulation No. 809/2004 of April 29, 2004, the reader is advised to consult the previous Registration Documents with respect to certain information, notably financial information regarding the company's net assets, financial situation and earnings:

1. For the 2017 fiscal year: pages 74 to 182 of Registration Document number D.18-0427 of April 27, 2018
2. For the 2016 fiscal year: pages 62 to 159 of Registration Document number D.17-0503 of May 9, 2017
3. For the 2015 fiscal year: pages 76 to 157 of Registration Document number D.16-0306 of April 8, 2016

Other information included in those previous Registration Documents separate from the information cited above was, in some cases, replaced and/or updated with information included in this Registration Document.

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Person responsible

Person responsible for the information contained in this document

Ronan LE MOAL, Chief Executive Officer of Crédit Mutuel Arkéa.

Statement of the person responsible for this document

I certify, after having taken all reasonable measures to this effect, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its scope.

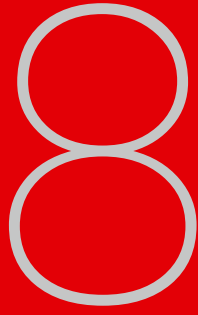
I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the company and of all the companies included in the consolidation, and that the management report, the contents of which are set out in a cross-reference table on page 339 presents a true and fair view of the development of the business, results and financial position of the company and all the companies included in the consolidation and that it describes the main risks and uncertainties they are facing.

I have obtained a letter from the statutory auditors at the end of their work, in which they state that they have verified the information relating to the financial position and financial statements included in this Registration Document and that they have read the entire Registration Document.

Relecq Kerhuon, 04/24/2019

Ronan LE MOAL, Chief Executive Officer of Crédit Mutuel Arkéa.





Statutory auditors

The company's 2018 consolidated financial statements were audited by:

Principal statutory auditors:

Mazars

61, rue Henri Regnault
Exaltis
92075 La Défense Cedex - France

Represented by **Franck BOYER**

Start of initial term: 1976

Expiration of current term: December 31, 2020 (following the financial statements closing)

The decision to renew the term of Mazars represented by Franck Boyer beginning with the 2017 fiscal year was made on May 6, 2015 for a six-year period.

and

Deloitte & Associés

6 place de la Pyramide
92908 Paris La Défense Cedex - France

Represented by **Jean-Vincent COUSTEL**

Start of initial term: 2007

Expiration of current term: December 31, 2020 (following the financial statements closing)

The decision to renew the term of Deloitte & Associés represented by Jean-Vincent Coustel beginning with the 2014 fiscal year was made on May 6, 2015 for a six-year period.

Alternate statutory auditors:

Anne VEAUTE,

61, rue Henri Regnault
Exaltis
92075 La Défense Cedex
France

Start of initial term: 2012

Expiration of current term: December 31, 2020 (following the financial statements closing)

The decision to appoint Anne VEAUTE was made on May 6, 2015 for a six-year period.

and

Société BEAS

7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex
France

Represented by Pascal Pincemin

Start of initial term: 2009

Expiration of current term: December 31, 2020 (following the financial statements closing)

The decision to appoint Société BEAS was made on May 6, 2015 for a six-year period.

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Statutory Auditors' report

on the consolidated financial
statements for the year ended
December 31, 2018

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ladies and Gentlemen,

Opinion

In compliance with the engagement entrusted to us by your General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Crédit Mutuel Arkéa for the year ended December 31st, 2018. In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31st, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. The audit opinion expressed above is consistent with our report to the Comité des comptes.

Basis of opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (Code de déontologie) for statutory auditors.

