

ARKEA

ARKEA

Universal
registration
document **2019**

Including the Annual Financial Report

Contents

1. Presentation of the Arkéa group	3	5. Statement of non-financial performance	239
1.1 Group profile	4	5.1 Arkéa's business model	240
1.2 The Arkéa group in a few dates	7	5.2 Arkéa's corporate social responsibility	240
1.3 The Arkéa group's business lines	9	5.3 The Group's main challenges and non-financial risks	243
1.4 Strategy and business model of the Arkéa group	14	5.4 Supporting clients and territories in societal, social and environmental transitions	249
1.5 2019 highlights	16	5.5 A responsible corporate approach	261
1.6 Solidarity relations	19	5.6 Summary table of indicators	276
2. Corporate Governance	21	6. General information	283
2.1 Conditions for the preparation of the corporate governance report	23	General information	284
2.2 The Board of Directors of Crédit Mutuel Arkéa	24	Statement of the person responsible	286
2.3 Executive corporate officers	40	Statutory Auditors	287
2.4 The bodies and work of the General Management	41	7. Statutory Auditors' Reports	289
2.5 Agreements for the benefit of corporate officers	42	7.1 Statutory Auditors' report on the consolidated financial statements year ended December 31, 2019	290
2.6 Conflicts of interest at the level of administrative and management bodies	43	7.2 Statutory Auditors' report on the aggregate financial statements	294
2.7 Internal control	44	7.3 Statutory Auditors' special report on regulated agreements and commitments	297
2.8 Compensation of corporate officers	49	7.4 Report of the independent third party on the consolidated non-financial performance statement	299
2.9 Other significant events since the end of the financial year	60	Cross-reference tables and alternative performance measures	305
2.10 Statutory auditors' report on the corporate governance report	61	Cross-reference table of the Universal Registration Document	306
3. Financial information	63	Cross-reference table of the 2019 Annual Financial Report relating to the Arkéa group	308
3.1 Activities	64	Cross-reference table with international commitments	309
3.2 Financial results	66	Alternative performance measures – article 223-1 of the AMF General Regulation	310
3.3 Capital and regulatory ratios	68		
3.4 Outlook	71		
3.5 Consolidated financial statements for the year ended December 31, 2019	74		
3.6 Aggregate financial statements as of December 31, 2019	166		
4. Risks	197		
4.1 Risk factors	198		
4.2 Risk management function	212		
4.3 Credit risk	214		
4.4 Operational Risk	222		
4.5 Structural interest rate and liquidity risks	229		
4.6 Risks specific to the insurance business	232		
4.7 Market risk	235		

More information on

arkea.com

2019 Universal Registration Document

Including the Annual Financial Report

Arkéa is a successful business story that began more than a century ago in Brittany and then in the Southwest of France, and which is now extended throughout France and Europe.

10,560
employees

€2.3 Bn
revenues*

€511 M
Net profit
attributable to equity
holders of the parent



This Universal Registration Document was filed with the French Financial Markets Authority (*Autorité des Marchés Financiers - AMF*) on April 14, 2020 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. This is a free translation into English of the Universal Registration Document and it is provided for the convenience of English speakers users. Only the French version of the Universal Registration Document has been submitted to the AMF. It is therefore the only version that is binding in law. This Universal Registration Document also constitutes the annual management report to the Board of Directors of Crédit Mutuel Arkéa to be presented to the General Meeting of members approving the financial statements for the financial year ending 31 December 2019.

* Net banking and insurance income including gains on disposal or dilution in investments in associates.

1.

Presentation of the Arkéa group

1.1	Group profile	4	1.4	Strategy and business model of the Arkéa group	14
1.2	The Arkéa group in a few dates	7	1.5	2019 highlights	16
1.3	The Arkéa group's business lines	9	1.6	Solidarity relations	19
1.3.1	Retail banking and non-banking activities	9	1.6.1	Solidarity relations within Crédit Mutuel Arkéa	19
1.3.2	The insurance and asset management businesses	13	1.6.2	Solidarity relations within Crédit Mutuel	19

1.1 Group profile

In 2019, the Arkéa group brings together Crédit Mutuel Arkéa, the networks of Crédit Mutuel de Bretagne, Sud-Ouest and Massif Central ⁽¹⁾ and some forty specialised subsidiaries, which enable it to cover all banking and insurance activities. **A cooperative company, Arkéa is not listed on the stock market.** It is owned by its members, who are both shareholders and customers.

Complete and diversified, the Arkéa group combines financial strength, innovation and openness, local roots and responsible growth. Arkéa wants to be a banking partner in a world that has a long-term vision, using its **overall performance to finance the real economy, the regions and its stakeholders, as well as the life projects of its 4.7 million members and customers, in order to expand the scope of possibilities and help everyone achieve their potential.**

A benchmark player in all its markets – from retail banking to white-label services for major financial and retail customers – Arkéa pursues an original development strategy, with **the ambition of developing a cooperative and collaborative banking model** that provides the best response to aspirations and lifestyles. **Arkéa is thus opting for open innovation**, sharing and pooling its expertise with that of its ecosystem – companies, finance and insurance startups, etc. – to offer solutions that create value for all. **Arkéa is convinced that this collaborative approach is, today and tomorrow, the main source of progress.**

As a territorial group, Arkéa is committed to maintaining regional decision-making centers and employment areas.

By deploying its cooperative and collaborative financial services model from its regional bases, the Group now has a nationwide reach and serves customers throughout Europe through its online banks and services and its subsidiaries specializing in the business-to-business market.

- a network of 318 points of sale in Brittany (including 219 local branches) and 85 points of sale in the South-West (including 79 local branches);
- 19 regional business centers for Arkéa Banque Entreprises et Institutionnels;
- 6 regional branches for Arkéa Investment Services;
- 8 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;
- An activity throughout Europe with Monext, the subsidiary that specialises in electronic payments and provides services in 25 countries.

(1) The Crédit Mutuel Massif Central federation left the Arkéa group's scope on 1 January 2020.

436

points of sale
in Brittany and Nouvelle-Aquitaine

19

regional
business centers
for Arkéa Banque Entreprises
et Institutionnels

8

regional
branches
for Financo

6

regional
branches
for Arkéa Investment
Services

An activity throughout Europe

Leetchi and Mangopay are present in the United Kingdom, Germany, Spain and Luxembourg;

An activity throughout Europe with Monext, the subsidiary that specializes in electronic payments and provides services in 25 countries.



- Points of sale
- Leetchi's activities
- Regional business centers
- Mangopay's activities
- Financo's regional branches
- Monext's activities
- Arkéa Investment Services' regional branches

1.

1. PRESENTATION OF THE ARKÉA GROUP

Group profile

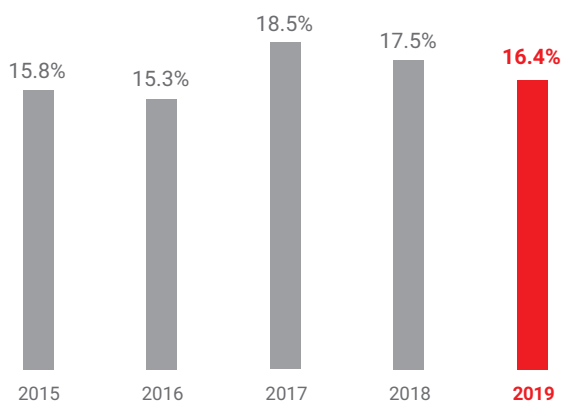
Key Figures

In € million	2015	2016	2017	2018	2019
Revenues ⁽¹⁾	1,780	1,852	2,090	2,146	2,303
Gross operating income	545	570	662	632	724
Net income attributable to equity holders of the parent	296	336	428	437	511
Total asset	110,112	120,393	128,385	134,920	157,142
Equity attributable to equity holders of the parent	5,774	6,070	6,449	6,704	7,348

(1) Net banking and insurance income including gains on disposal or dilution in investments in associates.

Solvency and ratings

Common Equity Tier 1 Ratio



As at 31/12/2019		
	Moody's	Fitch
Short-term ratings	P-1	F1
Long-term ratings	Aa3	A-
Outlook	Negative	Stable *

* Arkéa's issuer outlook downgraded to "negative" on March 30, 2020.

Non-financial rating of the Arkéa group

ISS-Oekom	Premium (2018)
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1.2 The Arkéa group in a few dates

The Arkéa group was created in 2002. Its history, however, began more than a century ago in Brittany and now extends throughout France and Europe. The cooperative and collaborative group has been able to take bold strategic directions at key periods in its development.

Arkéa has its roots in the Office central des œuvres mutuelles agricoles du Finistère, created in 1911 at the initiative of several landowners who wanted to speed up the modernization of the Brittany countryside. A central purchasing agency for farmers, the Office central then succeeded in federating all the mutual, cooperative and social organizations in the department. The cooperative then sought to meet the multiple needs of farmers in the areas of credit, insurance and vocational training. **The Central Office presided over the creation of several cooperative groupings including Eureden (formerly Triskalia), Groupama and, of course, Crédit Mutuel de Bretagne.**

After several years of often uneven development from one town to another, the 1970s saw the union of the Brittany banks and the creation, **in 1979, of a federation – the Crédit Mutuel de Bretagne – which covers the whole of the region.**

From the 1980s onwards, banking-insurance needs diversified, both for private individuals and for professionals and companies. Crédit Mutuel de Bretagne provides a competitive response, becoming both a manufacturer and distributor of financial services. **Between 1984 and 2000, the first specialised subsidiaries were created: Suravenir (life insurance and personal protection), Suravenir Assurances and Novélia (non-life insurance), Federal Finance (asset management), Arkéa Banque Entreprises et Institutionnels (formerly BCME, commercial bank) and Financo (consumer credit).**

The Crédit Mutuel du Sud-Ouest federation, created in 1975, has its origins in a banking cooperative launched in 1963 on the initiative of employees of the Ruelle foundry workshops in Charente, who had the idea of grouping together to save and finance loans at lower cost.

In 2002, the Arkéa group was officially constituted.

In 2008, the Horizons 2015 business plan marks a new milestone in Arkéa's development. Through this project, the Group confirms its leading role in local banking and insurance, while developing online activities and services, strengthening its positions in the corporate and institutional markets and leveraging its expertise, particularly in the design of white-label banking services and products for new partners: retail chains, banks and payment institutions.

In October 2015, the Group's Board of Directors adopted a new business plan: "Arkéa 2020". In line with Horizons 2015, this strategic plan reinforces the Group's original vocation, *i.e.* to support and finance the real economy for the benefit of local communities and their stakeholders, while promoting the Group's openness, agility and social responsibility in the face of the rapid and profound changes in its environment.

These major strategic orientations have resulted in particular in:

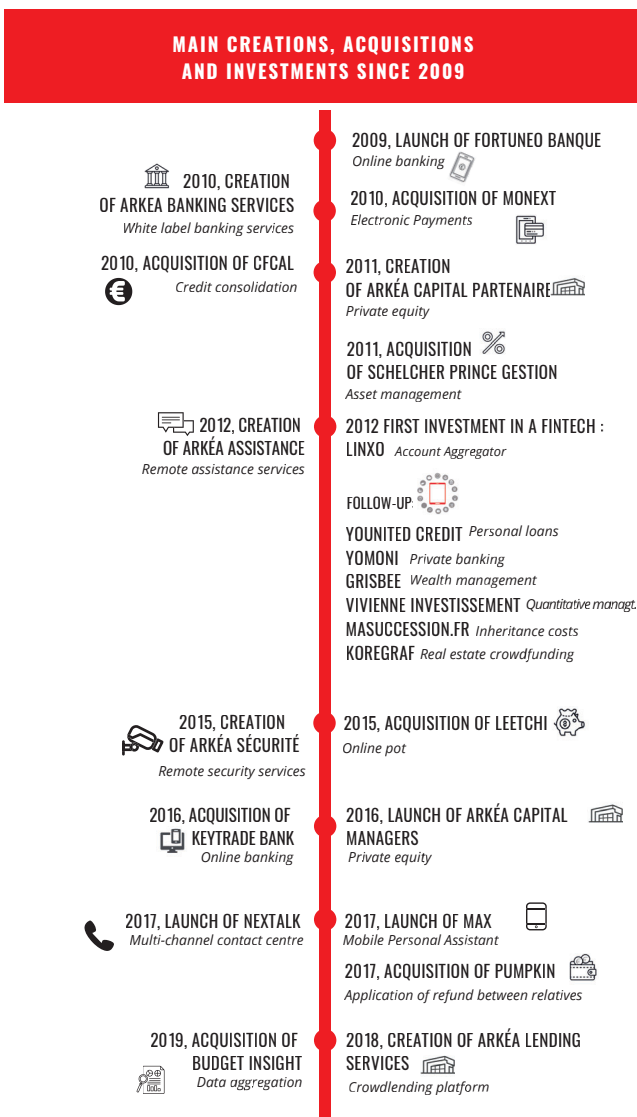
- the successful launch of **Fortuneo Banque** online banking in 2009 and the acquisition of **Keytrade Bank** in 2016;
- the creation of new subsidiaries such as **Arkéa Banking Services** (white label banking services), **Arkéa Capital Partenaire** and **Arkéa Capital Managers** (private equity), **Arkéa Assistance** (remote assistance) and **Arkéa Sécurité** (remote surveillance), **Nextalk** (multi-channel contact center), **Arkéa Lending Services** (participative financing platform through loans or crowdlending), **Nouvelle Vague** with its mobile personal assistant **Max**, and **AS2D**, a joint venture specializing in connected services, in partnership with the Delta Dore group;
- the acquisition of **Monext** (electronic payments), **CFCAL Banque** (credit restructuring) and **Schelcher Prince Gestion** (asset management). All these new areas of expertise round out and expand the Group's offering and enable it to serve new customer segments;
- the acquisition of **Leetchi** (online money pot), **Pumpkin** (application for repayment between close relations), then **Budget Insight** (data aggregation) and the acquisition of stakes in the capital of several fintechs: **Younited Credit** (loans to individuals), **Yomoni** (private banking), **Grisbee** (asset management), **Vivienne Investissement** (quantitative management), **Masuccession.fr** (simulation of inheritance costs), **Koregraf** (real estate crowdfunding). These investments enable the group to keep pace with changing consumption patterns, broaden its product offering and cultivate its agility in an increasingly connected world that is shaking up established codes.

In January 2018, the group's Board of Directors mandated its managers to take any action that would enable it to become an independent banking group, entirely separate from the rest of Crédit Mutuel, while respecting its cooperative identity. This independence project was approved by 94.5% of the local banks in a vote held in April 2018. At the end of June 2018, the group's Board of Directors validated the broad outlines of its target scheme. Arkéa is now committed to the operational implementation of its independence by defining, in conjunction with the supervisors, the practical and detailed terms of its future organization. This will then be submitted to the vote of the local banks (see also 1.6.2 and 4.1.3.4).

In 2019, in accordance with the recommendations of the PACTE law, relating to the growth and transformation of companies, **the Arkéa group wished to express and formalize its "Raison d'être".** The "Raison d'être" is the deep meaning that a company like Arkéa gives to its business and the way it defines its usefulness to society and the planet. **Indeed, Arkéa's contribution is not limited to its economic and financial performance alone, but also includes taking into account the challenges of environmental and societal transition.** Co-constructed with more than 1,900 employees, directors and managers of the group, the project draws on the history, identity and values of respect, openness and boldness of the group. It is a reflection of what constitutes its cooperative and collaborative DNA: close relationships and territorial anchoring, responsibility in action, a culture of long time, innovation in the service of the realization of customers' and partners' projects, inclusion and solidarity with all stakeholders. It is both a driving force for action and a source of inspiration for all initiatives.

1. PRESENTATION OF THE ARKÉA GROUP

The Arkéa group in a few dates



1.3 The Arkéa group's business lines

Complete and diversified, the Arkéa group, with the support of the expertise developed in its specialized subsidiaries and central divisions, has a comprehensive and competitive range of products and services. In a constantly changing environment, driven in particular by the digital transformation and changes in consumer habits, Arkéa remains particularly attentive to the emergence of new businesses and activities, relying in particular on open partnerships. Today, Arkéa wants to make its cooperative and collaborative banking model the best response to aspirations and life paths.

ARKEA
SERVICES FINANCIERS



www.arka.com

1.3.1 Retail banking and non-banking activities

1.3.1.1 Retail banking for individuals and professionals

Arkéa's historic business, retail banking for individuals and professionals (farmers, craftsmen, shopkeepers, professionals) is mainly deployed around the **Crédit Mutuel de Bretagne** and **Sud-Ouest** networks. These federations, which employ some 4,000 people, embody the group's territorial roots. Thanks to the density of their network points of sale, they remain the direct and natural link with their 2.2 million members and customers.

The implementation of a new local caisse format demonstrates in a very concrete manner the importance that the Group attaches to the local ties that unite it to its members and customers. These new spaces reinforce the branch's essential role as a place of expertise and exchange between the customer and his or her usual banking advisor, while at the same time using the most modern technology to make the relationship more dynamic and facilitate decision-making. In addition, the group has a special structure with **Arkéa Banque Privée** dedicated to wealth management for customers located in Brittany and the South-West of France.

A pioneer in multi-channel banking, Arkéa, alongside its traditional physical networks, is making mobile banking the driving force behind its strategy of conquest.

The continuous development of new online services, the dematerialization of procedures and subscriptions, banking applications for connected objects as well as new payment methods are illustrations of this. The great success of **Fortuneo and Keytrade Bank** is another. Fortuneo and Keytrade Bank – the two commercial brands of Arkéa Direct Bank – now have more than 700,000 customers in France, Belgium, Switzerland and Luxembourg.

Leetchi, which designs online payment solutions for individuals and businesses, **further anchors the Arkéa group's presence in the world of digital and online finance. With nearly 12 million customers, leetchi.com is the leader in the online jackpot in Europe. Another fintech acquired by the group: Pumpkin**, which has developed a mobile application that facilitates repayment between relatives and is now positioned in the neo-banking market. Arkéa has also launched its own fintech, called **"Max"**, a mobile personal assistant, whose aim is to provide a simple and effective response to consumers' everyday needs. The "Max" application, which already has 100,000 users, offers a wide range of banking and insurance services, concierge services and personalized advice.

The group, in partnership with *Le Télégramme*, is also the initiator of **Kengo**, a platform for participatory finance (or crowdfunding) through donations, designed to support projects in Brittany and Brittany. Since its creation in 2015, Kengo has contributed to the financing of 437 projects and 1.7 million euros have been collected from 33,000 contributors. More than 40% of the projects are in the economic field, mainly local business start-ups.

1. PRESENTATION OF THE ARKÉA GROUP

The Arkéa group's business lines

In addition, the group has solid expertise in both consumer credit at the point of sale (**Financo**) and in loan restructuring and debt consolidation (**CFCAL**: Crédit Foncier et Communal d'Alsace et de Lorraine). Financo is a leading player in financing in the automobile, motorcycle and leisure vehicle markets, as well as in the home and housing equipment market. CFCAL, for its part, operates nationwide via a network of banking intermediaries, which represents almost 2,000 points of sale.



1.3.1.2. Non-banking activities for private individuals

The Arkéa group offers its individual customers innovative solutions, outside the strictly banking sector, with its subsidiaries dedicated to connected services: **Arkéa Assistance**, specializing in remote assistance services for individuals, and **Arkéa Sécurité** for remote home monitoring. Their services are marketed under the **Arkéa On Life** brand. Some 22,000 people subscribe to its services throughout France.

In a completely different area, **Arkéa Immobilier Conseil**, on behalf of the two federations' networks, selects new and renovated real estate products and programs throughout France that are eligible for the main tax incentives. Arkéa has also acquired a majority stake in **Izimmo**, a group with expertise in the development and marketing of real estate investment and acquisition products.

Finally, **Armorique Habitat**, a social housing company, manages a stock of more than 6,000 housing units in Brittany, which it owns.

NON-BANKING ACTIVITIES

- A remote assistance subsidiary: Arkéa Assistance
- A remote surveillance subsidiary: Arkéa Sécurité
- An intermediary subsidiary in real estate investment: Arkéa Immobilier Conseil
- A real estate consulting and development company: Izimmo Group
- An enterprise for social housing: Armorique Habitat



1.3.1.3 Retail banking for businesses and institutions

As a leading player in the personal banking market, Arkéa also supports all those involved in regional economic development: businesses, local authorities, healthcare institutions, real estate development, social housing and the social economy...

The Crédit Mutuel de Bretagne and Sud-Ouest networks have specific teams and structures to support companies with sales of less than €10 million.

Arkéa also relies on a center of expertise which, around a commercial bank (**Arkéa Banque Entreprises et Institutionnels**), brings together all the skills intended for this clientele. For businesses and public authorities, a comprehensive range of solutions is offered: financing, cash management and valuation, leasing with **Arkéa Crédit-Bail**, insurance, cash flow processing, factoring under the **Arkéa Factoring** brand, management of the entrepreneur's assets...

Arkéa Banque E&I works with more than 11,000 customers (companies and local authorities) and supports the public sector throughout France. Priority is given to supporting public policies in favor of housing, economic development, health, and environmental transition by directly financing local authorities and their satellites that provide local services to the population (low-income housing providers, semi-public companies, public institutions, public utilities, etc.). The group is thus in contact with 18 of the 22 metropolises, 70 Départements and 9 Metropolitan Regions.

In the field of social housing, Arkéa Banque E&I is a key partner for the major groups that alone account for more than half of the social housing stock: Action Logement, CDC Habitat, Habitat en région, Arcade, ICF, Polylogis, Paris Habitat, etc. Finally, the Group has acquired a stake in 35 low-income housing companies.