Observation

We draw your attention to the change in accounting method relating to the application as of January 1, 2018 of the new IFRS 9 standard disclosed in the "First Application" notes as well as in the other notes in the annex presenting figures relating to the impact of the change. However, this does not impact the conclusion expressed above.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

■ Impact of the first-time application of IFRS 9 and assessment of credit risk - "First-Time Application" and "Accounting principles and evaluation methods" notes to the consolidated financial statements

Identified risk and main judgements:

Since January 1, 2018, the Crédit Mutuel Arkéa Group applies IFRS 9 "Financial Instruments" to its financial assets and liabilities, excluding those related to its insurance entities. This standard significantly changes the rules concerning the classification, measurement, and impairment of financial assets, leading to financial and operating impacts. In addition to the impairment methods for credit-impaired/non-performing assets (called "Bucket 3"), the new impairment rules for expected losses require the creation of:

- A first bucket of financial instruments for which the recognized impairment reflects expected losses within 12 months of the date of acquisition or origination of the instrument;
- A second bucket of financial instruments for which a significant credit risk deterioration has been identified since the date of acquisition or origination; in this case, the recognized impairment reflects expected losses on maturity over the entire life of the financial instrument.

The measurement of expected credit losses requires Management to exercise judgment, to determine, in particular:

- credit risk deterioration criteria;
- the amounts of expected losses based on the probability of default (PD) and loss given default (LGD);
- the methods for including macro-economic projections in both the credit risk deterioration criteria and the measurement of expected losses (forwardlooking).

These variables are integrated in the different models developed by the Group Crédit Mutuel Arkéa for each type of loan portfolio to measure the amount of expected losses.

The first-application of IFRS 9 led Crédit Mutuel Arkéa to recognize an impact of €65.9 million in equity related to the implementation of the new impairment model, to publish an opening balance sheet at January 1, 2018, and to provide detailed disclosures on the transition from the balance sheet at December 31, 2017 prepared

under IAS 39 to the opening balance sheet at January 1, 2018 prepared under IFRS 9 (excluding insurance assets and liabilities).

At December 31, 2018, the amount of loans outstanding exposed to credit risk for Buckets 1 and 2 stood at €75.3 billion, including €72.8 billion for Bucket 1, and €2.5 billion for Bucket 2. Total impairment amounted to €273.0 billion for Bucket 1 and 2. Given the scope of this standard, the complexity of its implementation, and the importance of accounting estimates, in particular for the "impairment" phase, we considered the impacts of the first-time application of IFRS 9 for the "impairment" phase as well as more generally the assessment of credit risk and measurement of impairment intended to cover expected credit risks (Bucket 1 and Bucket 2 loans outstanding) to be a key audit matter as of the date of first-time application and at December 31, 2018.

Our audit approach:

Impairment of Bucket 1 and Bucket 2 loans outstanding on implementation of IFRS 9: We assessed the transitional measures rolled out by Crédit Mutuel Arkéa to implement this standard. We asked our experts to assess the analyses performed and the models used to apply the new IFRS 9 accounting principles. With respect to the expected credit losses, our audit procedures consisted in:

- reviewing the segment breakdown of loan portfolios and the mapping of impairment calculation models by groups of homogeneous assets;
- analyzing the compliance of calculation methods and calibration terms with IFRS 9, including:
 - asset allocation criteria for the different buckets (changes in rating and in probability of default since initial recognition,...);
 - calculation of expected credit losses (probability of default model (PD), loss given default model (LGD), forward-looking methodology);
- analyzing in-depth the results of each of the models by redoing the calculations independently and reviewing back-tests;

■ Impairment of Bucket 1 and Bucket 2 loans outstanding at December 31, 2018:

As a continuation of the procedures performed as part of the first-time application of IFRS 9, our procedures mainly consisted in:

- ensuring ourselves that an internal control system has been set up to validate the completeness of the bases used to calculate the provisions;
- using a sample, independently tracking the border function enabling the allocation of loans outstanding to Bucket 1 and Bucket 2;
- analyzing the change in expected losses per bucket, and the impact of forward-looking aspects on expected losses;
- validating the calibration methods of the parameters used to calculate IFRS 9 provisions.

Furthermore, we verified the disclosures in the notes to the consolidated financial statements with respect to credit risk and in particular, new disclosures required following the implementation of IFRS 9.