In addition, the group is also very active in the health sector: hospitals, private health establishments of collective interest, medico-social associations for the frail (elderly, handicapped, etc.), but also mutual health insurance companies, URSSAF, etc. Arkéa Banque E&I has thus participated in the financing of 2 out of 3 university hospitals.

Innovative, Arkéa Banque Entreprises et Institutionnels launched Arkéa Lending Services in 2018. Based on the model of crowdfunding, this digital platform enables public sector players (local authorities, social housing players, hospitals) and companies to obtain financing directly from institutional investors who, in addition to performance, want to give meaning to their investments by supporting the economic development of regions.

The group is also a major player in private equity in France, with €1 billion devoted to financing and developing companies. Arkéa, which groups all of its private equity activities under the **Arkéa Capital** brand, is able to support managers at every stage of their company's development, from startups to medium-sized enterprises. Arkéa Capital has 6 offices covering the whole of France.

Arkéa Capital Partenaire, which provides equity and long-term support to major unlisted companies, embodies the strength and conviction of the Arkéa group's long-term commitment. As such, it participates directly in maintaining economic decision-making centers in the regions and strengthening employment in promising industrial sectors in its reference territories. With an investment capacity of 400 million euros, Arkéa Capital Partenaire works alongside the managers of top-quality medium-sized enterprises to support them in their development projects or in the organization of their succession. The subsidiary has already carried out six major operations with Le Graët (food processing), Paprec (materials recycling), Armor (ink chemistry and printing technologies), Sermeta (manufacture of heat exchangers), Vivalto Santé (private clinics) and the Legris Industries Group (developer of industrial medium-sized enterprises).

Arkéa Capital Investissement's mission is to participate in development capital or buyout capital transactions with family or independent companies, for amounts ranging from 1 to 10 million euros. Since its creation in 1982, Arkéa Capital has supported the development of more than 400 minority companies through equity and quasi-equity investments.

Arkéa has created a new investment vehicle to meet the specific needs of medium-sized enterprise executives: **Arkéa Capital Managers**. Its purpose is to provide long-term support to management teams in their growth projects or takeover of their company. It provides equity capital, with tickets in excess of €10 million, via minority shareholdings. Arkéa Capital Managers has already invested in the Malherbe (transport) and CWF (children's ready-to-wear) groups.

Arkéa Capital completes the system. In conjunction with Arkéa Capital Investissement, it manages venture capital funds (FCPR) and professional private equity funds (FPCI), i.e. alternative investment funds (FIA) invested, for a minimum of 50%, in the securities of unlisted companies. Arkéa Capital also manages the **West Web Valley 1**, **We Positive Invest** and **Breizh Armor Capital** funds. **West Web Valley 1** has a €30 million investment in West Web Valley 1 to support start-ups and companies in the digital transition phase. **We Positive Invest** is a €20 million investment fund dedicated to supporting entrepreneurs engaged in the energy transition, the circular economy and societal entrepreneurship. We Positive Invest has already invested in seven companies: Cozynergy (energy renovation); Algo Paint (algae-based paints); Osmia, (breeding of pollinating insects); IQspot (energy efficiency in tertiary buildings); Newcy (reusable cup service for corporate coffee rooms) and TokTokDoc (telemedicine). Arkéa Capital also manages the €10 million **Breizh Armor Capital** fund, which is dedicated to financing projects related to Brittany's fisheries economy (fishing, aquaculture, seafood).

In 2019, Arkéa acquired a minority stake in **Pytheas Capital Advisors**, a young financial investment consulting firm. Fintech is developing a "reverse factoring" solution that enables corporate customers to reduce their payment terms with their suppliers. Arkéa also has an equity interest in **Koregraf**, a specialist in real estate crowdfunding, and is a shareholder in **Clearwater International France**, an investment bank specializing in corporate mergers and acquisitions advisory services.

RETAIL BANKING FOR COMPANIES AND INSTITUTIONS

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



1.3.1.4 Subsidiaries dedicated to the BtoB market (Business-to-Business)

Arkéa is developing commercial, technical and even capital-intensive partnerships with other financial institutions, retail companies, e-commerce players, etc.

This white-label banking business is growing steadily within the Group. For the client company, the outsourcing of its business processes, which are considered non-strategic, not only enables it to significantly reduce costs, but also provides a competitive edge by allowing it to concentrate on its core business while benefiting from state-of-the-art products and services that comply with regulations. For the Arkéa group, these partnerships enable it to leverage its know-how and technological expertise and to consolidate its development on a national and European scale. For example, the group processes payments for Amazon in France and provides banking services for Allianz Banque.

The subsidiary Arkéa Banking Services, a full-service bank approved by the Banque de France, offers a full range of white-label banking services. Successful partnerships with Allianz Banque, La Banque Postale, Adyen, Brink's France and Système U are prime examples. Arkéa Banking Services also collaborates with several fintechs including Currencycloud, Railsbank, etc.

ProCapital, Monext and **Mangopay** are part of the same partnership approach. ProCapital is a securities services provider for financial institutions and asset management companies that wish to benefit from a modular offer, from account management and execution of their clients' orders to the creation of transactional websites.

Monext is a market leader in electronic transactions combining payment technologies and services. It supports more than 8,000 merchants and processes nearly 40% of e-commerce transactions in France (Amazon, Française des Jeux, Le Mouvement Leclerc, Rue du Commerce, Voyage Privé, Private Sales, PMU, Carrefour, Intermarché...).

Nextalk, a multi-channel contact centre for banking players, is an offshoot of Monext and provides a first level of customer relations and 24/7 banking support. This white-label service enables the bank to maintain human contact and build loyalty among its customers, whether they are traditional, digital or mobile.

Mangopay, a subsidiary of Leetchi, publishes turnkey payment solutions for marketplaces, collaborative consumption and participatory financing platforms and fintechs. More than 2,000 platforms use its white-label API (Application Programming Interface).

In 2019, the Arkéa group also acquired 80% of the capital of fintech **Budget Insight**, a specialist in **data aggregation and payment initiation**. This transaction will further integrate financial and extra-financial services into consumer usage. Arkéa, which is convinced that collaboration between traditional players and fintechs creates added value, is successfully pursuing the transformation of its businesses.

In addition to these companies specialising in BtoB, other subsidiaries are developing BtoB activities through the distribution of their products via external networks (Suravenir, Suravenir Assurances, etc.).

1.3.2 The insurance and asset management businesses

The Arkéa group began setting up insurance and asset management subsidiaries in the 1980s. Suravenir, Suravenir Assurances, Novélia, Arkéa Investment Services (the brand that combines the expertise of Federal Finance Gestion and Schelcher Prince Gestion), each in its own field of activity, enable Arkéa's networks to offer complete and competitive services. Their products are also distributed by networks outside the Group and via Internet players.

1.3.2.1 Life insurance and protection insurance

Suravenir is one of the main players in the life insurance and protection insurance market in France. Suravenir specialises in the design, manufacture and management of life insurance (individual and group life insurance), protection insurance (loan insurance, term life insurance) and company retirement savings contracts. Its contracts are marketed by a large number of distribution partners: banking networks, Internet channel, independent asset management advisors, brokers, etc. In 2019, Suravenir will have nearly 44 billion euros in assets under management in life insurance. 5 billion in premium income.

1.3.2.2 Non-life insurance

Suravenir Assurances covers all the needs of individuals in damage insurance: home and private life, car, motorcycle, health, dependency, life accident cover... It manages more than 2.2 million contracts on behalf of more than 700,000 customers. At the beginning of 2019, in partnership with Arkéa On Life, it rolled out a new contract – Assur&Detect – which combines a multi-risk home insurance policy and a home remote surveillance system.

As a wholesale broker, **Novélia** is active in the coverage of corporate risks, the design of consumer products and for large professional accounts. Nearly 4,000 brokers and general agents distribute its products throughout France.

1.3.2.3 Asset and wealth management

Federal Finance ⁽¹⁾ leads all the asset management specialists of the group in which the Group is a shareholder. Several management areas of expertise are grouped together: **Federal Finance Gestion**, **Schelcher Prince Gestion** and **Swen Capital Partners**. Federal Finance Gestion offers a wide range of mutual funds, management under mandate and company savings funds. Its offers are distributed through Arkéa's networks and directly to institutional investors, major accounts, private banks, fund managers and independent asset management advisors.

Schelcher Prince Gestion deploys investment solutions for institutional clients, private banks, fund managers and independent wealth management advisors in France and abroad.

Swen Capital Partners, created in partnership with the OFI Group, is a leading player in the field of unlisted responsible investment with nearly €5 billion of assets under management and/or advisory in Europe. Convinced of the necessary transformation in the face of the societal and environmental challenges of today and tomorrow, Swen Capital Partners is committed to offering investors the best financial and non-financial performance and applies ESG criteria to all its investments. With one conviction: companies that anticipate change and are willing to transform themselves will be the leaders of tomorrow.

Arkéa is also a shareholder in **Vivienne Investissement**, a quantitative management company that implements a scientific investment process based on a Big Data approach to markets. Arkéa is also a shareholder in **Mandarine Gestion**, an independent company specializing in equity fund management and asset allocation.

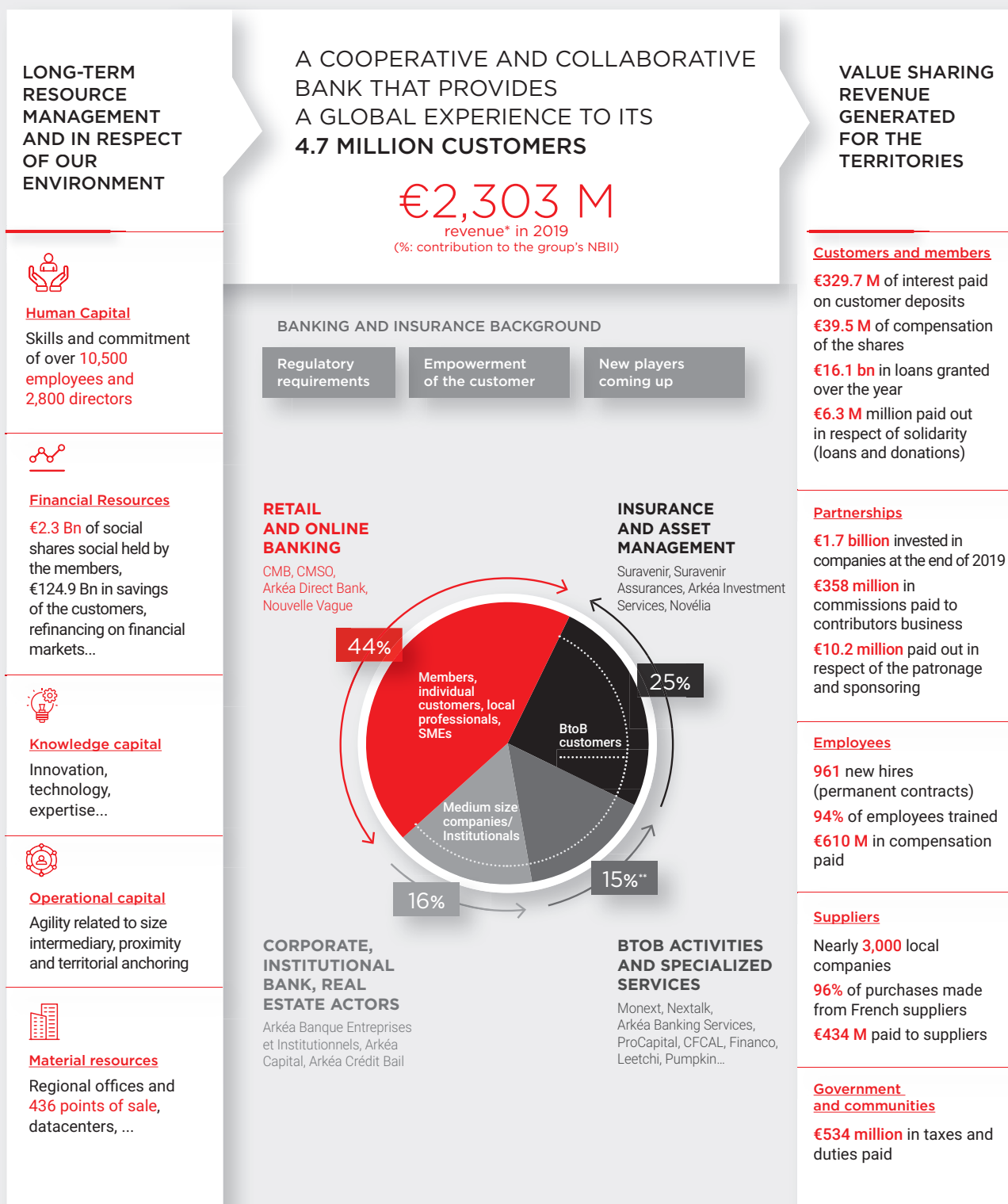
INSURANCE AND ASSET MANAGEMENT SUBSIDIARIES

- A life insurance and pension subsidiary: Suravenir
- A property and casualty insurance subsidiary: Suravenir Assurances
- A design and solutions brokerage insurance subsidiary: Novélia
- Three asset management companies attached to Federal Finance (Arkéa Investment Services brand): Federal Finance Gestion, Schelcher Prince Gestion and Swen Capital Partners
- A management company dedicated to private equity: Arkéa Capital



(1) Under the Arkéa Investment Services brand.

1.4 Strategy and business model of the Arkéa group



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

**Contribution of BtoB and Specialized Services to Group net banking income, excluding BtoB customers of the Insurance and Asset Management Division and the Corporate and Institutional Banking Division.



Arkéa operates in a highly competitive and demanding market environment, facing profound and rapid upheavals that are challenging traditional development patterns. These upheavals are mainly the result of a combination of three phenomena:

- a constrained regulatory and economic environment and the persistence of low interest rates that weigh on the profitability of institutions;
- consumer empowerment in a hyper-connected world;
- the emergence of new players (fintechs, assurtechs) that are agile and innovative, focusing on a link in the value chain and excel in customer relations.

Faced with this paradigm shift, **Arkéa favors an innovative approach, with the aim of imposing its cooperative and collaborative banking model, which increases the scope of its customers' possibilities and creates value for all its stakeholders.**

This original development strategy is based on historical forces:

- **territorial anchoring** thanks in particular to the network of its Crédit Mutuel federations in Brittany and the Nouvelle-Aquitaine, as well as its dynamic investment policy in regional companies;
- **the culture of innovation and openness** that allows the group to extend its influence throughout the country and even 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** enables it to diversify its sources of income, update its knowledge of the market and constantly raise the level of its services;
- **its intermediate size**, in a "massive" sector, provides it with the agility, proximity and responsiveness necessary to rapidly initiate the transformation of its businesses;
- **its financial solidity, which conditions the deployment of its development model.**

Finally, this strategy contributes very actively, through its **collaborative network**, to the **vitality of territories, businesses and employment**. It thus **generates sustainable, qualitative growth that cares about people and their living environment.**

ARKÉA: A KEY PARTNER IN THE DIGITAL ECOSYSTEM

In its search for growth drivers, the Arkéa group forged links very early on with the digital ecosystem, with which it is developing various forms of cooperation.

The Group is a shareholder in **Younited Credit**, the leader in personal finance. In 2015, the group acquired **Leetchi**, whose payment services for individuals and professionals are complementary to its own, and invested in **Yomoni**, a private banking specialist. The group continued its investments by acquiring stakes in **Grisbee**, a wealth management platform, and **Vivienne Investissement**, a quantitative management company. In 2017, Arkéa acquired **Pumpkin**, which is developing a mobile application that facilitates repayments between relatives and is now developing a neo-banking model. It has acquired stakes in **Masuccession.fr**, an online platform for simulating and optimizing inheritance costs for individuals, **Koregraf**, a real estate crowdfunding platform, and **Wilov**, which, in the car insurance market, offers a 100% mobile, no-obligation "Pay When You Drive" offer, whose price is adjusted each month based on the number of days you drive.

The group's subsidiaries apply the same strategy. Suravenir, for example, works with startups that offer alternative investment models at lower cost and collaborates with Yomoni and Grisbee, Altaprofits, Linxea, Hedios or WeSave. Novélia has developed with **Digital Insure** an online comparison of borrower's insurance and Suravenir Assurances works with Wilov (car insurance for use) and Shift Technology for the detection of potentially fraudulent claims in car and multi-risk home (MRH). Arkéa Banking Services manages the banking flows of more than ten fintechs. Monext works with startups, whose innovative solutions help to streamline in-store and online purchasing.

In 2018, Arkéa also launched **Bressst** – for "Smart, Sciences & Startups", a program of excellence dedicated to the development and support of fintechs, in France and abroad.

The group is also an investor in the **ISAI funds**, the investment fund for Internet entrepreneurs, supports **France Digitale**, the benchmark association for the digital ecosystem in France, and supports **RAISE**, the investment fund for the growth of SMEs (Small and Medium-sized Enterprises). Arkéa also participated in the closing of the **Hardware Club Fund I**, which aims to foster the emergence of a new generation of startups developing connected objects, and is supporting the **ShareIT.io** accelerator, which brings together the most innovative social entrepreneurs and technological talent to build solutions that meet the major societal and environmental challenges.

A breeding ground for innovation and a lever for transformation, these fintechs enable the Arkéa group to maintain its agility, expand its range of services and remain at the cutting edge of technology and consumer uses.

1.

1.5 2019 highlights

January

Arkéa On Life, the Arkéa group's brand dedicated to connected services (remote assistance, remote monitoring), is continuing its deployment in Europe and has signed a distribution partnership with the company **Libify** for the German market. Arkéa On Life's services are also available in Belgium, Switzerland and the United Kingdom.

Arkéa took a minority stake in **Pytheas Capital Advisors**, a young financial investment consulting firm. The fintech is developing a "reverse factoring" solution that enables corporate customers to reduce their payment terms with their suppliers. With this investment, Arkéa confirms its positioning within the fintech ecosystem while expanding its range of services to companies and communities.

The Arkéa group announces the launch of an all-in-one remote monitoring and multi-risk home insurance (MRH) offer for the members and customers of its federations. **Assur&Detect** – that's its name – has been co-built by two subsidiaries of the group: **Suravenir Assurances** and **Arkéa On Life**. The offer brings together under a single contract a home protection system and comprehensive insurance in the event of a claim. The associated mobile application provides access to a wide range of services: remote control of the home alarm system linked in real time to a remote assistance centre, online claim declaration,...

In partnership with the **Fédération Nationale des Transports Routiers (FNTR)**, **Arkéa Banque Entreprises et Institutionnels** is mobilizing a €50 million package of subsidized loans to finance responsible investments by FNTR member companies, primarily the acquisition of more energy-efficient vehicles.

February

Arkéa is launching a chatbot (or conversational agent) for **distance selling with integrated payment** on mobile phones, aimed at e-commerce professionals. An initial experiment is being conducted with the Ciné Alpes group, which operates 14 cinemas in France. Arkéa hopes, in time, to give its e-commerce customers, who operate via a website or mobile application, the opportunity to add a new sales channel to provide the best possible customer experience.

Arkéa is the first French bank to completely eliminate the cost of banking incidents for financially fragile people benefiting from the specific dedicated offer. This decision concerns some 15,000 customers. Through this measure, Arkéa reaffirms its commitment to the **values of solidarity and inclusion** that forge its cooperative identity.

March

Monext is consolidating its position as a leading player in the **payment industry**, with more than 3 billion transactions processed in 2018 for a total of 144 billion euros, an increase of around 20% in the number of transactions compared to 2017. Its online payment solution accounts for nearly 40% of market share in France. Monext supports more than 150 financial institutions and 8,000 merchants with services covering the entire electronic payment chain.

FinTake Group finalizes the acquisition of **Leasecom**, a subsidiary of the Arkéa group. Leasecom specializes in rental financing for equipment with high obsolescence. It brings together a network of 1,100 manufacturer, distributor and publisher partners.

April

Arkéa is deploying the **Google Pay** mobile payment solution for customers of its **Fortuneo** online bank and **Max** mobile PDA who are Mastercard holders. This alternative payment method, which is both flexible and secure, is adapted to new consumption patterns.

Wilov assurtech raises 3.2 million euros from **Arkéa** and Allianz France. This fund-raising will enable it to expand its product range with the aim of eventually rolling it out internationally. Launched in 2017, Wilov has shaken up the car insurance sector with its first offer, the "Pay When You Drive", 100% mobile, no obligation, and priced monthly based on the number of days you drive.

May

The **Breizh Armor Capital fund**, endowed with 10 million euros and dedicated to the financing of projects linked to the Breton fishing economy (fishing, aquaculture, sea products), has made its first investment in the Marc'h Dal fishing company located in Guilvinec (29). The Arkéa group, Banque Populaire Grand Ouest-Crédit Maritime, joined by the Brittany region, are behind the creation of this fund managed by **Arkéa Capital**. The renewal of Brittany's fishing fleet is a major challenge to ensure the long-term future of the industry and promote sustainable and responsible fishing.

Arkéa Capital has acquired a minority stake in **Moustache Bikes**, which specializes in the design, assembly and distribution of top-of-the-range electrically assisted bicycles. Based in the Vosges region of France and market leader in France, Moustache Bikes also distributes its bikes in 18 countries through a network of 530 dealers. The company, which has 100 employees, has a turnover of 52 million euros, which has been multiplied by more than 6 in the space of 4 years.

Arkéa and the Conseil supérieur du notariat (CSN) have entered into a partnership to promote the **dematerialization** of document exchange. As part of their day-to-day working relationship, Arkéa's networks and notary offices exchange a wide range of contractual documents and information. Currently transmitted in paper form, often with electronic copies sent by e-mail, most of these documents are intended to be completely dematerialized.

The **TokTokDoc** startup, specializing in **telemedicine**, has completed a fundraising campaign for 2 million euros. The round of financing was led by **Arkéa**, via its social innovation fund **We Positive Invest**, in partnership with private investors. This capital injection opens up new prospects for the young company, which intends to expand in the fields of Ehpad and disability, as well as expand its telehealth offering by developing France's first Virtual Polyclinic. The transaction is the 7th investment of the We Positive Invest fund, which illustrates Arkéa's ambition to strengthen its presence in sectors that prefigure tomorrow's economy, in the service of the common good and future generations.

Arkéa Banque Entreprises et Institutionnels is committing €500 million in loans to support inner-city revitalization initiatives in addition to the **"Action cœur de ville"** program. This 5-year national plan, initiated by the Ministry of Territorial Cohesion, aims to improve the living conditions of the inhabitants of medium-sized towns. More than 220 cities have been selected to take advantage of this government scheme in order to strengthen their role as a driving force for regional development.

June

Using the Google Cloud Platform, **Arkéa's data experts** have developed new functionalities for users of the **Max** PDA. Users will be able to benefit from real-time suggestions for new services, in line with their consumption habits. These are complementary or additional, personalized services offered by partners referenced by Max in complete impartiality.

Arkéa Banque Entreprises et Institutionnels co-arranged a €70 million financing structure on behalf of **Mecatherm**, the world leader in industrial bakery equipment. Mecatherm designs, develops, assembles and installs ovens, machines and automated lines for the bakery, pastry and confectionery industries worldwide.

Arkéa Capital is supporting **Groupe Vert**, a specialist in professional cleaning, in the acquisition of Netvime, a cleaning company based in Lorient (56). This acquisition enables Groupe Vert to complete its regional presence and is in line with its development strategy in the Finistère, Côtes-d'Armor and Morbihan departments.

JCB International, Co. Ltd. (JCBI), the international operations subsidiary of JCB Co. Ltd. and **Arkéa** have formalized a strategic partnership. Merchants who are customers of Arkéa's networks and who have a proximity acceptance (payment terminal) or e-commerce (payment page) electronic payment solution will see their offer extended to cardholders in the JCB network. All Arkéa machines will also be integrated into the JCB network for cash withdrawals. Given the strong tourist attraction of the French territory, partner merchants will benefit from additional sales potential. JCB is the main issuer and acquirer in Japan and one of the largest payment networks in the international market. It has more than 130 million cardholders worldwide and about 30 million merchants accept JCB cards.

Arkéa Capital Managers, an investment vehicle of the Arkéa group, RAISE Investissement and Dzeta have invested in the capital of the Vendée-based group **Children Worldwide Fashion (CWF)**, alongside the managers. The CWF group, 800 people, based in Les Herbiers in Vendée, is the European leader in licensed children's ready-to-wear, luxury and top-of-the-range clothing. With a presence in 83 countries and more than 2,500 points of sale, CWF achieved net sales of around €160 million in 2018. For Arkéa Capital, this transaction is the second equity investment made by Arkéa Capital Managers.

July

Arkéa has signed an agreement to acquire 80% of the capital of fintech **Budget Insight**, a specialist in **data aggregation and payment initiation**. This transaction will enable Arkéa to offer its customers an enriched experience and take a further step towards Open Banking, by further integrating financial and extra-financial services into consumer usage.

Arkéa Banque E&I is refocusing its range of investment products around **responsible investment**, creating CSR term deposits and reducing its range of mutual funds from 250 to 10, to offer only funds that meet the **ESG** (Environmental, Social and Governance) **criteria** that generally constitute the three pillars of non-financial analysis. This new positioning is fully in line with Arkéa's responsible approach, which aims to support regional players in their development, while taking into account societal and environmental issues.

Arkéa Capital and Unexo reiterate their support for the Tacquard family, founder of the **Galapagos group**, a key player in the premium biscuit market in France. The two private equity firms are thus supporting the development of the biscuit division, renamed Galapagos Gourmet, and the change in governance.

August

Discover Global Network **and Arkéa have signed an acquisition partnership**. Cards from the international payment network will now be accepted by merchant customers of Arkéa's distribution networks, in physical points of sale, via proximity acceptance electronic payment solutions (electronic payment terminals), and online, via e-commerce payment pages.

September

Crédit Mutuel de Bretagne has awarded nearly €100,000 to the winning associations of the Défi Territoires d'Initiative. Organised every two years, the Défi rewards associations that set up actions in favour of employment, solidarity, sustainable development, youth initiatives and regional development in Brittany.

The Arkéa group participates in the creation of the Société d'Économie Mixte **Gironde Energies**. This company aims to develop some forty renewable energy production projects in the fields of photovoltaic and thermal solar energy and methanization.

Monext is enriching its omni-channel offering by forging partnerships with specialists in the enhanced shopping experience: the Webotit virtual salesperson (chatbot); Minut'Pass, which makes it possible to eliminate two of the strongest irritants in the in-store experience, queues and appointment scheduling, by digitising them; Tactill, which offers a mobile checkout solution; and Octipas, a unified commerce platform that meets all the challenges of digitisation for retailers.

October

Arkéa is one of the first 56 signatories of the charter of commitment carried by the **SISTA collective** and the **Conseil National du Numérique (National Digital Council)** to accelerate the **financing of women entrepreneurs**. This charter, called "SISTAxCNNum", sets out best practices for investors to make their recruitment and investment processes more favorable to gender diversity. For the Arkéa group, this signature is in addition to a set of measures already implemented to promote professional equality and greater diversity in its federations, subsidiaries and central departments.

Arkéa finalized a €500 million bond issue to refinance projects in favor of social housing and the medico-social sector in particular. This first social bond, or bond with social impact, will be used for the economic development of regions, in line with the Group's vocation to support and finance the real economy.

Arkéa Banque Entreprises et Institutionnels announces that it has signed a new partnership with the fintech **Credit.fr**. This signature is part of the extension of the partnership already signed with Arkéa Lending Services, the Arkéa group's financing platform for companies and local authorities.

Arkéa Capital is committed to the fight against climate change with the signing of the **International Climate Initiative Manifesto**. This commitment to the sustainable and responsible development of regions is part of Arkéa Capital's long-term investment policy alongside entrepreneurs.

November

At the 6th edition of the Human Capital Leaders Awards, organized by Leaders League, Arkéa was recognized in the "Employer Brand and Recruitment" category, an award that notably reflects the innovative initiatives undertaken in the field of recruitment.

Bpifrance and Crédit Mutuel de Bretagne offer, with the financial support of the Brittany Region, the TPE Flash Loan. This loan,

amounting to 10,000 euros, is mainly used to finance intangible investments by very small businesses in Brittany. In order to roll out this offer and offer companies in the region a 100% digital path, Bpifrance and Arkéa are relying on fintech Younited Credit. More than 20 companies have already benefited from this loan.

December

Arkéa now offers an instant payment solution to its corporate and institutional customers who can transfer and receive funds by bank transfer (up to €15,000 per transfer) in less than 10 seconds. The aim is to facilitate the activity of entrepreneurs, particularly in the management of their cash flow and commercial relations. Arkéa was already one of the first banking groups in France to enable its individual customers to make instant transfers.

The Arkéa group has been approved by the **European Investment Fund (EIF) to help farmers finance the transformation of the agricultural model**. As a result, farmers, customers of the **Crédit Mutuel de Bretagne** and **Sud-Ouest** federations, will be able to benefit from loans on preferential terms, particularly in terms of guarantees, for the financing of innovative and structuring projects. This approval is a new expression of Arkéa's commitment to responsible finance for the sustainable development of regions and their economic players.

Arkéa finalizes the sale of its entire stake in **Primonial**, as part of the signature of an agreement with the company's management and **Bridgepoint** for the reorganization of the asset management company's capital.

Eighteen months after its launch, the mobile personal assistant **Max**, developed by Arkéa, has already attracted **100,000 customers**. **Max** provides a simple, impartial and personalized response to those who want to save time and money. It covers banking, credit, wealth management and concierge services. As the group's pilot fish in terms of innovation, **Max** is constantly testing new solutions for a better user experience.

1.6 Solidarity relations

1.6.1 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 the proposal of the ACPR, for mutual and cooperative groups, issue a collective licence to a regional or federal fund for itself and for all the funds affiliated to it "when the liquidity and solvency of the local banks are guaranteed as a result of such affiliation".

Crédit Mutuel Arkéa benefits from this collective approval for itself and for all the local savings banks that are members of the Fédération du Crédit Mutuel de Bretagne et du Sud-Ouest (and until 31 December 2019 of the Fédération du Crédit Mutuel du Massif Central), since ACPR and the ECB considered that this membership guaranteed the liquidity and solvency of the local banks.

The solidarity mechanism is organised by the financial regulations contained in each of the general operating regulations specific to the federations of Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest, and the internal regulations of Crédit Mutuel Arkéa. It binds only the local member banks, the federation and Crédit Mutuel Arkéa. Furthermore, it does not create any obligations of the local banks with regard to third parties. In other words, there is no passive solidarity of the members of Crédit Mutuel Arkéa with regard to third parties, creditors of a local banks can only turn to that bank and not to another or to Crédit Mutuel Arkéa indifferently.

This solidarity mechanism is essentially reflected in the constitution, at the level of each federation, of the federal fund that ensures the equalisation of the results of the member local banks, in accordance with General Decision no.1-2016 of the Confédération nationale du Crédit Mutuel (the "CNCM").

The federal fund is financed by allocations and subsidies from local funds and comprises the federal solidarity fund and the federal reserve fund.

1 – The federal solidarity fund ensures the equalization of the results of the member local banks by means of endowments and subsidies. Any local bank that has had a deficit for a period of three consecutive years is subject to a special review. A recovery plan is set up with the departments of the federation concerned and Crédit Mutuel Arkéa. At the end of the recovery period laid down in the plan, if the deficit is confirmed, the federation, in consultation with Crédit Mutuel Arkéa, decides on the future of the local bank.

2 – The federal reserve fund may intervene in favour of local banks whose net position is negative or whose result is negative, as well as in favour of those who have been victims of an exceptional disaster.

The federation decides annually on the level of endowment to this fund. The federal reserve fund is managed by the federation. Requests for intervention submitted to it are examined by a Committee of administrators.

In addition to this federal fund, Crédit Mutuel Arkéa may also intervene directly in the form of advances, subsidies or loans granted to local banks in difficulty.

In addition, Crédit Mutuel Arkéa provides support to its subsidiaries within the framework of 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 liquidity perimeter), the provisions of the Monetary and Financial Code (Article L.511-42 of the CMF) as well as supervisory obligations described in the Order of November 3, 2014 relating to the supplementary supervision of financial conglomerates, and transposing European Directive 2002/87/EC as amended.

1.6.2 Solidarity relations within Crédit Mutuel

Crédit Mutuel is governed by the CMF (French Monetary and Financial Code), in particular Articles L.511-30 to L.511-32 of the CMF relating to central bodies and Articles L.512-55 to L.512-59 of the CMF relating to Crédit Mutuel. The membership of the regional groups (2nd degree of organisation) in the CNCM and the central Crédit Mutuel fund (3rd degree) completes the organisation of Crédit Mutuel.

As a central body, the CNCM represents the credit institutions affiliated to it at the Banque de France, the ACPR and the ECB. It oversees the application of the laws and regulations specific to its institutions. It exercises administrative, technical and financial control over the organisation and management of the affiliated Crédit Mutuel banks.

National solidarity is set by the CNCM's General Decision no.1-2016.

It is clearly stated that Crédit Mutuel Arkéa has its own solidarity mechanism as defined above, which would intervene in the first instance and that the Arkéa group would no longer benefit from the national inter-federal solidarity mechanism in the event of the disaffiliation of the Arkéa group from the Crédit Mutuel as described below.

Crédit Mutuel Arkéa would like to point out that it has been involved in disputes since the end of 2014 with CNCM, Crédit Mutuel's central body, relating to potential conflicts of interest. These disputes mainly concern the exercise of administrative, technical and financial supervision by CNCM and the use of the name "Crédit Mutuel". Court decisions have been handed down and have been appealed.

On 3 May 2016, Crédit Mutuel Arkéa opened talks with CNCM to recognise the existence of two autonomous banking groups competing with Crédit Mutuel Arkéa and Crédit Mutuel Alliance Fédérale respectively. All the proposals made by Crédit Mutuel Arkéa were rejected by CNCM.

Faced with this deadlock, the Board of Directors of Crédit Mutuel Arkéa, which met on 17 January 2018, invited its three federations to begin consulting the local banks on a proposed separation from Crédit Mutuel. The deliberations on which the local banks voted in the first half of 2018 are as follows:

"The Board of Directors of the fund approves, as far as it is concerned, the project consisting in taking any action so that Crédit Mutuel Arkéa becomes an independent cooperative and mutualist banking group, entirely separate from the rest of Crédit Mutuel. The exit of the Confédération nationale du Crédit Mutuel would result in particular in 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 use the terms 'Crédit Mutuel'. The new name and trademarks would clearly reaffirm our cooperative and mutualist status and territorial anchoring."

On 18 April 2018, the Boards of Directors of the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations met and officialized the results of the votes of the 307 local banks that were cast. 94.5% of the local mutuals voted in favour of independence for Crédit Mutuel Arkéa.

The Board of Directors of the Crédit Mutuel Massif Central federation (whose local banks were at that date attached to Crédit Mutuel Arkéa) had unilaterally opposed the principle of consulting the Boards of Directors of the local banks within its scope and had decided to leave Crédit Mutuel Arkéa to join the Caisse Fédérale de Crédit Mutuel linked to Crédit Mutuel Alliance Fédérale.

A memorandum of understanding organising this separation was signed on 5 September 2019.

It came into force on 1 January 2020, the date on which the Crédit Mutuel Massif Central banks and the Crédit Mutuel Massif Central federation joined the Crédit Mutuel Alliance Fédérale.

Investors' attention is drawn to the fact that the Arkéa group will begin the operational implementation of its disaffiliation from the Crédit Mutuel group.

Following this disaffiliation, Arkéa (currently Crédit Mutuel Arkéa) would still be authorised as a cooperative bank and supervised directly by the ACPR and the ECB. The local banks would become Local Cooperatives, retaining their status as cooperative companies with variable capital and forming a union of cooperatives, Arkéa, pursuant to Article 5 of Law no.47-1775 of 10 September 1947 laying down the status of cooperation.

A cooperation pact between all Local Cooperatives and Arkéa would be concluded for a period of 99 years with a view to implementing solidarity, mutual aid and support mechanisms to promote the

accomplishment of one of the primary missions of Local Cooperatives, namely to facilitate access to banking and financial services for its members.

Local banks that voted against the disaffiliation from the Crédit Mutuel group, or did not wish to participate in the vote, may not be part of this new organisation. They would have to remain attached to Crédit Mutuel, according to an organisation yet to be defined by the Crédit Mutuel group. It is specified that the results of the vote on the proposed independence of the Arkéa group in no way prejudice the results of the future vote of the local banks on the operational implementation of this disaffiliation with the Crédit Mutuel group.

Consultation of the local banks will take place after the conclusion of ongoing discussions with the European Central Bank and the Prudential Control and Resolution Authority on the basis of a finalised consultation file.

Arkéa's application to the CNCM for disaffiliation of the Arkéa group will only be made after this second vote by the local banks on the terms and consequences of the separation, which is currently being finalized with the supervisors.

For further details, investors are invited to refer to section 4.1.3.4 of the Risk Factors.

At this stage, there is no certainty as to how this conflict with CNCM could evolve and/or the time frame in which it could be resolved, or the impact it could have if Crédit Mutuel Arkéa were to remain part of the Crédit Mutuel group or become a totally autonomous banking group.

2.

Corporate Governance

2.1	Conditions for the preparation of the corporate governance report	23	2.6	Conflicts of interest at the level of administrative and management bodies	43
2.2	The Board of Directors of Crédit Mutuel Arkéa	24	2.7	Internal control	44
2.3	Executive corporate officers	40	2.8	Compensation of corporate officers	49
2.4	The bodies and work of the General Management	41	2.9	Other significant events since the end of the financial year	60
2.5	Agreements for the benefit of corporate officers	42	2.10	Statutory auditors' report on the corporate governance report	61

Board of Directors



11 BOARD OF DIRECTORS MEETINGS	90% ATTENDANCE RATE
59 AVERAGE AGE YEARS	45% WOMEN

<p>APPOINTMENTS COMMITTEE</p> <p>5 MEMBERS 8 MEETINGS 93% ATTENDANCE RATE</p>	<p>FINANCIAL STATEMENTS COMMITTEE</p> <p>6 MEMBERS 5 MEETINGS 90% ATTENDANCE RATE</p>	<p>COMPENSATION COMMITTEE</p> <p>4 MEMBERS 8 MEETINGS 84% ATTENDANCE RATE</p>
<p>STRATEGY AND SOCIETAL RESPONSIBILITY COMMITTEE</p> <p>5 MEMBERS 9 MEETINGS 89% ATTENDANCE RATE</p>	<p>RISK AND INTERNAL CONTROL COMMITTEE</p> <p>5 MEMBERS 10 MEETINGS 98% ATTENDANCE RATE</p>	

AUTHORIZE, GUIDE AND SUPERVISE INFORM AND CONSULT

EXECUTIVE COMMITTEE

10 MEMBERS

1 MEETING EACH WEEK

30% WOMEN

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

ASSIST INFORM

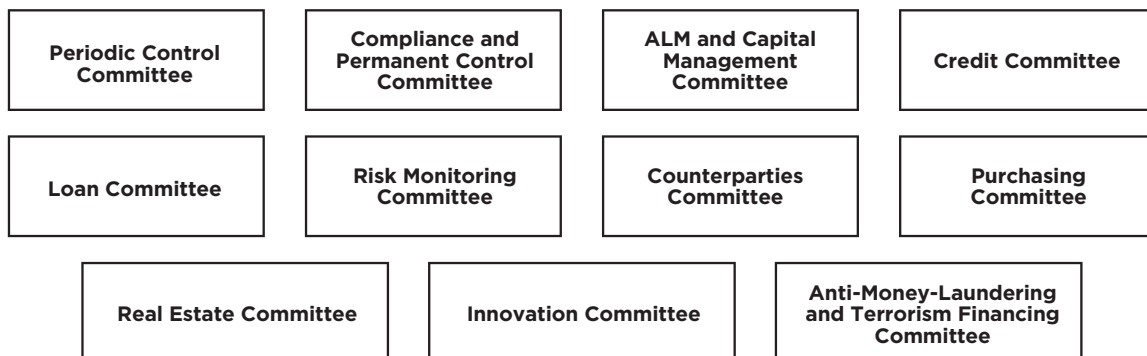
GENERAL COORDINATION COMMITTEE

20 MEMBERS

1 MEETING PER QUARTER

25% WOMEN

Members of the Executive Committee Head of main strategic entities



The provisions of Article L.225-37 of the French Commercial Code specify that the Board of Directors shall present to the General Meeting mentioned in Article L.225-27-4 a report on corporate governance attached to the management report mentioned in the same article. However, the corresponding information may be presented in a specific section of the management report. This report gives an account of the composition of the Board and the application of the principle of balanced representation of women and men on the Board, the conditions for preparing and organising its work, as well as any limitations that the Board of Directors places on the powers of the Chief Executive Officer. As Crédit Mutuel Arkéa is not a company whose shares are admitted to trading on a regulated market, it has decided not to refer to the AFEP-MEDEF Code. In addition, following the amendment of the French Commercial Code by order no.2019-1234 and decree no.2019-1235 of 27 November 2019, relating to the compensation of corporate officers of listed companies, the institution is no longer subject to the system for

approving executive compensation. The "say on pay" principle as it appears from the amendments made by the above-mentioned texts.

Crédit Mutuel Arkéa complies with the regulations relating to corporate governance applicable to credit institutions. In this respect, it is recalled that the European Banking Authority issued guidelines on internal governance dated 21 March 2018 (EBA/GL/2017/11), with which ACPR intends to comply fully. Since its creation, the Crédit Mutuel Arkéa, a cooperative public limited company (Crédit Mutuel Arkéa is the parent legal entity of our group), has opted for an organisation that is separate from its governance, structured around a Board of Directors chaired by Jean-Pierre DENIS and a Executive Committee headed by its Director General, Ronan LE MOAL. Crédit Mutuel Arkéa is a cooperative public limited company (société anonyme coopérative) with variable capital. There are no valid delegations of authority granted by the general meeting of shareholders in the area of capital increases pursuant to Articles L.225-129-1 and L.225-129-2 of the French Commercial Code.

2.

2.1 Conditions for the preparation of the corporate governance report

The corporate governance report has been prepared in accordance with the provisions of Articles L.225-37 of the French Commercial Code. The Board of Directors reports on the composition and application of the principle of balanced representation of women and men within its membership, the conditions for preparing and organising the work of the Board, and the internal control and risk management procedures implemented by the company, detailing in particular those procedures relating to the preparation and processing of accounting and financial information for the parent company financial statements and, where applicable, for the consolidated financial statements. Without prejudice to the provisions of Article L.225-56 of the French Commercial Code, this report also indicates any limitations that the Board of Directors may place on the powers of the Chief Executive Officer.

The preparation of the report is coordinated by Arkéa's Corporate Secretary and Corporate Communications Department, which, in addition to providing ongoing assistance to the Board's work and missions, is also responsible for acting as secretary to the Appointments Committee and the Strategy and Corporate Social Responsibility Committee of the Board of Directors. In addition, the

Corporate Secretary's Office and Corporate Communications Department receives contributions for the preparation of this report:

- of the General Inspection and Periodic Control Department, which is responsible for the general secretariat of the Risk Committee and the internal control of the Board of Directors;
- of the Financial Department responsible for the general secretariat of the Financial statements Committee;
- of the Human Resources Department responsible for the general secretariat of the Compensation Committee.