■ **Reclassification and provisioning of doubtful and disputed loans of the Corporates and Institutionals Pole (Bucket 3) -Notes 6 and 40 to the consolidated financial statements.**

Identified risk and main judgements

Crédit Mutuel Arkéa recognizes impairment to cover the credit risks inherent in its banking activities. As of January 1, 2018, this impairment was determined in accordance with the provisions of IFRS 9 and the expected credit losses principle.

The measurement of expected credit losses for the loan portfolios of the Corporates and Institutionals Pole customers requires the exercise of judgment, in particular to assess the significant deterioration of credit risk to classify loans outstanding in Bucket 1, Bucket 2 or Bucket 3.

To identify loans outstanding in Bucket 3, Crédit Mutuel Arkéa determines whether objective indications of impairment exist (events of default). Once the creditimpaired/non-performing risk is detected, Crédit Mutuel Arkéa exercises judgment and makes accounting estimates to assess the level of individual impairment for each doubtful and disputed loan (classified in Bucket 3). The method for assessing losses is based on an expert's opinion for the Group's Corporates and Institutionals Pole customers and specialized Networks.

Doubtful and disputed receivables of the Corporates and Institutionals segment impaired on an individual basis are included in impaired receivables on an individual basis (Retail customers and Corporates and institutionals customers), which amounted to €1,361 million at 31 December 2018. The provisioning rate for doubtful and disputed receivables (principal + interest) in the Corporates and Institutionals segment was 67.6% for companies and 53.9% for sole proprietorships in 2018. Considering the activities carried out by Crédit Mutuel Arkéa and the importance of the impairment accounting estimates to understand the consolidated financial statements as a whole, we consider the measurement of individual impairment on the loans of and commitments to the customers of the Corporates and Institutionals Pole to be a key audit matter.

Our audit approach

We have familiarized ourselves with the process for identifying the loans outstanding classified in Bucket 3 and the measurement of allocated impairment. We have tested the internal control set up by Management to determine the assumptions on which this measurement was based. Our procedures consisted in:

- assessing the relevance of the measures used to detect counterparties presenting a weakened financial position or in default;

- assessing the relevance of the control measures underlying the provisioning system of these counterparties;

- performing at December 31, 2018, in particular on a selection of the most significant loans to Corporates, a critical review of the main assumptions adopted to estimate the impairment allocated based on an expert's opinion;

- verifying that the estimates adopted rely on documented methods compliant with the principles described in the "Impairment of financial assets and commitments given" section in the notes to the consolidated financial statements.

■ **Goodwill** – Note 15 and 49 to the consolidated financial statements

Identified risk and main judgments:

As part of external growth operations, the Crédit Mutuel Arkéa Group generally recognizes goodwill. This goodwill is then allocated to the different cash-generating units (CGUs) making up the Group. At December 31, 2018, goodwill amounted to €538 million. Goodwill is tested for impairment at least once a year or more frequently if there is an indication of impairment loss. These tests are carried out by comparing the carrying amount and the recoverable amount. The methods used to determine the recoverable amount are based on the expected future profitability method, which is based on an estimate of discounted future cash flows that are based on business plans for each cash-generating unit, prepared for an explicit time frame. The assumptions underlying the determination of the recoverable amount constitute a significant estimate for the preparation of the consolidated financial statements and necessitate the judgment of Management.

Our audit approach:

We analyzed the process set up by the Group to identify potential goodwill impairment losses and the process to assess the impairment tests resulting from the recognition of impairment indicators or the annual review process. We asked our valuation experts to:

■ perform a technical analysis of the modelling of valuation models based on the expected future profitability method;

■ review the assumptions used to determine the financial parameters used in the discount rate;

■ independently perform the valuations based on external data. We also reviewed the relevance of the economic data and assumptions used for the modelling of the business plans prepared by Management of the entities concerned and approved by the Board of Directors.

Specific Verifications

We have also performed in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements. We attest that

the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the Group's management report, it being specified that, in accordance with article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of CREDIT MUTUEL ARKEA by the Board of Directors, in June 10, 1976 for MAZARS and on May 11, 2007 for DELOITTE & ASSOCIES.