The Statutory Auditors verify that the corporate governance report included in Crédit Mutuel Arkéa's 2018 Reference Document incorporates the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code. This report is then examined by the Board of Directors. It will be presented for approval at the Annual General Meeting of shareholders – scheduled for 14 May 2020 – (the local banks of Crédit Mutuel de Bretagne and Sud-Ouest federations).

2.2 The Board of Directors of Crédit Mutuel Arkéa

2.2.1 Composition of the Board of Directors

The Board of Directors is composed of 20 directors and one non-voting director:

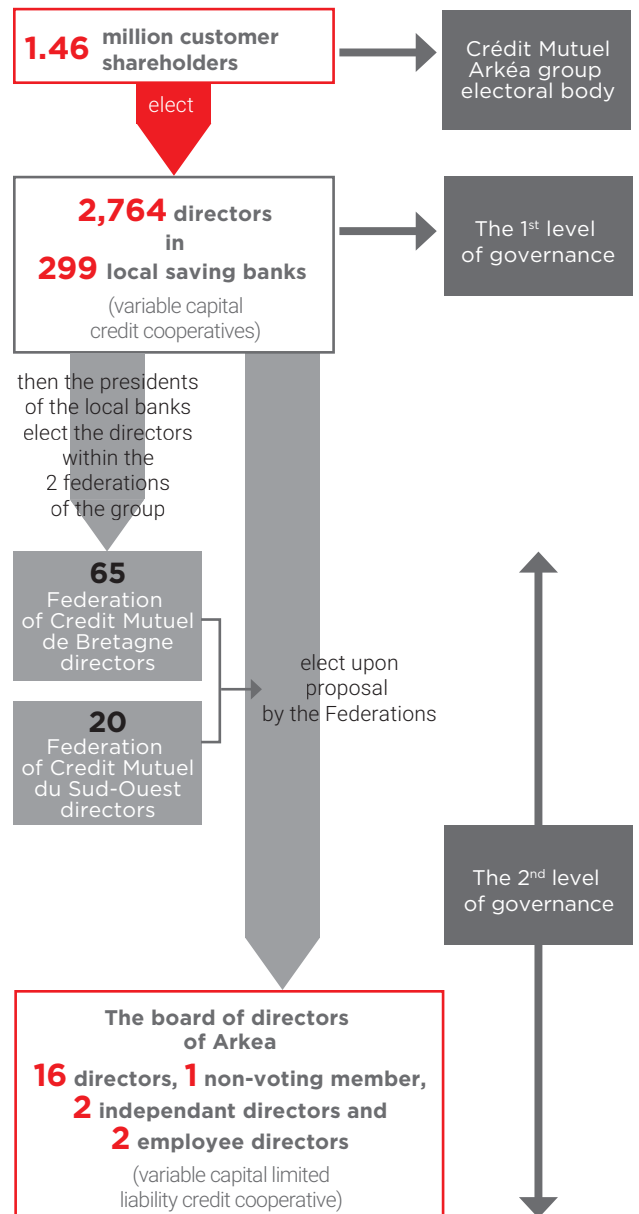
- 16 directors (6 women and 10 men) representing the members, elected by the member local banks and shareholders at the Annual General Meeting;
- 2 independent directors (2 women);
- 2 employee directors (1 woman and 1 man), appointed by the Central Works Council;
- 1 non-voting member.

The directors of Crédit Mutuel Arkéa are elected at the Annual General Meeting from among the 2,764 directors of the local banks of the federations making up the Arkéa group. These directors are themselves elected by the members, who are also customers, of their local bank at the General Meeting of their local bank in accordance with the cooperative model: "one person, one vote". There is no procedure for allocating multiple voting rights.

This elective system, whose electorate is made up of all our members, ensures that customers are truly represented on Arkéa's governance bodies and guarantees that the Boards are administered independently of the company's management.

The directors of the Board representing the members are of French nationality and are proposed by the federations making up the Arkéa group:

- 12 members in respect of the banks affiliated to the Crédit Mutuel de Bretagne federation;
- 4 members in respect of the banks affiliated to the Crédit Mutuel du Sud-Ouest federation.



Many Crédit Mutuel Arkéa directors also sit on the governance bodies of one or more group subsidiaries.

As provided for in the Arkéa 2020 strategic plan and in accordance with the recommendations of regulators on corporate governance, as of 31 December 2019, the Board of Directors has two independent directors. Elected by the Annual General Meeting, their candidacies are subject to a pre-selection process carried out by the Appointments Committee and approval by the Board of Directors based on various criteria set out in a Crédit Mutuel Arkéa independent director charter. They do not come from the group's cooperative movement and sit on the Board for their expertise and the complementary analysis they bring to the deliberative body.

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

The General Meeting is convened by electronic means addressed to each shareholder by name. In addition, the notice of meeting is also made available to shareholders on their intranet space in order to ensure a high participation rate. Crédit Mutuel Arkéa's attendance rate at the 2019 Annual General Meeting is 79% (91% in 2018). This lower participation is partly explained by the fact that the General Meeting is being held at a single site, in Nantes, which is further away from certain territories. The General Meeting elected its directors, approved its accounts, examined the remuneration of corporate officers and risk takers, adopted the cooperative audit report and discussed the proposed convergence between Crédit Mutuel du Massif Central and Crédit Mutuel Alliance Fédérale.

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

At the 2019 Assembly, the following development was voted on:

- the appointment of Mrs Valérie MOREAU.

Thus, the Board of Directors is 45% women.

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

Pursuant to Article L 511-58 of the French Monetary and Financial Code and the position of the Autorité de Contrôle Prudentiel et de

Résolution, the functions of Chairman of the Board of Directors and Chief Executive Officer of Crédit Mutuel Arkéa are separated.

Only the President may act on behalf of the Board and speak on its behalf. He may, in close cooperation with the Chief Executive Officer, represent the Arkéa group in its high-level relations, particularly with major customers, partners and public authorities, at regional, national and international levels. He or she drives Arkéa's strategy to achieve autonomous, high-performance development that is firmly anchored in the region and respects cooperative and mutualist values. It sponsors Corporate Social Responsibility as part of the Arkéa 2020 strategic plan. This is expressed through four major dimensions (energy transition, circular economy, shared economy, societal entrepreneurship).

A Vice-Chairman, Mr Christian TOUZALIN, Chairman of the Crédit Mutuel du Sud-Ouest federation, sits on the Board of Directors. He may represent Crédit Mutuel Arkéa on behalf of the Chairman.

The Board has no lead director.

A representative of the Central Works Council also attends meetings of the Board of Directors in an advisory capacity.

The age limit for directors is set by the Articles of Association at 65 years for a first election and 70 years for a renewal. The term of office, which is renewable, is three years.

The Board of Directors has internal operating rules. These internal operating rules confirm the essential missions of the director of Crédit Mutuel Arkéa, set the terms and conditions for the operation of the body and set out the rights and obligations of each director. In 2017, these internal operating rules were supplemented by an independent director's charter.

The independent director sits on the Board of Directors of Crédit Mutuel Arkéa.

The Board of Directors of Crédit Mutuel Arkéa therefore fully exercises its mission in compliance with the provisions of the articles of association, the internal regulations of a financial nature, its operating rules and the specific charters of each of its specialised committees.

2. CORPORATE GOVERNANCE

The Board of Directors of Crédit Mutuel Arkéa

In summary:

the composition of the Board of Directors as of 31 December 2019 is as follows:

Presentation of the Board of Directors as of 31 December 2019	Origin	Age	1 st appointment	Renewal	Attendance	Financial statements Committee	Appointments Committee	Compensation Committee	Risk and Internal Control Committee	Strategy and Corporate Social Responsibility Committee
Jean-Pierre DENIS Chairman	C	59	2008	2021	100%					
Christian TOUZALIN Vice-Chairman	C	69	1996	2021	100%					
Thierry BOUGEARD Director	C	62	2017	2020	100%	P	M	M		
François CHATEL Director	C	68	2015	2021	100%				P	M
Marta CRENN Director	C	43	2017	2020	91%				M	
Isabelle DARDE Employee director	S	50	2017	2020	73%			M		
Christian DAVID Director	C	70	2009	2022	100%		M		M	
Guillaume GLORIA Employee director	S	51	2017	2020	73%	M				
Michel GOURTAY Director	C	68	2008	2022	91%				M	
Anne-Sophie GRAVE Independent director	I	59	2017	2020	73%					M
Marie-Thérèse GROUSSARD Director	C	62	2008	2020	82%					P
Monique HUET Independent director	I	60	2017	2020	100%				M	
Anne-Gaëlle LE BAIL Director	C	46	2016	2022	82%	M				
Patrick LE PROVOST Director	C	63	2017	2020	100%		M	P		M
Yves MAINGUET Director	C	62	2018	2021	91%	M				
Luc MOAL Director	C	62	2018	2021	73%		M	M		
Valérie MOREAU Director	C	47	2019	2022	100%					M
Christian PERON Director	C	69	2008	2022	100%					
Colette SENE Director	C	60	2015	2021	100%	M				
Sophie VIOLLEAU Director	C	47	2016	2022	91%		P			
Lionel DUNET Non-voting member	C	66	2017	2020	64%	M				
MAIN INDICATORS		59			90%	6	5	4	5	5

C From the cooperative movement

I Independent director

S Employee Director

M Committee Member

P Chairman of the Committee

The composition of the Board of Directors as of 31 December 2019 is detailed below.

Jean-Pierre DENIS

Chairman of
Crédit Mutuel Arkéa,
59 years old

1st appointment:
09.12.2008

Expiration of term:
2021

Summary biography

Inspector of Finance, Jean-Pierre DENIS is a graduate of HEC, the Institut d'Études Politiques de Paris and the École Nationale d'Administration. He also holds a Master's degree in Law and a Master's degree in Economics (Paris 2). After holding eminent responsibilities in the senior civil service (Deputy Secretary General of the French Presidency) and the corporate world (CEO of Dalkia and then of the Oséo Group), he joined Crédit Mutuel Arkéa in October 2007 as Executive Vice Chairman. Since 2008, he has been Chairman of Crédit Mutuel Arkéa and Fédération du Crédit Mutuel de Bretagne.

Other positions held within the Arkéa group

- President of the Crédit Mutuel de Bretagne federation
- Director of the Caisse de Crédit Mutuel du Cap Sizun

of which mandate in subsidiary

- Chairman of the SAS Château Calon Ségur

Other positions held outside the Arkéa group

- Censor of Altrad Investment Authority
- Director of Paprec holding
- Director of JLPP Invest SAS
- Director of Avril Gestion

of which mandates in listed companies

- Director of Kering
- Director of Nexity
- Non-voting member of the Supervisory Board of Tikehau Capital

Christian TOUZALIN

Vice-Chairman of
Crédit Mutuel Arkéa,
69 years old

1st appointment:
07.05.1996

Expiration of term:
2021

Summary biography

Christian TOUZALIN holds a master's degree in economics and was director of the transport company of Greater Angoulême from 1990 to 2014.

He was elected director of the Caisse de Crédit Mutuel d'Angoulême Ma Campagne in 1987.

Other positions held within the Arkéa group

- Chairman of the Crédit Mutuel du Sud-Ouest federation
- Chairman of the Caisse régionale du Crédit Mutuel du Sud-Ouest
- Director of the Caisse de Crédit Mutuel d'Angoulême Ma Campagne

of which mandates in subsidiaries

- Chairman of the Board of Directors of Suravenir Assurances
- Chairman of the Supervisory Board of Monext
- Director of Arkéa Capital Holding
- Director of Château Calon Ségur SAS

Other positions held outside the Arkéa group

- Chairman of APIVIA IARD

Thierry BOUGEARD

Director of
Crédit Mutuel Arkéa,
62 years old

1st appointment:
05.04.2017

Expiration of term:
2020

Summary Biography

Holder of a BP accountant's diploma, Thierry BOUGEARD has held various positions at Organic Bretagne since 1983, then since 2007 at RSI Bretagne as Regional Manager of Service Relations.

He was elected director of the Caisse de Crédit Mutuel de Rennes St-Sauveur in 1990, then Vice-Chairman in 2000 and Chairman in 2004.

Other positions held within the Arkéa group

- Vice-Chairman of the Crédit Mutuel de Bretagne federation
- Vice-Chairman of the Caisse de Crédit Mutuel de Rennes Saint-Sauveur

of which mandates in subsidiaries

- Director of Arkéa Lending Services
- Chairman of Arkéa SCD
- Director of Federal Service

François CHATEL

Director of
Crédit Mutuel Arkéa,
68 years old

1st appointment:
05.06.2015

Expiration of term:
2021

Summary biography

A graduate of the ICN Business School and of chartered accountancy/auditing, François CHATEL, a partner at KPMG, was Director of the Head Office in Paris from 1993 to 2005 and Deputy Regional Director in Rennes from 2005 to 2014.

He was elected Director of the Caisse de Crédit Mutuel de Rennes Maurepas in 2010 and then Vice-Chairman of the Caisse in 2013.

Other office held within the Arkéa group

- Vice-Chairman of Caisse de Crédit Mutuel de Rennes Maurepas

of which mandates in subsidiaries

- Chairman of the Supervisory Board of Arkéa Banque E&I
- Permanent representative of Crédit Mutuel Arkéa then Chairman of the Supervisory Board of Procapital Securities Services since 04.23.2019
- Director of Arkéa Capital Holding

Other positions held outside the Arkéa group

- Chairman of Groupe ESC Rennes (Association)
- Director of the Nominoé Endowment Fund (Patronage, CHU Rennes)
- Associate Member, CCI d'Ille-et-Vilaine
- Honorary Chairman of the Oscars d'Ille-et-Vilaine (Association)

Marta CRENN

Director of
Crédit Mutuel Arkéa
since 05.04.2017
(non-voting member
of Crédit Mutuel Arkéa
until 05.04.2017)
43 years old

1st appointment:

05.04.2017

Expiration of term:

2020

Summary biography

Marta CRENN holds a doctorate in management sciences after a Master's degree in management control and a DESS in tourism management. She is an associate member of the Laboratoire d'économie et de gestion de l'Ouest. Her career path includes activities as a research engineer at IMT Atlantique, teacher-researcher at ENSTA Bretagne and management controller in the hotel and public works sectors. She was elected director of the Crédit Mutuel de Plougastel-Daoulas in 2010 and has been Chairman of the COMUT du Relecq-Kerhuon since 2015.

Other position held within the Arkéa group

- Chairman of the Caisse de Crédit Mutuel de Plougastel-Daoulas

of which mandates in subsidiaries

- Member of the Supervisory Board of Arkéa Banque Entreprises et Institutionnels
- Director of Arkéa Lending Services

Isabelle DARDE

Employee director by
Crédit Mutuel Arkéa
since 15 June 2017,
50 years old

**Designation
by the ECC:**

06.15.2017

Expiry of term:

2020

Summary biography

Isabelle DARDE holds a University degree in Marketing Techniques and Technology and has held several positions in the banking industry since 1990. She joined the Arkéa group in 1996 as an account manager. She currently holds a purchasing position.

Employee in the Purchasing Department of the Arkéa group

Other mandate

None

Christian DAVID

Director of
Crédit Mutuel Arkéa,
70 years old

1st appointment:

10.16.2009

Expiration of term:

2022

Summary biography

Christian DAVID holds a certificate of higher technician of building technical assistant and has held several positions in the building industry. He has worked in a software company as a technical sales engineer on building software packages since 1991.

He was elected 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 the Crédit Mutuel de Bretagne federation
- Director of the Caisse de Crédit Mutuel de Guidel

of which mandates in subsidiaries

- Director of Suravenir Assurances
- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Arkéa Capital Investissement

Lionel DUNET

Non-voting member of
Crédit Mutuel Arkéa
66 years old

1st appointment:
05.04.2017

Expiration of term:
2020

Summary biography

Lionel DUNET holds a DESA architect's diploma and a degree in urban planning (Paris VIII). He has been the manager of his architectural agency since 2000.

He was elected director of the Caisse de Crédit Mutuel de St Brieuc centre-ville in 1987, where he then held the position of Vice-Chairman and then Chairman.

Other office held within the Arkéa group

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

of which mandate in subsidiary

- Vice Chairman, Arkéa Banking Services

Other positions held outside the Arkéa group

- Manager of the SARL Architecture Dunet et Associés
- National Chairman of the Syndicat de l'Architecture
- Vice-Chairman of CIAF (Council for the International Association of French Architects)
- Member of the ACE (Architects' Council of Europe) Brussels
- Chairman of Qualibat Bretagne

Guillaume GLORIA

Employee Director of
Crédit Mutuel Arkéa
since 06.15.2017,
51 years old

**Designation
by the ECC:**
06.15.2017

Expiry of term:
2020

Summary biography

A graduate of the Institut d'Études Politiques, Guillaume GLORIA has held several positions in the banking industry since 1993. He has been in charge of professional clients at Crédit Mutuel de Bretagne since 2000.

Employee of the territorial unit of St-Malo centre.

Other position

- Labour Counsellor at the Saint-Malo Industrial Tribunal

Michel GOURTAY

Director of
Crédit Mutuel Arkéa,
68 years old

1st appointment:
09.12.2008

Expiry of term:
2022

Summary biography

Michel GOURTAY holds a DESS (post-graduate degree) from the Institut d'Administration des Entreprises in Rennes. He began his career in 1974 with BSN Gervais Danone as a plant manager and then as General Secretary of Hartereau. From 1983 to 2015, he was Managing Director of the Brest Chamber of Commerce and Industry.

He was elected director of the Caisse de Crédit Mutuel du Relecq-Kerhuon in 2006.

Other position held within the Arkéa group

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

of which mandate in subsidiary

- Member of the 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 technology park
- Chairman of the Association of the seven science parks of Brittany
- Chief Executive Officer of Sempit
- Deputy President of the Amitiés d'Armor (Association)

Anne-Sophie GRAVE

Independent director of
Crédit Mutuel Arkéa,
59 years old

1st appointment:
05.04.2017

Expiration of term:
2020

Summary biography

A graduate of the École des Mines de Paris, Anne-Sophie GRAVE has held various positions in banking, social welfare and housing since 1982. In 2007, she was appointed Chairman of the Management Board of EFIDIS (Caisse des Dépôts), a position she held for 4 years. In 2011, she was appointed Director of Pensions and Solidarity of 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

- CEO of Real Estate 3F
- Permanent representative of Immobilière 3F on the Board of Directors of Bâtiplaine

Marie-Thérèse GROUSSARD

Director of
Crédit Mutuel Arkéa,
62 years old

1st appointment:
09.12.2008

Expiration of term:
2020

Summary biography

Marie-Thérèse GROUSSARD holds a DUT in Business and Public Administration Management. From 1977 to 2011, she worked for the Carl Zeiss Vision France Group as Administrative and Financial Director. She then worked as head of accounting for foreign subsidiaries within the Royer Group between 2011 and 2017.

She was elected Director of the Caisse de Crédit Mutuel de Fougères Cotterets in 1983, then Vice-Chairman and Chairman in 1994.

Other office held within the Arkéa group

- Vice-Chairman of the Caisse de Crédit Mutuel de Fougères

of which mandates in subsidiaries

- Chairman of the Supervisory Board of Suravenir
- Director of Arkéa Capital Holding
- Director of Schelcher Prince Gestion

Monique HUET

Independent director of
Crédit Mutuel Arkéa,
60 years old

1st appointment:
05.04.2017

Expiration of term:
2020

Summary biography

A graduate of HEC, Monique HUET has spent her career in the energy sector, first with EDF and then with Gaz de France. She was Financial Director of GDF Production Nederland BV in Holland and then of the Exploration Production Business Unit of the GDF SUEZ Group (Engie). Today she is active in consulting and training. She is a certified director of Sciences Po – Institut Français des Administrateurs.

Other position held outside the Arkéa group

- CEO of OpenFields SAS

Anne-Gaëlle LE BAIL

Director of
Crédit Mutuel Arkéa,
46 years old

1st appointment:
04.21.2016

Expiry of term:
2022

Summary biography

Anne-Gaëlle LE BAIL is a graduate of the ESC de Montpellier and holds a postgraduate degree in macroeconomics from the University of Mannheim. Since 1996, she has held various positions, notably in the financial and accounting fields. Since October 2011, she has been in charge of accounting, taxation and payroll within the STERIS Group.

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

Other positions held within the Arkéa group

- Vice-Chairman of the Crédit Mutuel du Sud-Ouest federation
- Chairman of the Caisse de Crédit Mutuel d'Eysines

of which mandates in subsidiaries

- Member of the Supervisory Board of Monext
 - Member of the Supervisory Board of Arkéa Direct Bank since 05.14.2019.
-

Patrick LE PROVOST

Director of
Crédit Mutuel Arkéa,
63 years old

1st appointment:
05.04.2017

Expiration of term:
2020

Summary biography

An agricultural engineer and then a graduate of the French Institute of Management, Patrick LE PROVOST has held various positions within the Côtes d'Armor Health Defence Group since 1980, then the position of General Manager of the Brittany Health Defence Group between 1994 and 2018.

He was elected director of the Caisse de Crédit Mutuel du Gouet et du Lie in 2003, then Vice-Chairman since 2014.

Other positions held within the Arkéa group

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

of which mandates in subsidiaries

- Chairman of the Supervisory Board of Financo
 - Chairman of the Supervisory Board of CFCAL
 - Member of the Supervisory Board of Nextalk
 - Chairman of the Board of Directors of Arkéa Capital Holding
 - Director of Arkéa SCD
 - Director of Arkéa Capital Investissement since 04.17.2019
 - Member of the Supervisory Board of Arkéa Capital since 04.17.2019
-

Yves MAINGUET

Director of
Crédit Mutuel Arkéa,
62 years old

1st appointment:
05.16.2018

Expiration of term:
2021

Summary biography

Holder of a Master's degree in accounting and financial sciences and techniques, Yves MAINGUET practices as an associate chartered accountant.