As at December 31st, 2018, MAZARS and DELOITTE & ASSOCIES were in the 43th year and 12th year of total uninterrupted engagement. Previously, Sterenn, a member of the Deloitte network, was the entity's auditor from 1997 to 2006. The shares of the company were admitted to trading on a regulated market since, respectively, 26 and 12 years..

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations. The Comité des comptes is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures. The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statement

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or

the quality of management of the affairs of the Company. As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Comité des comptes

We submit a report to the Comité des comptes which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding

the accounting and financial reporting procedures that we have identified. Our report to the Comité des comptes includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report. We also provide the Comité des comptes with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such

as they are set in particular by Articles L.822- 10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Comité des comptes the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, on April 17th, 2019

The Statutory Auditors

DELOITTE& ASSOCIES

Jean-Vincent COUSTEL

MAZARS

Franck BOYER

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Statutory auditors' report

on the aggregate financial statements

Year ended December 31, 2018

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ladies and Gentlemen,

Opinion

In compliance with the engagement entrusted to us by your General Shareholders' Meeting, we have audited the accompanying aggregate financial statements of Crédit Mutuel Arkéa for the year ended December 31st, 2018. In our opinion, the aggregate financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31st, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles. The audit opinion expressed above is consistent with our report to the Comité des comptes.

Basis of opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the aggregate Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (Code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the aggregate financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the aggregate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the aggregate financial statements.

■ **Equity investments and shares in related companies** - Note 6 and «Accounting principles and valuation methods» of the notes to the aggregate financial statements

Identified risk:

The items «Investments and other long-term investments» and «Shares in related companies» represent a total of € 4,511 million. These investments are individually recognized at the lower of their acquisition value or their useful value. This useful value is evaluated annually using a combination of valuation techniques and macroeconomic hypothesis, including:

- The use of revalued net assets;
- The use of capital valuation based on actuarial data;
- The use of the expected future profitability method based on forecast data as well as a discount rate and an infinite growth rate.

This is an estimation that requires the exercise of a judgment by the direction by selecting the relevant items to consider. Then, we considered that the valuation of equity securities was a key audit matter.

Audit approach:

We have evaluated the processes implemented by Crédit Mutuel Arkea to evaluate the possible need for impairment of long term investments. We brought in our valuation experts to:

- carry out a consistency analysis between the long term investments / unit in the related companies analyzed and the valuation method used;
- perform a technical analysis of valuation models' construction and review the hypothesis used to determine the financial parameters used;

We also review the forecasting elements used by checking that they were extracted from the business plans approved by the management direction of the companies concerned and that they were consistent with the hypothesis made and past performance.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in the other documents provided to Shareholders with respect to the financial position and the aggregate financial statements

We have no matters to report as to the fair presentation and the consistency with the aggregate financial statements of the information given in the management report of the Board of Directors and in the other documents provided to Shareholders with respect to the financial position and the aggregate financial statements.

Concerning the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (Code de Commerce), we have the following matter to report:

As indicated in the management report, this information does not include banking transactions and certain related transactions, as your Company has decided that such transactions do not fall within the scope of the required information.

Information relating to corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of CREDIT MUTUEL ARKEA by the Board of Directors, in June 10, 1976 for MAZARS and on May 11, 2007 for DELOITTE & ASSOCIES. As at December 31st, 2018, MAZARS and DELOITTE & ASSOCIES were in the 43th year and 12th year of total uninterrupted engagement. Previously, Sterenn, a member of the Deloitte network, was the entity's auditor from 1997 to 2006. The shares of the company were admitted to trading on a regulated market since, respectively, 26 and 12 years.

Responsibilities of Management and Those Charged with Governance for the aggregate Financial Statements

Management is responsible for the preparation and fair presentation of the aggregate financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of aggregate financial statements that are free from material misstatement, whether due to fraud or error. In preparing the aggregate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations. The Comité des comptes is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures. The aggregate financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the aggregate Financial Statements

Objectives and audit approach

Our role is to issue a report on the aggregate financial statements. Our objective is to obtain reasonable assurance about whether the aggregate financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these aggregate financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company. As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the aggregate financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the aggregate financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the aggregate financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the aggregate financial statements and assesses whether these aggregate statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Comité des comptes

We submit a report to the Comité des comptes which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified. Our report to the Comité des comptes includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the aggregate financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report. We also provide the Comité des comptes with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Comité des comptes the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, on April 17th, 2019

The Statutory Auditors

DELOITTE & ASSOCIÉS

Jean-Vincent COUSTEL

MAZARS

Franck BOYER

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Statutory auditors' special report

on regulated agreements and commitments

This is a free translation into English and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

General shareholders' meeting to approve the financial statements for the year ended 31 December 2018

Ladies and Gentlemen,

In our capacity as statutory auditors of your company, we hereby present our report on regulated agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the characteristics, essential terms and conditions and reasons justifying the interest for the company of the agreements and commitments of which we have been informed or which we may have discovered during our engagement, without having to express an opinion on their usefulness and validity or to seek the existence of other agreements and commitments. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to assess the interest involved in entering into these agreements and commitments for their approval.

In addition, it is our responsibility, if necessary, to provide you with the information provided for in Article R. 225-31 of the French Commercial Code relating to the performance, during the past financial year, of the agreements and commitments already approved by the General Meeting.

We have performed the procedures that we considered necessary in accordance with the professional standards of the Compagnie

nationale des commissaires aux comptes relating to this engagement. These procedures consisted in verifying the consistency of the information provided to us with the source documents from which it was extracted.

Agreements and commitments submitted for approval to the general shareholder's meeting

Agreements and commitments authorized during the past financial year

We inform you that we have not been informed of any agreements or commitments authorised during the past financial year to be submitted to the General Shareholders' Meeting for approval pursuant to the provisions of Article L225-38 of the French Commercial Code.

Agreements and commitments already approved by the general assembly.

In accordance with Article R225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, which were already approved by the General Meeting in previous years, continued to be performed during the past financial year.

Chairman's employment contract

On 12 September 2008, the Board of Directors approved the provisions of the amendment suspending the employment contract of Mr Jean-Pierre DENIS, Chairman of the Board of Directors of Crédit Mutuel Arkéa. The amendment to the suspension of the employment contract mentions the following provisions:

- the date of suspension of the employment contract,
- the conditions for reinstatement at the end of the mandate,
- the consideration of the mandate in the calculation of seniority and for all related rights,
- the subscription of a private unemployment insurance scheme for the duration of the suspension of the employment contract,
- the terms of compensation in the event of termination of the employment contract at the initiative of Crédit Mutuel Arkéa, excluding dismissal for serious or gross misconduct, namely: sums due in accordance with the law and the collective agreement and additional severance pay in a net amount corresponding to 18 months' gross salary..

On 7 May 2010, the Board of Directors authorised the following modification of the terms of compensation in the event of termination of the employment contract at the initiative of Crédit Mutuel Arkéa, excluding dismissal for serious or gross misconduct, namely: sums due in accordance with the law and the collective agreement and additional compensation for dismissal in a net amount corresponding to 18 months' gross salary.

- in the event of termination of the employment contract by Crédit Mutuel Arkéa, for any reason whatsoever, excluding dismissal for serious or gross misconduct, as well as in the event of contractual termination of the employment contract, payment of an indemnity in the net amount of two years' remuneration (calculated on the basis of the average gross monthly salary, received during the twelve months preceding the date of termination, increased by the average gross monthly variable portion received during the three years preceding the date of termination) in addition to the amounts due pursuant to the law and the contractual provisions applicable within Crédit Mutuel Arkéa.

On 6 April 2012, the Board of Directors authorised the signature of an amendment setting out and specifying the provisions previously concluded between Crédit Mutuel Arkéa and the Chairman, concerning the terms and conditions of the suspension of his

employment contract, and those applicable in the event of reinstatement in his employee status. It also authorized the Human Resources Director to incorporate into the President's suspended employment contract the changes in the company's status applicable to the Group's senior executives.