Other positions held within the Arkéa group

- He was elected director of the Caisse de Crédit Mutuel de Rennes Saint-Sauveur in 2005 and has been its Chairman since 2017.
- Chairman of the Caisse de Crédit Mutuel de Rennes Saint-Sauveur

of which mandate in subsidiary

- Member of the Supervisory Board of Federal Finance
- Member of the Supervisory Board of Federal Finance Gestion

Other positions held outside the Arkéa group

- Managing partner of the accounting firm Bolloré-Mainguet 35
- Chairman of the Joint Management Body ARCOLIB

Luc MOAL

Director of
Crédit Mutuel Arkéa,
62 years old

1st appointment:
05.16.2018

Expiration of term:
2021

Summary biography

Luc MOAL holds a master's degree in territorial public management. He began his career with France Telecom before becoming Director of Citizenship for the city of Brest.

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

Other positions held within the Arkéa group

- Vice-Chairman of the Crédit Mutuel de Bretagne federation
- Vice-Chairman of the Caisse de Crédit Mutuel de Brest Rive Droite

of which mandates in subsidiaries

- Member of the Supervisory Board of Arkéa Banque Entreprises et Institutionnels
- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Board of Arkéa Banking Services
- Permanent representative of Arkéa Banque Entreprises et Institutionnels on the Board of Directors of Novélia since 04.26.2019

Valérie MOREAU

Director of
Crédit Mutuel Arkéa
since 05.16.2019,
47 years old

1st appointment:
05.16.2019

Expiration of term:
2022

Summary biography

Holder of a master's degree in human sciences and business coaching, Valérie Moreau is specialized in human resources and management. After starting her career as a consultant at Pôle Emploi, she has been working as a Branch Manager since 2010.

She has been elected to the Caisse de Crédit Mutuel de Montpon Menesterol since 2013 and has been Vice-Chairman since 2015.

Other positions held within the Arkéa group

- Director of the Crédit Mutuel du Sud-Ouest federation
- Director of the Caisse Régionale de Crédit Mutuel du Sud-Ouest
- Vice-Chairman of the Caisse de Crédit Mutuel de Montpon Menesterol

of which mandate in subsidiary

- Member of the Supervisory Board of Arkéa Banking Services
-

Christian PERON

Director of
Crédit Mutuel Arkéa,
69 years old

1st appointment:
09.12.2008

Expiry of term:
2022

Summary biography

Holder of a Brevet de technicien agricole et agriculteur-éleveur in Finistère, Christian PERON was elected director of the Caisse de Crédit Mutuel de Bannalec in 1984, then Chairman in 1993.

Since 2006, he has been Chairman of the Caisse de Bretagne de Crédit Mutuel Agricole.

Other positions held within the Arkéa group

- Director of the Crédit Mutuel de Bretagne federation
- Chairman of the Caisse de Crédit Mutuel de Bannalec
- Chairman of the Caisse de Bretagne de Crédit Mutuel Agricole (CBCMA)

of which mandate in subsidiary

- 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 then Chairman of the Board of Directors of Le Paysan Breton (SAS) since 06.06.2019
-

Colette SENE

Director of
Crédit Mutuel Arkéa,
60 years old

1st appointment:
05.06.2015

Expiration of term:
2021

Summary biography

Colette Sene has a two-year degree in law and, having worked in the civil service as a manager of social action and child protection systems, has been working for eight years in a social action area at the Departmental Council of Morbihan as a social and professional integration officer.

She was elected in 1988 as a director, then Vice-Chairman and Chairman of the Caisse de Crédit Mutuel de Malestroit-Serent.

Other positions held within the Arkéa group

- Director of the Crédit Mutuel de Bretagne federation
- Vice-Chairman of the Caisse de Crédit Mutuel de Malestroit-Serent

of which mandate in subsidiary

- Director, then permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Suravenir Assurances since 02.27.2019.

Sophie VIOLLEAU

Director of
Crédit Mutuel Arkéa,
47 years old

1st appointment:
04.21.2016

Expiry of term:
2022

Summary biography

A graduate of the Institut Supérieur des Hautes Études Économiques et Commerciales, Sophie VIOLLEAU has held various positions in marketing since 1994. Since 2008, she has been the founder and co-manager of Parentéo Services, a human services company and since 2010, she has been in charge of customer service for the Grand-Angoulême transport company.

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

Other positions held within the Arkéa group

- Director of the Crédit Mutuel du Sud-Ouest federation
- Vice-Chairman of the Caisse de Crédit Mutuel de la Couronne

of which mandates in subsidiaries

- Director of Suravenir Assurances
- Chairman of the Board of Directors of Nouvelle Vague

Other positions held outside the Arkéa group

- Manager of Parenteo Services SARL

2.2.2 Preparation and organization of work

The Board of Directors met 11 times in 2019 (15 boards in 2018). The attendance rate of directors at Board meetings was 90% (88% in 2018).

Jean-Pierre DENIS chaired the 11 Boards of Directors.

The Board of Directors relies on the resources of Arkéa's Corporate Secretary's Office and Corporate Communications Department for the preparation and organization of its meetings. Meeting agendas are drawn up by the Chairman in consultation with the Chief Executive Officer. One week before the meeting, each director receives a file containing the items to be studied and discussed at the Board meeting. In addition, the Chairman communicates to each director information relating to the Group's business and strategy.

The meetings held by the Board of Directors were devoted, inter alia, to:

■ To the activity:

- monitoring external economic, banking and financial news and internal issues,
- monitoring the business, results, risks and prudential ratios of the Group and its main components through a report presented at each meeting;

■ To the strategy:

- to the review of the progress of the "Arkéa 2020" strategic project,
- the adoption of the Group's *Raison d'être* and its application in the various entities and business lines,
- monitoring developments and taking decisions regarding the Arkéa group's independence file,
- the tighter monitoring of Suravenir's solvency ratio and commercial measures aimed at stabilizing the insurer's prudential balance,
- setting the Group's general guidelines for the year,
- decision-making in the areas of company acquisitions and mergers, acquisitions of equity interests, external growth operations and disposals. The Board was also kept informed of the various partnerships entered into and the planned operations which, notwithstanding the resources deployed, could not be carried out;

■ To the accounts:

- approval of the Group's parent company and consolidated financial statements;

■ To risk limits and control systems:

- the adaptation of the prudential framework and limits applicable to the group and all its components,
- the review of the annual report on internal control of the company and the group, the ICAAP and ILAAP reports,
- changes in regulations leading to a strengthening of internal control (permanent control, periodic control and compliance control);

■ Appointments within the Arkéa group and HR systems:

- appointments and compensation reviews falling within the prerogatives of the Board.

This work and discussions made it possible to determine the direction of the activity and to carry out the necessary checks and verifications.

"We want to be a player in a world that takes a long-term view and takes into account the major societal and environmental challenges facing our planet for future generations.

We contribute to this by providing finance that serves the territories and their stakeholders, that is sustainable and helps everyone to achieve their goals.

To this end, we have chosen to be a cooperative and collaborative bank that promotes a balanced sharing of value with its members, customers, employees, partners and territories. A socially responsible, ethical and inclusive company that is attentive to respect for its environment.

On a daily basis, we work with our stakeholders to develop innovative solutions to support our members and clients in their life projects and meet their aspirations."

The Group's Raison d'être was adopted by the Board of Directors at its meeting on January 25, 2019.

To enable the Board to enhance the skills of its members, the Arkéa 2020 project sets out the principle of strengthening the training program for directors.

The Directors of the Arkéa group met jointly with all the Directors of the subsidiaries, in particular the regulated subsidiaries, for a training seminar. It must be attended by all Directors between 2018 and 2019. This seminar focused more specifically on changes in the banking sector, the group's compliance and ethics principles, the general regulations on data protection, the fight against money laundering and the fight against the financing of terrorism, as well as the general risk appetite framework of the Arkéa group. In addition, this seminar provided an opportunity in 2019 to raise awareness among all subsidiary directors of the ESG issues and the changes in governance expected following the adoption of the Group's *Raison d'être*, in particular through a speech by the Chairman of the Board of Directors and a round table discussion organized around internal and external stakeholders.

The Board of Directors also met in November for a strategic seminar to discuss and exchange views on the following topics:

- the evolution of the interest rate environment and its consequences;
- impacts of the Pacte law on the banking sector and corporate governance;
- the detailed process of disaffiliation from the Crédit Mutuel group;
- the Arkéa group's *Raison d'être*;

In addition, during this seminar, the directors were given digital tablets and trained in the new digital environment deployed to organize the work of the Board of Directors, in accordance with the recommendations of the latest triennial evaluation of the Board's operation.

2.2.3 The specialized committees

Five specialized committees complete the work and provide guidance to the Board of Directors. Each Committee has an operating charter that sets out the Committee's missions and organisational procedures. An evaluation of the Committees was also carried out as part of the formal triennial evaluation of the operation of the Board of Directors of Crédit Mutuel Arkéa.

2.2.3.1 The Strategy and Corporate Social Responsibility Committee

The Strategy and Corporate Social Responsibility Committee is responsible for driving Arkéa's strategic thinking and assisting the Board of Directors in its work. Its role is to:

- to drive/coordinate the group's strategic planning;
- to ensure that Corporate Social Responsibility is fully integrated into the Group's strategy;
- to assist the Board of Directors of Crédit Mutuel Arkéa in its work.

During fiscal year 2019, it met 9 times (8 meetings in 2018). The average attendance rate for the year was 89%, with the following breakdown:

First name / Name	Meeting Attendance 2019
François CHATEL	100%
Anne-Sophie GRAVE	67%
Marie-Thérèse GROUSSARD (Chairman)	100%
Patrick LE PROVOST	78%
Valérie MOREAU ⁽¹⁾	

(1) Member of the Committee since June 7, 2019.

The topics covered during the year were numerous. For example, the Strategy and Corporate Social Responsibility Committee analyzed:

- partnership, external growth and capital restructuring projects, and in particular studied the acquisition of Socram Banque (project abandoned following the Committee's recommendations) and Budget Insight, the sale of the stake in Primonial, the capital increase of Suravenir and the proposed investment in the Blackfin III fund;
- the Group's "Raison d'être" project and its strategy for integrating social, environmental and governance issues into all of the Group's activities;
- an update on the "Arkéa 2020" strategic project;
- Group issues and impacts of the ELAN law for social landlords and in particular the Armorique Habitat subsidiary; the issues of the blockchain and crypto-actives.

2.2.3.2 The Compensation Committee

The purpose of the Compensation Committee is to ensure the overall consistency of compensation policies and practices within the Arkéa group and its regulated subsidiaries.

During fiscal year 2019, it met 8 times (5 meetings in 2018). The average attendance rate over the year was 84%, with the following breakdown:

First name / Name	Meeting Attendance 2019
Thierry BOUGEARD	88%
Isabelle DARDE	63%
Patrick LE PROVOST (Chairman)	100%
Luc MOAL	88%

The work of the Compensation Committee focused in particular on:

- annual Report on the Group's Compensation Policy and Practices;
- report on executive compensation;
- integration of the Group's "Raison d'être" into the Compensation policy;
- compensation of the Arkéa group's executive officers;

- regulated population: compensation policy and scope of consolidation;
- variable compensation of Group executives and senior managers;
- compensation policy of subsidiaries;
- review of variable compensation arrangements.

2.2.3.3 The Appointments Committee

The role of the Appointments Committee is to assist the Board of Directors of Crédit Mutuel Arkéa by issuing:

- proposals for the appointment of corporate officers of subsidiaries and permanent representatives on the governance bodies of companies in which the Arkéa group holds equity interests;
- reasoned opinions on the Chairman's proposals for the appointment of the Chief Executive Officer and Deputy Chief Executive Officers before approval by the Board of Directors.

It also evaluates the Board of Directors.

During the financial year 2019, it met 8 times. (7 meetings in 2018). The average attendance rate over the year was 93%, with the following breakdown:

First name / Name	Meeting Attendance 2019
Thierry BOUGEARD ⁽¹⁾	100%
Christian DAVID	100%
Patrick LE PROVOST	88%
Luc MOAL	75%
Sophie VIOLLEAU (Chairman)	100%

(1) Member of the Committee as of June 7, 2019.

In 2019, the Committee proceeded to:

- the selection of 2019 and 2020 candidates for renewal and/or appointment as members of the Boards of Directors and supervisory boards of group entities;
- the appointment of representatives of the Arkéa group in the deliberative bodies of companies in which the group holds an interest;
- review of the appointment of executive members in the subsidiaries;
- in-depth studies to strengthen the systems for selecting and training Arkéa's corporate officers, in particular by proposing a Corporate Governance Charter for the supervisory bodies of the Group's subsidiaries and by modifying the procedure for appointing members of the corporate bodies;
- the annual assessment of the operation of the Board of Directors of Crédit Mutuel Arkéa.

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

As the primary quality of a Board is a balanced composition, as well as the competence and ethics of its members, the Committee pays particular attention to the competence and ethics of its members when examining candidates for renewals or appointments in the Group's integrated subsidiaries in:

- increase the number of persons of the underrepresented members by gender on the social bodies of group companies, particularly in the light of the new provisions of the Pacte law;
- seek a diversity and complementarity of profiles for an efficient and experienced functioning of the various Boards of Directors and supervisory boards;
- compose, except in special cases, supervisory bodies with elected representatives of the local banks of the Crédit Mutuel de Bretagne and Sud-Ouest Federations.

2.2.3.4 The Financial Statements Committee

The role of the Financial Statements Committee is to assist the Board of Directors in assessing the financial information and checking its reliability. Its role is to:

- be informed about accounting principles and their evolution;
- assessing the quality of accounting procedures;
- review Arkéa's financial statements before they are presented to the Board of Directors;
- monitor the work programme of the statutory auditors and review the conclusions of their work.

The Committee held 5 meetings in 2019 (4 meetings in 2018). The average attendance rate for the year was 86%, with the following breakdown:

First name / Name	Meeting Attendance 2019
Thierry BOUGEARD (Chairman)	100%
Lionel DUNET	60%
Guillaume GLORIA	80%
Anne-Gaëlle LE BAIL	100%
Yves MAINGUET	100%
Colette SENE	100%

The committee's work focused on:

- the closing of the 2018 financial statements and the 2019 plan;
- the opinion of the statutory auditors on the annual financial statements;
- the presentation of the review of the internal control system 2018;
- the presentation of the audit approach for 2019;
- the accounting principles and methods applicable to the half-year closing;
- IFRS 16;
- the closing of the interim consolidated financial statements;
- the opinion of the statutory auditors on the half-yearly financial statements;
- the summary dossier of the call for tenders for the appointment of new statutory auditors;

- accounting principles at the end of the year;
- the terms of office of the statutory auditors.

2.2.3.5 The Risk and Internal Control Committee

The purpose of the Risk and Internal Control Committee is to assist the Board of Directors in its responsibility for monitoring the risks of the Arkéa group and the internal control system.

10 meetings were held in 2019 (12 in 2018). The average attendance rate for the year was 98%, with the following breakdown:

Fist name / Name	Meeting Attendance 2019
François CHATEL (Chairman)	100%
Marta CRENN	100%
Christian DAVID	100%
Michel GOURTAY	90%
Monique HUET	100%

In 2019, the topics studied by the Risk and Internal Control Committee were as follows:

■ With regard to Periodic Inspection:

- **Summary presentation of 49 audit assignments finalised in 2019:**
 - 43 audit assignments,
 - 6 missions to follow up on recommendations,
 - Presentation of the 2018 annual summary of the network periodic control missions,
 - Review of the 2018 Annual Internal Control Report,
 - Examination of the Internal Control Report dedicated to the fight against money laundering and terrorist financing and the freezing of assets for fiscal year 2018,
- **Review of the status of implementation of recommendations as at November 30, 2018 and May 31, 2019:**
 - formulated by the Prudential Control and Resolution Authority and the European Central Bank,
 - issued by the GIPCD, including a dedicated follow-up of non-category recommendations,
 - Follow-up of old recommendations and impact of the exercise of the right of alert concerning recommendations more than 12 months overdue,
- **Presentation of the draft periodic inspection plan 2020:**
 - Draft plan of the Periodic Control Department,
 - Draft plan of the Internal Fraud Prevention Department,
 - Draft plan of the Department of Periodic Network Monitoring,
 - Work of the Account Certification team and the Technical Services and Projects team,
 - Presentation of the progress of the 2019 periodic inspection plan.

■ In terms of compliance and permanent control:

- **Review of the activity and results of the permanent control and compliance monitoring** as at December 31, 2018, as at March 31, 2019, to June 30, 2019, to September 30, 2019,
- 2019 annual review of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) activity,
- Presentation of the result of the 2018 Annual Cheque Control Program,
- Presentation of the annual report RCSI 2018/AMF;

■ In the area of risk monitoring and surveillance:

- **Presentation of Risk Reporting** as at December 31, 2018, as at March 31, 2019, to June 30, 2019, to September 30, 2019,
- Consideration of the ICAAP report and statement for the fiscal year 2018,
- Review of the ILAAP report and statement for fiscal year 2018 and presentation of the liquidity crisis management plan,
- **Presentation of the challenges associated with IT risk within the Arkéa Group:**
 - regulatory context/challenges for the Arkéa Group,
 - work in progress in response to the progress plan formulated by the ECB in the context of its mission statement "IT Risk OSI-2018-FRCMU-3574",
 - Consideration of adjustments to the Group's limit system,
 - Review of updates to the Risk Appetite Framework,
 - Review of the updated risk appetite framework and presentation of the draft 2020 limits,
 - Presentation of Suravenir's solvency situation and the actions taken or planned to remedy it,
 - Assessment of the appropriateness of the variable compensation package to the risk profile,
 - Examination of transactions relating to the Group's equity investments,
 - Consideration of a request for a credit limit exemption submitted to the Board;

■ In terms of closing the accounts:

- Review of the observations made by the Financial Statements Committee on the presentations relating to the financial statements for the years ended December 31, 2018 and June 30, 2019 (accounting principles, financial statements, summaries and analyses, work of the statutory auditors, etc.),
- Presentation by the Finance Department of the evolution of the relationship with the rating agency S&P's,
- Presentation by the Finance Department of Arkéa's profitability indicators;

■ Update on the work of the supervisory authorities (at each session);

■ The work also addressed:

- Follow-up on requests from the Risk and Internal Control Committee (at each meeting if necessary),
- Presentation of the Committee's activity report for the year 2018.

2.2.4 Review of the operation of 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 Board of Directors of Crédit Mutuel Arkéa is devoted to evaluating the operation of the Board and its specialized committees. Every three years the Committee alone, or with the assistance of a consultant, carries out a formal evaluation of the Board of Directors.

The last formal evaluation was carried out in 2018 by the Appointments Committee with the support of the Corporate Secretariat and Corporate Communications Department, notably on the basis of a questionnaire completed by the 19 directors and the censor, which evaluated 207 control points relating to the performance of supervisory missions.

The summary of the analyses carried out confirms that the Board of Directors exercises effective supervision. The contribution of the specialized Committees and the quality of the dossiers presented to the Board of Directors are perceived as vectors of informed decision-making. Strategic orientation and risk management appear to be particularly well controlled. In addition, the functioning of the Board of Directors and Executive Management is considered to be confident and balanced.

The continuous improvement plan adopted following this evaluation provided in particular for the continuation of efforts to digitize the work of the Board and the use of digital tools, which resulted during the 2019 seminar in the provision of digital tablet PCs to directors and the deployment of a digital environment for the holding of Board meetings.

The annual review of the operation of the Board of Directors of Crédit Mutuel Arkéa carried out in 2019 shows that:

- the Board of Directors is composed of experienced members. The Board of Directors is made up of experienced members. The profiles are diversified and the gender mix is respected and appreciated;
- the members of the Board of Directors and of the specialized Committees have access to appropriate documentation and resources for the performance of their duties. The deliverables are clear and accessible;
- specialized committees carry out quality work, and there is a high level of mutual trust between directors and a respect for the roles of the supervisory body and the actual managers.

2.3 Executive corporate officers

The executive corporate officers of Crédit Mutuel Arkéa at December 31, 2019 are:

Ronan LE MOAL



Chief Executive Officer
of Crédit Mutuel Arkéa
47 years old

Summary Biography

A graduate of HEC, Ronan LE MOAL joined Crédit Mutuel de Bretagne in 1995 in the General Organisation department, before becoming Head of Management Control in 2000. In 2001, he was appointed Technical and Financial Director of Suravenir, the life insurance subsidiary of the Arkéa group. In 2005, he became Managing Director of Symphonis, which merged in 2007 with the online brokerage subsidiary Fortuneo. Until 2008, he was Chairman of the Executive Board of Fortuneo and Chairman of the Executive Board of Procapital, a subsidiary providing securities services to financial institutions.

In 2008, he was appointed Chief Executive Officer of Crédit Mutuel Arkéa. He is leading the digital transformation of the group, which, under his leadership, is multiplying innovations and confirming its commitment at the heart of the digital ecosystem.

Other office held within the Arkéa group

- Chief Executive Officer of Arkéa SCD and permanent representative of Crédit Mutuel Arkéa on the Board of Directors

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) until 04.30.2019

Anne LE GOFF



Associate Chief
Executive Officer
of Crédit Mutuel Arkéa
46 years old

Summary Biography

A qualified member of the French Institute of Actuaries and a graduate of the Centre des hautes études d'assurances, Anne LE GOFF joined Suravenir, the life insurance and provident insurance subsidiary of the Arkéa group, in 1996 as an actuary and then Head of Actuarial Services. From 2006 to 2008, Anne LE GOFF held responsibilities in the areas of control and risk management for the group. In September 2008, she joined the Chairman's Office before being appointed Corporate Secretary in early 2011. Since 2012, Anne Le Goff has held the position of Director of the Corporate Secretariat and Corporate Communications of the Group.