Employment contract of the Chief Executive Officer

On 12 September 2008, the Board of Directors approved the provisions of the amendment suspending the employment contract of Crédit Mutuel Arkéa's Chief Executive Officer. The amendment to the suspension of the employment contract mentions the following provisions:

- the date of suspension of the employment contract;
- the conditions for reinstatement at the end of the term of office;
- the consideration of the mandate in the calculation of seniority and for all related rights;
- the subscription of a private unemployment insurance scheme for the duration of the suspension of the employment contract.

On May 7, 2010, the Board of Directors authorized the amendment of the last paragraph referred to above in the following terms:

- in the event of termination of the Chief Executive Officer's employment contract by Crédit Mutuel Arkéa, for any reason whatsoever, excluding dismissal for serious or gross misconduct, as well as in the event of contractual termination of the employment contract, payment of an indemnity in the net amount of two years' remuneration (calculated on the basis of the average gross monthly salary, including benefits in kind, whether under the employment contract or the corporate office, received during the twelve months preceding the date of termination, increased by the average gross monthly variable portion received during the three years preceding the date of termination) in addition to the amounts due pursuant to the law and the contractual provisions applicable within Crédit Mutuel Arkéa. .

On 6 April 2012, the Board of Directors authorised the signature of an amendment containing and specifying the provisions concluded on 12 September 2008 and 10 April 2010 between Crédit Mutuel Arkéa and the Chief Executive Officer concerning the terms and conditions of the suspension of his employment contract, and those applicable in the event of his reinstatement as an employee. It also authorized the Human Resources Director to incorporate into the suspended employment contract the changes in the social status applicable to the Group's senior executives..

Paris-La Défense, April, 17 2019

Statutory Auditors

DELOITTE & ASSOCIÉS

Jean-Vincent COUSTEL

MAZARS

Franck BOYER

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Report of the independent third party consolidated social, environmental and societal information

This is a free translation into English of the independent third party report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our capacity as independent third party, accredited by COFRAC number 3-1058 (scope available at www.cofrac.fr), and member of the Mazars network of one of the company's Statutory Auditors, we hereby report to you on the consolidated non-financial statement for the year ended December, 31st 2018 (hereinafter the "Statement"), included in the Group management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators. The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are available on request from the entity's head office.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3

of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information. Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- We obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and the impact of this activity on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- We assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- We verified that the Statement includes an explanation for the absence of the information required under article L. 225-102-1 III, 2;
- We verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- We verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;
- We assessed the process used to identify and confirm the principal risks;
- We asked what internal control and risk management procedures the entity has put in place;
- We assessed the consistency of the outcomes and the key per-

formance indicators used with respect to the principal risks and the policies presented;

- We verified that the Statement covers the consolidated scope, i.e. all companies included in the scope of consolidation in accordance with Article L. 233-16 ((the Crédit Mutuel Arkéa credit institution comprising the federations of Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central, the local savings banks affiliated to these federations and Crédit Mutuel Arkéa), with the limits specified in the «Methodological Note» part of the Declaration;
- We assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes 1 that we considered to be the most important, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
 - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities² and covers between 75% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- We referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. .

Means and resources

Our work was carried out by a team of 5 people between November 2018 and March 2019 and took a total of 3 weeks. We conducted about twenty interviews with the persons responsible for the preparation of the Declaration, representing in particular the Innovation and operations division (banking products department), the Human resources department, Federal Finance Gestion, the Real estate and resources department, the Risk department, the Compliance and Permanent Control Department, the Corporate secretariat and institutional communications department, the Corporate secretariat - Crédit Mutuel de Bretagne, Cooperative management and communications department – Crédit Mutuel du Sud-Ouest.

On the basis of our work, we have not identified any material misstatement that would call into question the fact that the declaration of non-financial performance complies with applicable regulatory provisions and that the Information, taken as a whole, is presented fairly in accordance with the Reporting Criteria.