Since May 2016, she has been head of Arkéa's "Development Support" Division, which includes the Finance, Financial Markets, Risks, Legal, Compliance and Permanent Control, Organization and General Resources Departments. The Division's missions are to support the Group's development and ensure the tighter management of the Arkéa 2020 strategic project.

Other positions held within the Arkéa group

- Chairman of the Management Board of Arkéa Bourse Retail
- Chairman of the Board of Directors of Arkéa Public Sector SCF
- Chairman of the Board of Directors of Arkéa Home Loans SFH
- Member of the Supervisory Board of Bretagne Digital Participative until 05.23.2019
- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Board of New Primonial Holding until 12.18.2019

The Chief Executive Officer is vested with the broadest powers to act in all circumstances in the name of the company and to represent it in its dealings with third parties. He exercises his powers within the

limits of the corporate purpose and subject to those powers expressly granted by law to Shareholders' Meetings and the Board of Directors.

2.4 The bodies and work of the General Management

Arkéa's Executive Committee is responsible for assisting the Chief Executive Officer in strategic management and performance development. Its role is to:

- to steer the implementation of the strategy defined by the Board of Directors and to allocate the necessary resources for its implementation;
- to set the objectives of the components of the group and ensure that they are achieved;
- to monitor the activity of the entire group;
- to review issues involving the group's organization and matters of general interest.

In order to seek a balanced representation of women and men, a dedicated mission has been in place within the Arkéa group since 2016. Performance indicators, including the proportion of women on

the Executive Committee, the General Coordination Committee and, more generally, in management positions, have been set up and are regularly monitored. The Group's gender diversity policy is described in the Non-Financial Performance Statement in section 5.5.4 of this document.

The Arkéa Group's General Coordination Committee is responsible for:

- to define certain general corporate policies and related decisions, in support of the orientations set by the Executive Committee;
- to facilitate dialogue between the development and governance functions, on current events and on recurrent or prospective themes;
- to address possible topics related to the coordination of internal control.

The Executive Committee meets weekly and is composed, as at December 31, 2019, of:

Ronan LE MOAL	Chief Executive Officer of Crédit Mutuel Arkéa
Anne LE GOFF	Associate Chief Executive Officer, Director of the Development Support Division
Frédéric LAURENT	Deputy General Manager, Head of the Innovation and Operations Division
Sébastien MUSSET	Deputy General Manager, Head of the Retail Client Division
Christelle LE BERRE	Head of Arkéa Square
Tarak ACHICH	Head of the B2B and Specialized Services Division
Bertrand BLANPAIN	Head of the business and institutional Division
Hélène BERNICOT	Head of the General Secretariat and Corporate Communications
Marc GOSSELIN	Head of Human Resources
Bernard LE BRAS	Head of the Product Division

The General Coordination Committee meets at least once a quarter and comprises in addition to the members of the Executive Committee:

Philippe ROUXEL	Chief Executive Officer of the Crédit Mutuel de Bretagne federation
Jean-Marc JAY	Chief Executive Officer of the Crédit Mutuel du Sud-Ouest federation
Anne-Laure NAVEOS	Head of External Growth, Partnerships and Digital
Jean-Marie ALFONSI	Chief Financial Officer
Didier ARDOUIN	Managing Director of the <i>Nouvelle Vague</i> subsidiary
Antoine LEFEBVRE	Head of Compliance and Permanent Control
Alain TAROUILLY	Head of General Inspection and Periodic Inspection
Jean-Luc LE PACHE	Deputy Director of the Development Support Division
Elisabeth QUELLEC ⁽¹⁾	Head of Risk Management
Morgan MARZIN	Head of Arkéa 360°

(1) Elisabeth QUELLEC has held the position of Chief Risk Officer since February 1, 2019.

2. CORPORATE GOVERNANCE

Agreements for the benefit of corporate officers

Within the scope of its prerogatives and powers, in order to ensure the relevance and quality of its decisions, Arkéa's Executive Management structures its organization around cross-functional committees in which one or more members of the General Coordination Committee take part. These committees are:

- the Periodic Review Committee,
- the Compliance and Permanent Monitoring Committee;
- the Capital Management and ALM Committee;
- the Group Credit Committee;
- the Loan Committee;
- the Risk Monitoring Committee;
- the Counterparties Committee;
- the Referencing Committee;
- the Real Estate Committee;
- the Innovation Committee;
- the Committee against Money Laundering and Terrorist Financing;
- the IT Risk Governance Committee.

2.5 Agreements for the benefit of corporate officers

During the year, no agreement was entered into, directly or through an intermediary, between, on the one hand, one of the corporate officers or one of the shareholders holding more than 10% of the voting rights of a company and, on the other hand, another company

of which the former holds directly or indirectly more than half of the capital, with the exception of agreements relating to current transactions and entered into under normal conditions.

2.6 Conflicts of interest at the level of administrative and management bodies

The Arkéa group has set up a framework for preventing and managing conflicts of interest, which sets out the rules applicable within the group for identifying, preventing and managing conflicts of interest.

This system was updated following the entry into force of the EBA guidelines on internal governance and the MiFID 2 and IDD (Insurance Distribution Directive) regulations. This update was approved by Arkéa's Board of Directors on February 27, 2019.

The framework shall cover any professional situation in which the discretion or decision-making power of a person, undertaking or organisation may be influenced or impaired, in its independence or integrity, by personal considerations or by pressure from a third party. The framework also covers any situation that arises when the independent, impartial and objective exercise of a person's functions is likely to be influenced by another public or private interest distinct from that which he or she is required to defend in those functions.

A conflict of interest may arise from failure to comply with any of the following principles:

- the primacy of the client's interests (commercial pressure, financial incentive, advantage, possibility of financial gain or avoidance of financial loss at the expense of the client, interest in the result of a service provided, of a transaction carried out, etc.);
- fairness in the treatment of clients (preferential treatment of a client);
- the separation of activities (insufficient separation between certain activities within an entity or between group entities that could facilitate the dissemination of confidential or privileged information);
- independence of functions (improper influence resulting in depriving the person concerned of his or her freedom of judgement).

The framework defines the respective roles and responsibilities of the various players, including the management body, which is responsible for setting up, approving, monitoring and implementing an effective system for preventing and managing situations of actual, potential, apparent or perceived conflicts of interest.

A risk map identifies potential conflicts of interest with regard to the activities carried out within the Group or situations encountered in the life of the company. The mapping also identifies staff conflicts of interest, including the interests of their closest family members.

Preventive measures shall be implemented, in particular by applying:

- the rules of good conduct, the code of ethics, the internal regulations and the code of conduct;
- the principle of separation of activities and operations with regard to the activities exposed;
- a compensation policy that promotes sound and effective risk management;
- a framework governing exposure to inside information;
- a procedure governing the process for appointing leaders (staff and non-staff) and permanent representatives to governance bodies.

Each case is treated individually. However, there are standard preventive measures that can be used in certain situations:

- ethical commitment of the employee/leader in a conflict of interest situation to act honestly and loyally;
- abstention from voting;
- implementation of the four-eyes rule;
- limitation of the possibility of subscribing to a mandate;
- compartmentalization of committees.

Any situation of actual, potential, perceived or apparent conflict of interest must be promptly reported to the Chief Compliance Officer, who shall identify and document any existing conflicts of interest. In addition to the procedures for declaring conflicts of interest by e-mail, Arkéa will deploy a dedicated conflict of interest declaration form, accessible on the Group's intranet.

The Chief Compliance Officer shall issue an opinion on the management of conflicts of interest to the management body, which is responsible for assessing, managing and mitigating or avoiding all actual or potential conflicts of interest existing at its level, individually and collectively.

A conflict of interest register is used to record sensitive activities or situations, identify conflicts of interest and the mechanisms put in place to manage them. This register also makes it possible to monitor identified conflict of interest situations.

The maintenance of this register, the identification of appropriate measures and the updating of the monitoring of conflict of interest situations are carried out by the Head of Compliance.

Each Group entity is responsible for implementing the policy within its own organisation in order to meet the obligations to prevent, identify and manage potential or actual conflicts of interest. To this end, each entity maintains a register to record the conflict of interest situations examined and monitors any unresolved conflict situations.

A permanent control framework has also been made available to monitor compliance with this policy by Group entities.

Arkéa regularly conducts awareness-raising and training initiatives.

In October 2019, employees of Arkéa's local banks networks were given an awareness training session on managing conflicts of interest. The Compliance and Permanent Control Department also provided training for directors at the Directors' Seminar in June 2019.

2.7 Internal control

2.7.1 Internal control procedures

Internal control governance is exercised in accordance with the principles of Arkéa's Corporate Governance Charter adopted by the Board of Directors on September 12, 2008.

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

The actual managers of the Group are responsible for effectively determining the direction of the business (Article L.511-13 of the Monetary and Financial Code). In particular, they implement the internal control procedures, adapting them to the various risks to which the Group is exposed. They inform the Group's supervisory body of the progress of this implementation and of the status of the systems, as well as the degree of risk control they provide.

The Group's supervisory body periodically verifies the quality of the systems implemented and the degree of control of the risks to which the Group is exposed, on the basis of information provided to it by the Chairman of the Group Risk and Internal Control Committee and the Head of the General Inspection and Periodic Control Department (in particular the information required in the annual report on internal control in accordance with the Order of November 3, 2014 on the internal control of banking, payment services and investment services companies subject to the supervision of the Autorité de contrôle prudentiel et de résolution).

The Group's supervisory board is also informed on the basis of information provided by the Group's Head of Compliance and Permanent Control, who presents the activity and results of permanent control and compliance monitoring to Arkéa's Risk and Internal Control Committee every quarter, and who presents a summary of compliance and permanent control work to Arkéa's Board of Directors every six months.

The group's supervisory body is informed by the Arkéa group's Risk Management Department of the measurement and monitoring of the risks to which the group is exposed (in particular the information required for the annual report on the measurement and monitoring of

risks in accordance with the Order of November 3, 2014 on the internal control of banking, payment services and investment services companies subject to the supervision of the Autorité de contrôle prudentiel et de résolution).

The mission of the Group Risk and Internal Control Committee is to assist the supervisory body in its responsibility for risk control in accordance with the provisions of the Order of November 3, 2014 on the internal control of banking, payment services and investment services companies subject to the supervision of the Autorité de contrôle prudentiel et de résolution.

With regard to the accounting treatment of transactions, the Financial Statements Committee analyses and controls the global and consolidated financial statements before they are presented to the supervisory board.

The supervisory body of each Arkéa group subsidiary validates the application of the principles of the Charter and their adaptation to the entity and entrusts their implementation to the actual managers.

2.7.1.1 Permanent control

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

First-level operational control: operational controls implemented within processes, before they are finalised. In this case, it is a risk management system.

Second level permanent control: permanent controls implemented *a posteriori* of the processes. This second level is in turn divided into two types of controls depending on the independence of the person carrying out the controls:

- **permanent second level controls:** permanent second level controls carried out by a person who does not belong to the "permanent control" channel;

- **2nd level permanent controls RCP:** control carried out by the person in charge of permanent control who reports directly to the head of the structure and may not be assisted by a team.

With this distinction in mind, the organization of permanent control and compliance monitoring within the Arkéa group is based on the following principles:

- the permanent control organization covers all risks for all Group businesses, regardless of the legal organization of the activities generating these risks;
- the ultimate responsibility for compliance with regulatory requirements in terms of permanent control rests with the actual managers of each entity and the Arkéa group for the consolidated vision;
- each subsidiary entity, in accordance with the principles of proportionality and subsidiarity, organizes the permanent control and compliance monitoring process within its own organization and reports directly to the Arkéa group;
- the actors in charge of the permanent second level control of a process do not intervene in the execution of this process in order to ensure a tightness between permanent first level control and permanent second level control;
- the quality of permanent control is part of the assessment of the steering or management of an activity.

This organization enables Arkéa's bodies to guide risk-taking and control its potential effects with reasonable assurance.

Arkéa's Compliance and Permanent Control Department (CPCD), which reports to the Associate Chief Executive Officer in charge of the Development Support Division, supervises the permanent control and compliance control managers of the Group's subsidiaries, is responsible for the permanent control of the structures within the global scope of consolidation (15589⁽¹⁾), and manages the permanent control and compliance control system at the consolidated level.

2.7.1.2 The compliance control system

In order to prevent the risk of non-compliance, the Group has set up a system based on a body of rules and an organisation based on complementary actions.

A compliance charter, which complements the internal control charter, defines the principles and rules applicable within the Group to prevent and control the risk of non-compliance within the Group. The Group's system is based on 4 major axes:

- financial security;
- deontology and professional ethics;
- protecting the interests of clients;
- fiscal transparency.

The organisation set up within the Group is based on the complementary nature of the actions of the Compliance Department (CPCD), the compliance managers of the entities and the operational structures.

2.7.1.2.1 The Compliance and Permanent Control Department (CPCD)

It is placed under the responsibility of the Head of Compliance and Permanent Control, who reports to the Associate Executive Officer in charge of the Development Support Division, who is also a member of the Arkéa Executive Committee.

In order to ensure that practices are consistent across the Group, the Compliance and Permanent Control Department leads and coordinates the implementation of the Group's compliance control systems, including the fight against money laundering and terrorist financing.

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

- develops, maintains and updates the framework systems in line with legislative and regulatory changes affecting the Group's activities;
- carries out an ongoing regulatory watch on the Group's activities to monitor changes in the prudential framework established by the Order of November 3, 2014 on the internal control of banking, payment services and investment services companies subject to the supervision of the Autorité de contrôle prudentiel et de résolution, on changes in the framework established by the General Regulation of the Autorité des Marchés Financiers or the Monetary and Financial Code, and in general on any regulatory developments likely to have an impact on compliance control systems. It shares information with the compliance officers of the Group's entities. In addition, the CPCD participates in market meetings;
- leads adaptation and compliance projects for texts with a strong regulatory impact at Group level;
- advises and assists the management and supervisory bodies;
- advises and assists the compliance officers of group entities in the implementation of their obligations;
- coordinates the collection of information necessary for the preparation of activity reports to the supervisory authorities;
- deploys prevention, detection, control and reporting tools that it makes available to the Group's entities;
- leads the process of continuous improvement of the quality of data collected on customers in the context of the fight against money laundering and terrorist financing as well as the fight against tax fraud, particularly in the context of the American FATCA regulations and the joint OECD/CRS reporting standard;
- validates the operational application of the framework systems by the Group's entities;
- provides training and contributes to the reinforcement of a common compliance culture within the Group. Training sessions on compliance control systems are therefore systematically offered to new compliance control managers and their teams when they take up their positions. In addition, new employees joining Arkéa receive training in the general principles of compliance. Training is also provided to the management bodies of Arkéa entities to raise awareness of the risk of non-compliance;

(1) The global scope is defined in Appendix 1.1 of section 3.6 aggregate statements.

- consolidates and monitors significant non-compliance events in the Group, identifies risk areas in order to draw up a risk map. If necessary, malfunctions are reported to the Group Compliance and Permanent Control Committee;
- controls the implementation of the framework systems by the entities through interviews, collection of reports and controls. When recommendations are made, they are followed up annually. In 2019, all entities were met;
- reports activity and results at the group level:
 - every quarter, to the Compliance and Permanent Control Committee chaired by the Associate Executive Officer in charge of the Business Development Support Division, who is also a member of the Arkéa Group Executive Committee, as well as to the Risk and Internal Control Committee,
 - every six months, to the Board of Directors of Crédit Mutuel Arkéa.

Work begun in 2019 will make it possible to enhance and standardize the compliance risk management indicators reported by each entity at the parent company level by 2020. The aim is to provide the executive and supervisory bodies with a comprehensive and concise overview of how the systems work and how they are managed by the central structures.

2.7.1.2.2 Compliance officers of group entities

A compliance officer is responsible for ensuring that each entity complies with the principles set by the Group with regard to the prevention and control of the risk of non-compliance.

As direct line managers, the managers of the subsidiaries propose, for their structures, the appointment of a Head of Compliance Control in each entity, subject to the validation of the Group's Head of Compliance and Permanent Control by virtue of a "reinforced functional link".

The functional organisation thus put in place is designed to strengthen business expertise as closely as possible to the activity and to give each entity manager responsibility for his or her area of responsibility.

2.7.1.2.3 Operational structures

The operational structures must integrate into their day-to-day action the need to respect the principles set by the group in order to act in accordance with the rules set for compliance within the group. Each Group employee is thus an active participant in the process and contributes through his or her actions to controlling the risk of non-compliance.

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

The Group's accounting and financial information is prepared by the Finance Department.

The organization centralizes the key activities that guarantee the quality of accounting information on the group's scope of consolidation. The Finance-Accounting department defines accounting rules and methods, designs and maintains accounting procedures (the validation of specificities related to insurance and leasing activities is delegated to dedicated business teams), implements the account justification process in conjunction with the group's management structures, and implements the control and analysis procedures necessary for the preparation and processing of accounting information for Crédit Mutuel Arkéa and all delegating subsidiaries. Accordingly, the Finance-Accounting department has issued an accounting control guide for use by Group entities, listing

the key controls designed to cover accounting risk. It leads and coordinates the accounting control system.

The organization of the production of accounting information is based on two activities: account-keeping and group consolidation. Account-keeping (preparation of corporate financial statements and related consolidation packages) as well as the production and distribution of regulatory declarations by group entities are carried out directly by the companies' finance departments or by Crédit Mutuel Arkéa's Finance and Accounting Department under a formal delegation of authority. The Finance-Accounting Department collects all accounting information and consolidates data.

The processing of accounting transactions and the preparation of accounting and financial data is part of a decentralized organization where each contributing entity is responsible for the quality of the data it produces, and undertakes to provide quarterly certification to the Finance and Accounting Department of Crédit Mutuel Arkéa on:

- the quality of individual accounts;
- compliance with Group principles;
- compliance of accounting procedures.

This certification includes the results of all the major controls defined in the Group's accounting control guide. All information providers contributing to the preparation of accounting and financial data formally certify to the Finance and Accounting Department the implementation of the fundamental controls designed to ensure the reliability of the accounting and financial data under their responsibility.

This internal certification process is part of the Group's overall risk management system and provides the Finance and Accounting Department, as the department responsible for the preparation and quality of the Group's consolidated financial statements, with assurance as to the absence of any major anomaly that could give rise to a material misstatement:

- the regularity and sincerity of the accounting information;
- the completeness, effectiveness and relevance of the system;
- the security of the processes for preparing and processing accounting information.

The Finance Department – Financial Steering coordinates the management control system of the various Group entities, which contributes to the security of financial data, particularly through the functions of budget control and analysis of results.

These processes are governed by procedures specific to the Finance and Accounting Department and are controlled by the Statutory Auditors beyond the Group's involvement.

A Financial Statements Committee completes the system. It assists the Board of Directors of Crédit Mutuel Arkéa in assessing financial information and checking its reliability. It examines the accounts of the group and its components before they are presented to the Board. The Committee met five times in 2019.

2.7.1.4 Periodic inspection

The periodic inspection is carried out by the Head of General Inspection and Periodic Control (GIPCD). It operates throughout the Group's structures in accordance with the periodic control framework adopted and implemented within the Group. It should be noted that, in the case of subsidiaries, the GIPCD acts within the framework of duly regulated agreements delegating the exercise of periodic controls. For the entire scope of the group, the GIPCD thus exercises its control according to the terms, conditions and procedures provided for by the provisions of the decree of November 3, 2014 relating to the internal control of companies in the banking, payment

services and investment services sector subject to the control of the *Autorité de contrôle prudentiel et de résolution*.

GIPCD's mission is to provide independent and objective assurance on the compliance of the group's activities and to provide advisory services and proposals that contribute to creating added value and improving the degree of control over the group's operations. In doing so, it contributes to the achievement of the group's objectives by assessing, using a systematic and methodical approach, the risk management, control and corporate governance processes to determine whether they are appropriate and operating in a manner that ensures that:

- the activities are carried out in a compliant manner;
- risks are identified and managed appropriately;
- the interaction between the various corporate governance players takes place as it should;
- significant financial, management and operating information is accurate, reliable and issued in a timely manner to the deliberative and executive bodies;
- employee actions comply with applicable regulations, standards and procedures;
- resources are acquired economically, used efficiently and adequately protected;
- programs, plans and objectives are achieved;
- the quality and continuous improvement of the organization's internal control processes are encouraged;
- significant legislative and regulatory issues impacting the organization are identified and appropriately addressed.

To carry out its missions, GIPCD has developed a body of procedures, particularly in the areas of periodic control of business and network risks. In 2019, these procedures were updated and strengthened, in particular with regard to the methodological guides applicable to "business line" audit assignments, including the guide on the follow-up of recommendations, and the operating procedures for the audit assignments of local banks.

In order to carry out its missions, GIPCD has developed its own risk mapping, which is one of the main sources for drawing up the annual periodic control plan, the themes of which are also determined on the basis of the following elements in particular:

- the points of attention signalled by the Prudential Control and Resolution Authority and by the European Central Bank in their respective interventions and annual reports;
- the requests of the Risk and Internal Control Committee;
- requests from members of the Group Executive Committee;
- the use of "feedback" from previous assignments carried out by the business line periodic control department.

The principle of carrying out a post-acquisition review, within one year of joining the Group, of any significant acquisition is also implemented as part of the annual periodic control plan.

This plan distinguishes between a specific control programme applied to the networks of Crédit Mutuel's local banks and the branches of the subsidiaries, and a programme concerning the activities of the group's central departments, companies and subsidiaries. This plan is part of a multi-year plan that ensures coverage of the main risk areas identified in the GIPCD's private risk mapping and the Arkéa group's development priorities.

The plan of periodic control missions thus established is validated by the Risk and Internal Control Committee, which is an offshoot of the supervisory body, and approved by the Board of Directors of Crédit Mutuel Arkéa. It systematically includes annual reviews of major risks in the areas of credit, capital markets, accounting processes, information technology and operational risks. A cross-reference is made between the assignments carried out over the last three years and the risk typologies defined by the decree of November 3, 2014 relating to the internal control of companies in the banking, payment services and investment services sector subject to the supervision of the *Autorité de contrôle prudentiel*. This cross-referencing makes it possible to assess the level of coverage of each risk and to schedule missions to ensure the compliance of the exercise of activities.

When the 2019 periodic control plan was drawn up, this cross-check was carried out in order to assess, in particular, the coverage of major risks.

In addition, as part of the decision taken by the *Autorité de contrôle prudentiel et de résolution* on the certification of the annual financial statements of the Crédit Mutuel local banks, GIPCD audits the financial statements of the Arkéa Group's local banks each year before they are presented to the General Meeting of members, in accordance with accounting auditing standards.

Furthermore, in terms of control, the GIPCD is specifically responsible for detecting and dealing with internal fraud. In this context, it is responsible for deploying a remote control system by sampling and, in general, contributing to the prevention and detection of internal fraud by appropriate means. In this respect, GIPCD is specifically responsible for auditing the accounts of employees and the proper application by directors of the obligations incumbent on them, in compliance with the regulations in force and in accordance with the texts, standards and principles adopted within Crédit Mutuel.

2.7.2 Committees

2.7.2.1 The Group Compliance and Permanent Control Committee

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

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. In addition, the Deputy Head of the Business Development Support Division and the Group's Head of Legal Department are also members of the committee. The Head of Compliance and Permanent Control is secretary to the CPCC, and the Head of Risk Management and the Deputy Director of the General Inspection and Periodic Control Department attend as guests.

Its role is to ensure compliance with the rules governing risk-taking and to verify that permanent control systems, including compliance controls, are appropriate to the Group's activities and risks.

To this end, it examines any significant changes in the permanent control system, including in the area of compliance, on the basis of the work of Arkéa's Compliance and Permanent Control Department. It met five times in 2019, on February 14, May 15, July 18, November 14 and December 17.

2.7.2.2 The Periodic Control Committee

Under the chairmanship of the Chief Executive Officer, this Committee is responsible for assessing the quality of periodic control, particularly the consistency of the systems for measuring, monitoring and controlling the risks incurred at the consolidated level, and for proposing additional measures as necessary. It is involved in defining the annual program of periodic controls.

It takes note of the conclusions of the control and audit reports, validates the recommendations contained in these reports and monitors their implementation.

The members of the Committee are:

- the Chief Executive Officer (Chairman);
- the Deputy Director to the Head of the Development Support Division;
- the Head of the Corporate and Institutional Division;
- the Head of the Products Division;
- the Head of the Innovation and Operations Division;
- the Head of General Inspection and Periodic Control;
- the Deputy Director of General Inspection and Periodic Control;
- the Head of the Periodic Control Department, who acts as secretary to the Committee.

The frequency of meetings shall be set at a minimum of three times a year. The Periodic Control Committee met eight times in 2019.

2.8 Compensation of corporate officers

2.8.1 Compensation policies applicable to corporate officers for the financial year 2020

2.8.1.1 General principles

The compensation policy for corporate officers, *i.e.* the Chairman of the Board of Directors, the Chief Executive Officer, the Deputy Chief Executive Officer and the members of the Board of Directors of Crédit Mutuel Arkéa, is defined by the Board of Directors on the basis of a proposal from the Compensation Committee in accordance with the Arkéa group's overall compensation policy.

Designed to promote sound and effective risk management, it is consistent with the Arkéa group's business strategy, objectives, values and long-term interests, does not encourage risk-taking that exceeds the level of risk defined by the Arkéa group, and includes measures to avoid conflicts of interest.

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

- the regulatory framework set by the Monetary and Financial Code (Articles L.511-71 and following, and R.511-18 and following);
- the prudential provisions applicable to credit institutions and investment companies (in particular CRD IV Directive, Order 2014-158 of 20 February 2014 transposing it into French law, EU Delegated Regulation 604/2014 of 4 March 2014 supplementing the CRD IV Directive);
- the provisions of Law No.47-1775 of 10 September 1947 on the status of cooperation; and
- the provisions on public limited companies whose securities (other than shares) are admitted to trading on a regulated market of the French Commercial Code applicable to remuneration.

The compensation of executive directors is set annually by the Board of Directors on the recommendation of the Compensation Committee.

The principles of the compensation policy for executive directors take into account the following objectives:

- alignment with the Arkéa group's *Raison d'Être* as defined by the Board of Directors of Crédit Mutuel Arkéa and will be submitted to the General Meeting:
 - in line with Arkéa's economic strategy and the objectives, values and interests of the Arkéa group,
 - by including both financial and non-financial assessment elements, so that the compensation policy implemented is designed to maintain consistency between the total compensation of executive directors and the performance of the Arkéa group as well as the individual performance of the directors;
 - taking into account the CSR (Corporate Social Responsibility) dimension in determining compensation;
- the need for the Arkéa group to attract, motivate and retain profiles recognized as performing and particularly competent in the Arkéa group's fields of activity;

- consistency with the terms and conditions of compensation and employment of Arkéa group employees (in particular the compensation structure, assessment criteria or changes in compensation) and market practices observed in companies in the same sector;

- while ensuring appropriate risk and compliance management and preventing conflicts of interest.

The compensation of executive directors is made up of the following three elements:

- fixed compensation (FC), which helps to retain and motivate executives and values the experience and responsibilities exercised. It represents a significant portion of total compensation and serves as the basis for determining the ceilings on variable compensation;
- the annual variable compensation (AVC), which depends on the financial and non-financial performance of the year and the contributions of executive directors to the success of Arkéa's strategy. The AVC may be up to 100% of the fixed compensation of executive directors;
- the long-term incentive plan (LTIP), which aims to involve Arkéa's senior executives in wealth creation as part of the successful implementation of strategic plans. Rolling over three fiscal years, LTIP may reach a compensation level equal to the amount of the average annual variable compensation received during the three fiscal years of the plan. A "group bonus" system based on the same triggering criteria and indicators is also in place for all Arkéa group employees.

In accordance with the provisions of the French Monetary and Financial Code and following the authorization granted by the Shareholders' Meeting on April 21, 2016, the ceiling on variable compensation, including AVC and LTIP, has been increased to twice the fixed compensation of executives until 2021 and is split between AVC and LTIP, each of these items may give rise to the allocation of an amount at most equal to one time the fixed compensation of the executive concerned, paid partly deferred, over a period of at least 3 years, and subject to the satisfaction of financial performance conditions of Crédit Mutuel Arkéa and the Arkéa group, in accordance with applicable regulations. The payment of variable compensation is not guaranteed and may not, in any event, have the effect of limiting the capacity of Crédit Mutuel Arkéa or the Arkéa group to strengthen its equity.

The principles and criteria for determining, allocating and allocating the fixed, variable and exceptional items making up the total compensation and benefits of all kinds attributable to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer, by virtue of their offices within Crédit Mutuel, are determined by the Board of Directors, on the recommendations of the Compensation Committee of the Arkéa Group.

As of the date of this universal registration document, Jean-Pierre Denis is Chairman of the Board of Directors. Following the resignation of Mr Ronan LE MOAL on 12 February 2020 from his position as Chief Executive Officer of the Arkéa group, the Board of Directors appointed Mrs Héléne BERNICOT as Chief Executive Officer, subject to ratification by the supervisor.

Consequently, the compensation policy described below will apply to Mr Ronan LE MOAL for the period from January 1, 2020 to 12 February 2020 and to Mrs H el ene Bernicot from 13 February 2020 to 31 December, 2020. Finally, as of the date of this universal registration document, the functions of Deputy Chief Executive Officer are held by Mrs Anne Le Goff.

In the context of the Covid-19 epidemic, the Chairman, the Chief Executive Officer and the Chief Operating Officer waived in advance the variable compensation that could have been awarded to them for the financial year 2020, i.e. the AVC that could have been awarded to them for the financial year 2020, as well as the LTIP that could have been awarded to them under the three-year plan for the financial years 2018, 2019 and 2020.

2.8.1.2 Fixed compensation

The Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer receive fixed compensation. The amount of the fixed compensation, based on a study carried out by Willis Towers Watson, is determined by the Board of Directors on the proposal of the Compensation Committee, taking into account:

- the experience and scope of responsibility of the executive directors assessed in comparison with those of a panel of executives working in the banking and financial sector, as established by Willis Towers Watson;
- market practices and compensation observed for similar positions in comparable companies.

Fixed compensation represents at least one-third of the total compensation (fixed compensation, variable compensation and LTIP) of the Chief Executive Officer and Deputy Chief Executive Officer.

Chairman of the Board of Directors of Cr dit Mutuel Ark a

For the Chairman of the Board of Directors, the amount of the fixed remuneration for the financial year 2020 amounts to €530,000.

Chief Executive Officer of Cr dit Mutuel Ark a

For Ronan Le Moal, Chief Executive Officer of Cr dit Mutuel Ark a until 12 February 2020, the amount of the fixed annual compensation for the year 2020 is €425,000, prorated according to the length of his term of office.

For H el ene Bernicot, Chief Executive Officer of Cr dit Mutuel Ark a as of 13 February 2020, the amount of annual fixed compensation for the financial year 2020 is €425,000 prorated according to the length of her term of office, subject to ratification of her appointment by the supervisor.

Deputy Chief Executive Officer of Cr dit Mutuel Ark a

For Anne Le Goff, Deputy Chief Executive Officer of Cr dit Mutuel Ark a, the amount of the annual fixed compensation for the financial year 2020 is €270,000 for the period from 1 January 2020 to 12 February 2020 and €400,000 for the period following the date on which the employment contract was suspended, i.e. the period from 13 February 2020 to 31 December 2020.

2.8.1.3 Annual variable compensation

The Chief Executive Officer and the Deputy Chief Executive Officer normally receive variable compensation. The Board of Directors, on the proposal of the Compensation Committee, sets the criteria for assessing the AVC for executive directors each year.

The AVC is intended to reflect sustainable performance in line with the risk appetite policy and, where applicable, the exceptional performance achieved by executive directors or their very strong

involvement in the performance of the missions entrusted to them in consideration of the scope of their responsibilities.

The AVC indicators, set by the Board of Directors in accordance with the Ark a group's annual plan, are established in accordance with the Ark a group's risk appetite policy, which seeks to situate them at a level compatible with its development objectives while ensuring that it can always control them through its know-how. Risk levels and risk management are criteria that are the subject of very close attention and are particularly selective in the Ark a group's development orientation. The alignment with risk, carried out throughout the process of determining, allocating and paying the AVC of executive directors, takes into account, at each stage, the current and future risks taken.

The payment of the AVC is partly accompanied by deferral periods. The payment of the AVC is also accompanied by provisions allowing the reduction ("malus") or even the restitution ("claw-back") to Cr dit Mutuel Ark a of all or part of the annual variable compensation. Thus, in the event of an act or behaviour that does not comply with the regulations or rules laid down by Cr dit Mutuel Ark a or the Ark a group with regard to risk-taking or that has contributed to significant losses to the detriment of Cr dit Mutuel Ark a or the Ark a group (for example, in the event of active and proven involvement or liability, of the executive in the significant deterioration of the risk profile of the Ark a group or failure to meet the obligations of good repute and competence), the Board of Directors may decide not to proceed with the payment of all or part of the amount of the AVC initially allocated ("malus") or demand the return of all or part of the sums already paid ("claw-back"), in accordance with article L. 511-84 of the French Monetary and Financial Code. The level of the penalty measure likely to be imposed in this way will be determined, if necessary, by the Board of Directors, on the recommendation of the Compensation Committee of the Ark a group.

Annual variable compensation is subject to the achievement of financial criteria, set by the Board of Directors on the recommendation of the Compensation Committee, and measuring the Ark a group's performance.

In the context of the Covid-19 epidemic, the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officer waived in advance the AVC that could have been allocated to them for the financial year 2020.

2.8.1.4 Long-term incentive plans

In order to involve executive directors in the creation of wealth as part of the Ark a group's strategic plans, the Board of Directors has instituted a long-term incentive plan (LTIP) to recognize the relevance of strategic choices and thus the achievement of objectives in terms of sales, profitability and risk control. Given the cooperative form of Cr dit Mutuel Ark a, executive directors do not benefit from stock options, performance shares or other categories of securities. Consequently, the portion of their variable compensation awarded in the form of LTIP takes the form of a cash payment.

The LTI scheme, assessed over three years in order to take into account Cr dit Mutuel Ark a's nature as a credit institution and the risks to which it is exposed as a result of its activities, provides, subject to the presence and achievement of trigger criteria and performance indicators defined by the Board of Directors, for the payment of a compensation of a level at most equal to the amount of the average annual variable remuneration [received during the three financial years of the plan]. As in the case of the AVC, the alignment with risk is performed throughout the implementation of the LTIP, from the determination of the trigger criteria and financial targets to the actual payment of the portion of variable compensation awarded in this form, and takes into account at each stage the current and future risks taken.

Like the payment of the AVC, the payment of the LTIP is also accompanied by provisions allowing the reduction ("malus") or even the restitution ("claw-back") to Crédit Mutuel Arkéa of all or part of the annual variable compensation. Thus, in the event of an act or behaviour that does not comply with the regulations or rules laid down by Crédit Mutuel Arkéa or the Arkéa group with regard to risk-taking or that has contributed to significant losses to the detriment of Crédit Mutuel Arkéa or the Arkéa group (for example, in the event of proven active involvement or liability, of the executive in the significant deterioration of the risk profile of the Arkéa group or for failure to meet the obligations of good repute and competence), the Board of Directors may decide not to proceed with the payment of all or part of the amount of the LTIP initially allocated ("malus") or demand the return of all or part of the sums already paid ("claw-back"), in accordance with article L. 511-84 of the French Monetary and Financial Code. The level of the penalty that may be imposed will be determined, if necessary, by the Board of Directors, on the recommendation of the Compensation Committee of the Arkéa group.

In the context of the Covid-19 epidemic, the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officer waived in advance the LTIP that could have been allocated to them under the three-year plan for the 2018, 2019 and 2020 financial years.

2.8.1.5 Exceptional premiums

Discretionary bonuses may be awarded to executive corporate officers (Chief Executive Officer and Deputy Chief Executive Officer) in very special circumstances, in particular in the event of transactions that are important for the Arkéa group due to their size or nature, or changes that they involve in the organization or activities of the Arkéa group, the involvement that they require or the difficulties that they present, or transactions that do not fall within the scope of the usual duties of executive corporate officers. Where applicable, the reason for the payment of such compensation and the event that led to it are specified. These bonuses are subject to approval by the Board of Directors on the recommendation of the Compensation Committee.

2.8.1.6 Benefits in kind

Benefits in kind for the Chairman of the Board of Directors, the Chief Executive Officer and Deputy Chief Executive Officer consist of the provision of a company car.

2.8.1.7 Financial instruments

Executive directors do not benefit from the granting of options on equity or debt securities or the allocation of performance shares, as Crédit Mutuel Arkéa's Articles of Association do not allow the existence of such arrangements and the cooperative form of the company is opposed to them on principle.

2.8.1.8 Employment contract and corporate office

Chairman of the Board of Directors of Crédit Mutuel Arkéa

The employment contract of the Chairman of the Board of Directors of Crédit Mutuel Arkéa has been suspended since his appointment as Chairman and for the duration of his term of office, to be automatically resumed at the end of his term.

The period of suspension of the employment contract is taken into account for the calculation of the employee's rights under the law, the collective agreement and the employment contract.

Chief Executive Officer of Crédit Mutuel Arkéa

The employment contract of Ronan Le Moal, Chief Executive Officer of Crédit Mutuel Arkéa until February 12, 2020 has been suspended since his appointment and for the duration of his term of office, to be automatically resumed at its end.

The employment contract of Hélène Bernicot, Chief Executive Officer of Crédit Mutuel Arkéa since 13 February 2020, has been suspended since her appointment as Chief Executive Officer and for the duration of her term of office, to be automatically resumed at the end of her term.

The period of suspension of the employment contract is taken into account when calculating the employee's rights under the law, the collective bargaining agreement and the employment contract.

Deputy Chief Executive Officer of Crédit Mutuel Arkéa

In view of the changes in the functions and responsibilities of Anne Le Goff, Deputy Chief Executive Officer, her employment contract was suspended as of February 13, 2020 and for the duration of her term of office, to be automatically resumed at the end of her term.

The period of suspension of the employment contract is taken into account for the calculation of the employee's rights under the law, the collective bargaining provisions and the employment contract.

2.8.1.9 Termination Benefits

Chairman of the Board of Directors of Crédit Mutuel Arkéa

In the event of termination of his employment contract for any reason whatsoever (excluding cases of dismissal for serious or gross misconduct), the Chairman of the Board of Directors of Crédit Mutuel Arkéa is liable to receive a termination indemnity, in addition to the legal or contractual provisions, an amount equal to two years' compensation (calculated on the basis of the gross reference salary at the date of termination, including benefits in kind, plus the last annual variable portion actually received, including, but not limited to, variable compensation including exceptional bonuses and LTIP).

The Chairman of the Board of Directors may also receive the payment of this termination indemnity in the event of the conventional termination of his employment contract.

It is specified that any termination indemnity would be calculated within the framework of the employment contract of the Chairman of the Board of Directors, with respect to the duties and responsibilities exercised in this respect.

Chief Executive Officer of Crédit Mutuel Arkéa

In the event of termination of his employment contract for any reason whatsoever (excluding cases of dismissal for serious or gross misconduct), Ronan Le Moal may receive a termination indemnity, in addition to the legal or contractual provisions, in an amount equal to two years' compensation (calculated on the basis of the gross reference salary at the date of termination, benefits in kind included, increased by the monthly average of the total variable compensation actually received by Ronan Le Moal during the three years preceding

the date of termination, including but not limited to variable compensation including exceptional bonuses and LTIP).

Ronan le Moal may also receive payment of this termination indemnity in the event of a conventional termination of his employment contract.

It is specified that any termination indemnity would be calculated within the framework of Ronan Le Moal's employment contract, with respect to the duties and responsibilities exercised in this respect.

In the event of termination of her employment contract for any reason whatsoever (excluding cases of dismissal for serious or gross misconduct), H el ene Bernicot is liable to receive a termination indemnity, in addition to the legal or contractual provisions, in an amount equal to two years' compensation (calculated on the basis of the gross reference salary at the date of termination, benefits in kind included, increased by the monthly average of all variable compensation components actually received by H el ene Bernicot during the three years preceding the date of termination, including but not limited to variable compensation including exceptional bonuses and LTIP).

H el ene Bernicot may also receive payment of this termination indemnity in the event of conventional termination of her employment contract.

It is specified that any termination indemnity would be calculated within the framework of H el ene Bernicot's employment contract, with regard to the duties and responsibilities exercised in this capacity.

Deputy Chief Executive Officer of Cr dit Mutuel Ark ea

In the event of termination of her employment contract for any reason whatsoever (excluding cases of dismissal for serious or gross misconduct), Anne Le Goff is likely to receive a termination indemnity, in addition to the legal or contractual provisions, in an amount equal to two years' compensation (calculated on the basis of the gross reference salary at the date of termination, benefits in kind included, increased by the monthly average of all variable compensation components actually received by Anne Le Goff during the three years preceding the date of termination, including, without this list being exhaustive, variable compensation including exceptional bonuses and LTIP).

Anne Le Goff may also receive the payment of this termination indemnity in the event of the conventional termination of her employment contract.

It is specified that any termination indemnity would be calculated within the framework of Anne Le Goff's employment contract, with regard to the functions and responsibilities exercised in this respect.

2.8.1.10 Retirement

Chairman of the Board of Directors of Cr dit Mutuel Ark ea

Upon retirement, and if he has at least five years' seniority, the Chairman of the Board of Directors of Cr dit Mutuel Ark ea receives a

termination benefit equal to seven twelfths of his annual compensation. In addition, he is entitled to a retirement leave calculated at twenty-three days per year spent in his capacity as Executive Officer.

The existing pension commitments in favour of the Chairman of the Board of Directors in the form of a supplementary defined-benefit pension plan (known as "Article 39") were, in accordance with regulations, crystallized at December 31, 2019 so that no additional rights can be acquired under this plan as of January 1, 2020.

Thus, subject to completing his professional career within the Ark ea group by liquidating his basic pension rights, the retirement pension of the Chairman of the Board of Directors will be equal to 5/37.5ths of his reference compensation, per year of seniority validated and ended on 31 December, after deduction of the rights acquired on 31 December, 2019 under the defined contribution pension plan.

As of January 1, 2020, the Chairman of the Board of Directors only benefits from a defined contribution pension plan (PEROb).

Chief Executive Officer of Cr dit Mutuel Ark ea

Upon retirement, and if he has at least five years' seniority, the Chief Executive Officer of Cr dit Mutuel Ark ea shall receive a termination benefit equal to seven twelfths of his annual compensation. In addition, the Chief Executive Officer is entitled to a retirement leave calculated at twenty-three days per year spent in his capacity as a senior executive of the group.

The existing pension obligations in favour of the CEO in the form of a supplementary defined benefit pension plan (known as "Article 39") have, in application of the regulations, been crystallized as at 31 December 2019 so that no additional rights can be acquired under this plan as from 1 January 2020.

Thus, subject to completing her professional career within the Ark ea group by liquidating her basic retirement rights, the retirement pension of the Chief Executive Officer will be calculated on one third of her gross compensation earned during the 36 months preceding the date of departure from the Company, including fixed and variable compensation, including benefits in kind within the meaning of article L242.1 of the Social Security Code multiplied by the number of years of seniority.