Comments

Without calling into question the conclusion expressed above and in accordance with the provisions of Article A. 225-3 of the French Commercial Code, we make the following comment:

- For confidentiality reasons, the group does not present in its declaration any key performance indicator covering the risk of breach of data confidentiality.

Paris La Défense, April 17th, 2019

Independent third party

MAZARS SAS

Franck Boyer
Partner

Edwige REY
CSR & Sustainable Development Partner

¹ Quantitative information (key performance indicators and results) is listed in the annex to the report.

² For social indicators: ESU Arkade. For environmental indicators: CMB, central services. For governance indicators: CMB, CMMCan and CMSO. For societal indicators: Crédit Mutuel ARKEA (centralised indicators).

Cross-reference table of the Registration Document

Cross-reference table of the Registration Document

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Organisation of the company to take into account environmental issues and, where applicable, environmental assessment or certification procedures	5.5.7	303-305
Resources dedicated to the prevention of environmental risks and pollution	5.5.7	303-305
Amount of provisions and guarantees for environmental risks, provided that this information is not likely to cause serious prejudice to the company in an ongoing dispute	5.6	312
POLLUTION		
Measures to prevent, reduce or repair releases to air, water and land that seriously affect the environment	Not material	
Consideration of all forms of pollution specific to an activity, in particular noise and light pollution	Not material	
CIRCULAR ECONOMY		
WASTE PREVENTION AND MANAGEMENT		
Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste	5.5.7	305
Actions to combat food waste	Not material	
SUSTAINABLE USE OF RESOURCES		
Water consumption and water supply according to local constraints	Not material	
Consumption of raw materials and measures taken to improve efficiency in their use	5.5.7	305-311
Energy consumption, measures taken to improve energy efficiency and the use of renewable energy	5.5.7	305-311
Land use	Not material	
CLIMATE CHANGE		
Significant items of greenhouse gas emissions generated by the company's activities, in particular by the use of the goods and services it produces	5.5.7	301,304
Adaptation to the consequences of climate change	5.4.3, 5.4.4 and 5.5.7	267-274, 275-287
The reduction targets set voluntarily in the medium and long term to reduce greenhouse gas emissions and the means implemented to this end	5.5.7	305
BIODIVERSITY PROTECTION		
Measures implemented to preserve or develop biodiversity	No live material Indirectly: 5.4.4.	283-285

Cross-reference table: Articles L. 225-102-1 and R. 225-105 of the French Commercial Code relating to the statement of non-financial performance

	SECTIONS	PAGES
CORPORATE INFORMATION		
SOCIETAL COMMITMENTS TO SUSTAINABLE DEVELOPMENT		
Impact of the company's activity on employment and local development	5.4.2	276-279,308
Impact of the company's activity on local populations	5.4.2	276-279,308
Relations with the company's stakeholders and the terms of dialogue with them	5.1, 5.2, 5.3	261-262, 263-266, 267-268
Partnership or sponsorship actions	5.4.2	279,308
SUBCONTRACTING AND SUPPLIERS		
Social and environmental issues are taken into account in purchasing policy	5.5.6	302-303
Taking into account in relations with suppliers and subcontractors their social and environmental responsibility	5.3 and 5.5.6	271, 302-303
LOYALTY OF PRACTICES		
Measures to promote consumer health and safety	Not material	
INFORMATION ON THE FIGHT AGAINST CORRUPTION		
Actions to prevent corruption	5.3 ; 5.5.2 ; 5.5.6	269, 289, 300, 303
INFORMATION ON ACTIONS IN FAVOUR OF HUMAN RIGHTS		
Promotion of and compliance with the provisions of the ILO fundamental conventions relating to:	5.5.3	293
respect for freedom of association and the right to collective bargaining	5.5.3	293
the elimination of discrimination in employment and occupation	5.5.3	293
the elimination of forced or compulsory labour	5.5.3	293
the effective abolition of child labour	5.5.3	293
Other human rights actions	5.5.6	303

International commitments cross reference table

	GLOBAL COMPACT PRINCIPLES	SUSTAINABLE DEVELOPMENT OBJECTIVES
5.1 THE BUSINESS MODEL OF THE ARKEA GROUP		
5.2 CORPORATE SOCIAL RESPONSIBILITY OF THE ARKEA GROUP		8, 10, 12, 13, 16
5.3 THE GROUP'S MAIN NON-FINANCIAL CHALLENGES AND RISKS	1-10	1-17
5.3.1 Materiality analysis		
5.3.2 Main non-financial risks of the group		
5.3.3 Report on the implementation of the vigilance plan		
5.4 SUPPORT FOR CLIENTS AND TERRITORIES IN SOCIAL AND ENVIRONMENTAL TRANSITIONS		
5.4.1 Customer relationship and satisfaction		
5.4.2 Support for the development of territories	1	1, 2, 4, 8, 9, 10, 11
5.4.3 Integration of ESG criteria in financing and investment	1-10	1-17
5.4.4 Products and services with social and environmental impact	1, 8, 9	1, 2, 3, 7, 11, 12, 13, 15
5.4.5 Inclusion of clients in situations of fragility	1	1, 10
5.5 A RESPONSIBLE BUSINESS APPROACH		
5.5.1 Data protection and security	2	
5.5.2 Exemplarity in business and governance	1, 10	10, 16
5.5.3 Human capital development	1, 3, 4, 5, 6	4, 8
5.5.4 Human capital diversity	1, 6	5, 8
5.5.5 Social dialogue	1, 3, 6	
5.5.6 Responsible supplier relationship	2, 3, 4, 5, 6, 7, 10	8, 12, 16
5.5.7 The environmental footprint	7, 8, 9	7, 12, 13
5.6 TABLE OF NON-FINANCIAL INDICATORS		

Alternative performance measures - Article 223-1 of the AMF General Regulation

ALTERNATIVE PERFORMANCE MEASURES	DÉFINITION	JUSTIFICATION FOR USE
Other group operating income and expenses	Difference between the income and expenses of other activities	Measures income excluding group financial margin and commissions
Other operating income and expenses for the scope of globalized accounts	Difference between the income and expenses of the other activities derived from Crédit Mutuel Arkéa's accounts	Measures income excluding financial margin and commissions from Credit Mutuel Arkea accounts
Operating ratio	Ratio of management expenses to Net Bankinsurance income	Measures of the group's operational efficiency
Net commissions	Difference between commissions (income) and commissions (expenses)	Measure sincome from commissions at group level
Cost of risk (in basis points)	Ratio of the cost risk (in €) to loans outstanding to customers at the end of the period	Measures the level of risk compared to balance sheet loan commitments
Operating expenses	Sum of general operating expenses and depreciation and amortization charges for property, plant and equipment and intangible assets	Measures the level of group general operating expenses
Group financial margin	Sum of the following items: - Net gains or losses on financial instruments a faire value through profit or loss - Net gains or losses on available-for-sale financial assets, - Difference between «interest and similar income» and «interest and similar expenses»	Measures income from the group's financial activity
Financial margin for the scope of globalized accounts	Under French accounting standards: interest and similar income - interest and similar expenses + net gains or losses on trading portfolio transaction + gains or losses on investment portfolio transactions and similar	Measures income from financial activity from Crédit Mutuel Arkéa accounts
Asset returns	Ratio of the net profit or loss to the balance sheet total on a consolidated basis at the end of the fiscal year	Measures the rates of return of total balance sheet assets
Overall coverage ratio of non-performing loans (interest + capital)	Ratio of provision recognized in respect of credit risk on an individual basis to impaired loans outstanding on an individual basis	Measures the maximum residual rate of risk coverage for impaired loans outstanding
Rate of non-performing and litigated loans (including interest)	Ratio of impaired loans outstanding on an individual basis to customer deposits («Customer loans and receivables» recorded as assets on the balance sheet on a consolidated basis)	Measures the quality of loans



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