As of January 1, 2020, the Chief Executive Officer only benefits from a defined contribution pension plan (PEROb).

Deputy Chief Executive Officer of Cr dit Mutuel Ark ea

Upon retirement, and if he has at least five years' seniority, the Deputy Chief Executive Officer of Cr dit Mutuel Ark ea shall receive a termination benefit equal to seven twelfths of his annual compensation. The Deputy Chief Executive Officer shall also be entitled to end-of-career leave calculated on the basis of twenty-three days per year spent as a senior executive of the Ark ea group.

The existing pension commitments in favour of the Deputy Director-General in the form of a supplementary defined-benefit pension plan (known as "Article 39") have, in application of the regulations, been crystallized as at 31 December, 2019 so that no additional rights can be acquired under this plan as from 1 January 2020.

Thus, subject to the condition that she completes her professional career within the Arkéa group by liquidating her basic pension rights, the retirement pension of the Deputy Chief Executive Officer will be calculated on one third of the gross compensation earned during the 36 months prior to the date of departure from the Company, including fixed and variable compensation, including benefits in kind within the meaning of article L. 242.1 of the French Social Security Code multiplied by the number of years of seniority.

As of 1 January 2020, the Deputy Chief Executive Officer will only benefit from a defined contribution pension plan (PEROb).

2.8.1.11 Loans, advances and guarantees granted to corporate officers

Chairman of the Board of Directors of Crédit Mutuel Arkéa

The Chairman of the Board of Directors of Crédit Mutuel Arkéa may be granted loans.

These loans, which constitute current operations, are granted at normal market conditions.

Chief Executive Officer of Crédit Mutuel Arkéa

The Chief Executive Officer of Crédit Mutuel Arkéa may be granted loans.

These loans, which constitute current operations, are granted at normal market conditions.

Deputy Chief Executive Officer of Crédit Mutuel Arkéa

The Deputy Chief Executive Officer of Crédit Mutuel Arkéa may be granted loans.

These loans, which constitute current operations, are granted at normal market conditions.

2.8.1.12 Departure of the Director General

For the financial year 2020, Mr Ronan le Moal, in his capacity as Chief Executive Officer, will receive fixed compensation until the date of termination of his duties, *i.e.* February 12, 2020, in the amount of 48,494 euros.

Ronan Le Moal, in his capacity as Chief Executive Officer, will also receive variable compensation, including the last third of the variable compensation due in respect of the financial year 2017 (*i.e.* an amount of 141,666 euros), the last two thirds of his variable compensation due in respect of the financial year 2018 (*i.e.* an amount of 282,333 euros) and, subject to the fulfillment of the financial and non-financial conditions concerned, the 2020 and 2021 due dates of the variable compensation due in respect of the financial year 2019.

Finally, Mr Ronan Le Moal, in his capacity as Chief Executive Officer, will receive, subject to the achievement of the relevant trigger criteria and performance indicators, the LTIP due for the period 2017-2019 (*i.e.* an amount of €425,000).

2.8.1.13 Compensation of the members of the Board of Directors

The rules for allocating the compensation paid in respect of the duties performed on the Board of Directors of Crédit Mutuel Arkéa were adopted by the Board of Directors on 22 May 2015 on the advice of the Compensation Committee and confirmed by the Board of Directors on 3 March 2020 and are as follows:

- a fixed annual compensation for each elected director of €7,150 gross;
- an additional fixed annual compensation for the Vice-Chairman of €7,150 gross;
- a variable attendance fee per meeting for each elected director present at a Board meeting of €715 gross;
- a fixed annual compensation for each Committee Chairman of €3,580 gross; and
- a variable attendance fee per meeting for each elected director attending a specialized committee meeting of €715 gross.

In addition, the Board of Directors adopted, by deliberation of 2 June 2017, on the proposal of the Compensation Committee, the rules for allocating compensation paid to independent directors:

- a variable attendance fee per meeting for each independent director present at a Board meeting of €3,575 gross;
- a variable attendance fee per meeting for each independent director attending a specialized committee meeting of €715 gross; and
- the absence of fixed compensation payments.

Crédit Mutuel Arkéa's directors also benefit from the following benefits in respect of their duties within Arkéa group subsidiaries:

- a fixed annual compensation for each subsidiary Chairman of €3,920 gross;
- a variable attendance fee per meeting for each Chairman present of €430 gross; and
- a variable attendance fee per meeting for each director present of €360 gross.

Lastly, in addition to the distribution rules set out above, it is specified that some Crédit Mutuel Arkéa directors may receive lump-sum compensation for their duties paid in respect of mandates held in federal bodies.

2.8.2 Fixed, variable and exceptional items making up the total compensation and benefits of any kind paid during the financial year 2019 or granted in respect of the financial year 2019

2.8.2.1 Chairman of the Board of Directors of Crédit Mutuel Arkéa

Fixed compensation

The fixed annual compensation of the Chairman of the Board of Directors of Crédit Mutuel Arkéa for 2019 has been set at €530,000.

Annual variable compensation

In addition to the fixed annual compensation, the Board of Directors of Crédit Mutuel Arkéa decided to grant a variable compensation to the Chairman of the Board of Directors for the financial year 2019, in his capacity as Chairman of the Supervisory Board. The Board of Directors justifies its decision by:

- (i) the very strong involvement of Mr Jean-Pierre Denis, in his capacity as Chairman of the Management Board in his supervisory function, in defining, supervising, monitoring and controlling the implementation of the development strategy of the company and the Arkéa group in the service of the territories, in consideration of the Raison d’Etre of the Arkéa group and the Independence Project;
- (ii) its very strong involvement in the Arkéa group's exchanges with banking supervisors, particularly in connection with the implementation of the independence project;
- (iii) its key role in the permanent and open dialogue with the local banks affiliated to Crédit Mutuel Arkéa and their directors and in coordination with federal authorities, particularly in the context of the implementation of the independence project;

Annual variable compensation indicators 2019

Indicators	Percentage of fixed compensation	Nature	Achievement rate
Criteria related to the Arkéa group's financial performance	22%	Operating income	136%
	22%	Cost/income ratio	107%
	22%	Gross loan-to-deposit ratio	103%
Qualitative criteria	17%	Raison d’être	100%
	17%	Independence project	100%

Long-term profit-sharing

In view of the achievement of the triggering and performance criteria over the 2017/2019 period, the Board of Directors validated the principle of the payment of the LTIP to the Chairman of the Board of Directors of Crédit Mutuel Arkéa for the 2017/2019 period, i.e. €530,000.

- (iv) the responsibilities assumed during that financial year in respect of the specific tasks entrusted to him as Chairman of the Supervisory Body and which go beyond the scope of the responsibilities of a routine nature within the framework of this function;
- (v) in compliance with the separation of powers, its active role in supporting the General Management in the search for and formalization of large-scale partnerships, as well as in the pursuit of the relationship of trust with major customers;
- (vi) its primary involvement in promoting the values and culture of the Arkéa group and especially in promoting its Raison d’être; and
- (vii) more generally, the added value represented for the Arkéa group by its 35 years of experience, 12 of which were spent within the Arkéa group.

In any event, the variable compensation awarded to Mr Jean-Pierre Denis for the 2019 financial year – whether annual variable compensation or long-term incentives – is established in relation to the duties and responsibilities he effectively assumed during that financial year, and in consideration of his individual performance measured by reference to his involvement in the development of the company and the Arkéa group and in the implementation of the independence project.

As the conditions for payment of the variable compensation and the level of achievement of the individual objectives set for the Chairman of the Board of Directors of Crédit Mutuel Arkéa had been met, the Board of Directors approved the payment of an annual variable compensation representing 100% of the gross annual fixed compensation, i.e. €530,000 for 2019, it being specified that the payment of the annual variable compensation is subject to deferral and is spread over the three years following the reference year, i.e. €176,667 per annuity.

LTIP trigger indicators for the period 2017 - 2019

Indicators	Achievements
CET1 ratio at least equal to the average of the main French banking groups	CET1 12.31.2019 CM Arkéa ratio at 16.4% against 14.7% on average over the 5 reference banks
Bucket 3 provisioning rate equal to 50%	Provisioning rate at 56.7% at 12.31.2019
Triggering of the variable compensation mechanism for CCMD members at least 2 out of 3 years	Effective perception of variable over the cycle
Annual growth rate of the Net banking and insurance income over the period 2018 - 2020: +3%	Annual growth rate equal to 10.6% over the period
Annual growth rate of operating income over the period 2018 - 2020: +2%	Annual growth rate equal to 18.5% over the period

Exceptional bonuses

No exceptional bonus has been awarded to the Chairman of the Board of Directors of Crédit Mutuel Arkéa for 2019.

Retirement

As of December 31, 2019, the estimated actuarial amount of the individual annuity (Article 39) is, in accordance with Article D.225-104-1 of the French Commercial Code, €68,592.

Benefits in kind

The Chairman of the Board of Directors of Crédit Mutuel Arkéa is provided with a company car.

2.8.2.2 Chief Executive Officer of Crédit Mutuel Arkéa

Fixed compensation

Ronan Le Moal's fixed annual compensation as Chief Executive Officer of Crédit Mutuel Arkéa for 2019 has been set at €425,000.

Annual variable compensation

As the conditions for the payment of variable compensation and the level of achievement of the individual objectives set for Ronan Le Moal in his capacity as Chief Executive Officer of Crédit Mutuel Arkéa had been met, the Board of Directors approved the payment of an annual variable compensation representing 100% of the gross annual compensation, *i.e.* €425,000 for 2019, it being specified that the payment of the annual variable compensation is subject to deferral and is spread over the three years following the reference year, *i.e.* €141,667 *per annum*.

Annual variable compensation indicators 2019

Indicators	Percentage of fixed compensation	Nature	Achievement rate
Criteria related to the Arkéa group's financial performance	22%	Operating income	136%
	22%	Cost/income ratio	107%
	22%	Gross loan-to-deposit ratio	103%
Qualitative criteria	17%	Raison d'Être	100%
	17%	Independence project	100%

Long-term profit-sharing

In view of the achievement of the trigger and performance criteria over the 2017/2019 period, the Board of Directors validated the principle of the payment to Ronan Le Moal, in his capacity as Chief Executive Officer of Crédit Mutuel Arkéa, of the ILT for the 2017/2019 period, *i.e.* €425,000.

LTIP trigger indicators for the period 2017 - 2019

Indicators	Achievements
CET1 ratio at least equal to the average of the main French banking groups	CET1 12.31.2019 CM Arkéa ratio at 16.4% against 14.7% on average over the 5 reference banks
Bucket 3 provisioning rate equal to 50%	Provisioning rate at 56.7% at 12.31.2019
Triggering of the variable compensation mechanism for CCMD members at least 2 out of 3 years	Effective perception of variable over the cycle
Annual growth rate of the Net banking and insurance income over the period 2018 - 2020: +3%	Annual growth rate equal to 10.6% over the period
Annual growth rate of operating income over the period 2018 - 2020: +2%	Annual growth rate equal to 18.5% over the period

Exceptional bonuses

No exceptional bonus has been awarded for 2019 to Ronan Le Moal in his capacity as Chief Executive Officer of Crédit Mutuel Arkéa.

Retirement

As of December 31, 2019, the estimated actuarial amount of the individual annuity (Article 39) is, in accordance with Article D.225-104-1 of the French Commercial Code, €88,451.

Benefits in kind

Ronan Le Moal, in his capacity as CEO, is provided with a company car.

2.8.2.3 Deputy Chief Executive Officer of Crédit Mutuel Arkéa

Fixed compensation

Anne Le Goff's fixed annual remuneration as Deputy Chief Executive Officer of Crédit Mutuel Arkéa for 2019 has been set at €270,000.

Annual variable compensation

The conditions for the payment of the variable compensation and the level of achievement of the individual objectives set for Anne Le Goff, in her capacity as Deputy Chief Executive Officer of Crédit Mutuel Arkéa having been met, the Board of Directors validated the payment of an annual variable compensation, the amount of which represents 70% of the gross annual fixed compensation at 31 December 2019, *i.e.* €189,000 in respect of 2019, it being specified that the payment of the annual variable compensation is subject to deferral, and is spread over the three years following the reference year, *i.e.* €63,000 *per annum*.

Annual variable compensation indicators 2019

Indicators	Percentage	Nature	Achievement rate
Financial Criteria	20%	Operating income	136%
	20%	Cost/income ratio	107%
	20%	Gross loan-to-deposit ratio	103%
	20%	Steering the Independence Project	100%
Qualifying Criteria	8%	Management Indicator	100%
	4%	CSR Indicator	100%
	4%	Mixity Indicator	100%
	4%	AOC Indicator (Ambition Obsession Client)	100%

Long-term profit-sharing

In view of the achievement of the trigger and performance criteria over the 2017/2019 period, the Board of Directors validated the principle of the payment to Anne Le Goff, in her capacity as Deputy Chief Executive Officer of Crédit Mutuel Arkéa, of the LTIP for the 2017/2019 period, *i.e.* €189,000.

Long-term profit-sharing

In view of the achievement of the trigger and performance criteria over the 2017/2019 period, the Board of Directors validated the

LTIP trigger indicators for the period 2017 - 2019

principle of the payment to Anne Le Goff, in her capacity as Deputy Chief Executive Officer of Crédit Mutuel Arkéa, of the LTIP for the 2017/2019 period, i.e. €189,000.

Indicators	Achievements
CET1 ratio at least equal to the average BNPP/SG/AG/GCA/BPCE/CMAF	CET1 12.31.2019 CM Arkéa ratio at 16.4% against 14.7% on average over the 5 reference banks
Bucket 3 provisioning rate equal to 50%	Provisioning rate at 56.7% at 12.31.2019
Triggering of the variable compensation mechanism for CCMD members at least 2 out of 3 years	Effective perception of variable over the cycle
Annual growth rate of the Net banking and insurance income over the period 2018 - 2020: +3%	Annual growth rate equal to 10.6% over the period
Annual growth rate of operating income over the period 2018 - 2020: +2%	Annual growth rate equal to 18.5% over the period

Exceptional bonuses

No exceptional bonus has been awarded for 2019 to Anne Le Goff, in her capacity as Deputy Chief Executive Officer of Crédit Mutuel Arkéa.

Retirement

As of December 31, 2019, the estimated actuarial amount of the individual annuity (Article 39) is, in accordance with Article D.225-104-1 of the French Commercial Code, €30,749.

Benefits in kind

Anne Le Goff, in her capacity as Deputy Chief Executive Officer, is provided with a company car.

2.8.2.4 Performance trends

Information on the evolution of the compensation of each of the executive directors compared to the group's performance over the last 5 fiscal years (data in € million):

	2015	2016	2017	2018	2019
Net banking and insurance income	1,780	1,852	2,090	2,146	2,303
Net Income Group Share	296	336	428	437	511
Compensation of the Chairman of the Board of Directors	1.575	1.600	1.600	1.600	1.601
Remuneration of the CEO	1.265	1.285	1.285	1.285	1.286
Remuneration of the Deputy Chief Executive Officer	NA	0.303	0.664	0.732	0.677

2. CORPORATE GOVERNANCE

Compensation of corporate officers

2.8.3 Individual compensation of executive directors

The gross compensations received by the executive directors of Crédit Mutuel Arkéa is detailed in the tables below:

	2018 Paid during the year	2018 Owed for the year	2019 Paid during the year	2019 Owed for the year
Jean-Pierre Denis Chairman of Crédit Mutuel Arkéa				
Fixed compensation	530,000	530,000	530,000	530,000
Variable compensation	1,060,000	1,060,000	1,060,000	1,060,000
Benefits in kind	9,931	9,931	11,342	11,342
TOTAL	1,599,931	1,599,931	1,601,342	1,601,342

	2018 Paid during the year	2018 Owed for the year	2019 Paid during the year	2019 Owed for the year
Ronan Le Moal Chief Executive Officer				
Fixed compensation	425,000	425,000	425,000	425,000
Variable compensation	850,000	850,000	850,000	850,000
Benefits in kind	9,865	9,865	11,199	11,199
TOTAL	1,284,865	1,284,865	1,286,199	1,286,199

	2018 Paid during the year	2018 Owed for the year	2019 Paid during the year	2019 Owed for the year
Anne Le Goff Associate Chief Executive Officer				
Fixed compensation	263,846	263,846	270,000	270,000
Variable compensation	373,841	461,866	362,756	399,262
Benefits in kind	5,845	5,845	8,007	8,007
TOTAL	643,532	731,557	640,763	677,269

2.8.4 Compensation table for members of the Board of Directors

The individual gross amounts, in euros, of the attendance allowances paid to the members of the Board of Directors for the year 2019 are as follows:

	2019 attendance fees in €				Total individual attendance fees paid in 2018 in €
	In respect of the Board of Directors	In respect of the Committees	Detail of other functions of corporate officers within the Group	Total individual attendance fees paid in 2019 in €	
Jean-Pierre DENIS ⁽¹⁾ Chairman					
Christian TOUZALIN Vice-Chairman	22,880	0	101,490	124,370	122,540
Thierry BOUGEARD Director	15,730	14,305	20,210	50,245	40,765
François CHATEL Director	15,730	19,310	11,200	46,240	37,490
Marta CRENN Director	15,015	10,010	3,395	28,420	21,555
Isabelle DARDE Employee administrator	0	0	0	0	0
Christian DAVID Director	15,730	13,585	18,395	47,710	39,330
Guillaume GLORIA Employee director	0	0	0	0	0
Michel GOURTAY Director	15,015	8,580	1,440	25,035	21,255
Anne-Sophie GRAVE Independent director	28,600	4,290	0	32,890	22,165
Marie-Thérèse GROUSSARD Director	14,300	9,300	11,906	35,506	35,215
Monique HUET Independent director	42,900	10,010	0	52,910	47,905
Anne-Gaëlle LE BAIL Director	14,300	3,575	27,200	48,075	39,960
Patrick LE PROVOST Director	15,730	20,120	34,346	70,196	57,756
Yves MAINGUET Director	15,015	3,575	4,125	22,715	11,195
Luc MOAL Director	13,585	7,150	16,445	37,180	22,320
Valérie MOREAU Director	7,150	2,145	8,470	17,765	8,680
Christian PERON Director	15,730	0	18,060	33,790	33,590
Colette SENE Director	15,730	3,575	5,385	24,690	23,465
Sophie VIOLLEAU Director	15,015	7,155	15,090	37,260	36,730
Lionel DUNET Non-voting member	12,870	1,430	1,440	15,740	16,525
TOTAL	311,025	138,115	298,597	747,737	638,441

(1) Mr Jean-Pierre DENIS, in his capacity as corporate officer, receives compensation, the details of which are detailed in section 2.8 of the Universal Reference Document.

2.9 Other significant events since the end of the financial year

2.9.1 Change of Chief Executive Officer

The Board of Directors of Crédit Mutuel Arkéa, meeting on 12 February 2020, appointed Hélène BERNICOT Chief Executive Officer of the group, subject to approval by the European Central Bank. She succeeds Ronan LE MOAL who, after 25 years with the group, has decided to devote himself to a new professional project.

As Chief Executive Officer, she is vested with the broadest powers to act in all circumstances in the name of the company and to represent

it in its dealings with third parties. She exercises her powers within the limits of the corporate purpose and subject to the powers expressly granted by law to the Shareholders' Meetings and the Board of Directors.

In addition, on the proposal of Hélène BERNICOT, Anne LE GOFF was reappointed by the Board of Directors as Deputy Chief Executive Officer.

Hélène BERNICOT



Chief Executive Officer
of Cr edit Mutuel Ark ea
44 years old

Summarized Biography

H el ene BERNICOT is a graduate of Sciences Po and a chartered accountant. She began her career in 1996 with Mazars before joining the Ark ea group in 2004. She successively held the positions of head of department in the group's management control department, head of group recruitment and then head of Human Resources for the head office. Since 2016, she has been Director of the Corporate Secretariat and Corporate Communications for the group, where she was responsible for the group's *Raison d' tre* project. In 2020, she was appointed Chief Executive Officer of Cr edit Mutuel Ark ea.

Other offices held

- **Ark ea SCD:** Chief Executive Officer and Director and Permanent Representative of Cr edit Mutuel Ark ea since March 2020
- **SAS Ch ateau Calon S gur:** Director since December 2019
- **Swen Capital Partners:** Director since January 2020
- **Caisse Centrale du Cr edit Mutuel:** Permanent Representative of Cr edit Mutuel Ark ea
- **Fondation Phino :** Administrator
- **Chamber of Commerce and Industry of Brest:** Member of the bureau

2.9.2 Proposed changes in the Company's mode of administration and management

At its meeting of February 17, 2020, the Board of Directors approved a draft amendment to the Company's Articles of Association with a view to its transformation from a "variable capital limited liability credit cooperative" into a "public limited company with a Management Board and Supervisory Board and variable capital".

The Supervisory Board, composed, as today for the Board of Directors, of a majority of representatives from the cooperative

movement, would be endowed by the Articles of Association with extended prerogatives in terms of monitoring the implementation of strategic orientations by the Ark ea Group Managing Board.

This project was approved by the Boards of Directors of the Cr edit Mutuel de Bretagne and Sud-Ouest federations. However, the Conf d ration nationale du Cr edit Mutuel refused to submit it to its supervisory body for examination. As a result, the project was suspended by Cr edit Mutuel Ark ea, which is continuing its discussions on changes to its governance.

2.10 Statutory auditors' report on the corporate governance report

The observations required by Article L.225-235 of the French Commercial Code are included in the Statutory Auditors' report on the aggregate financial statements for the year ended December 31, 2019 (Chapter 7.2).

3.

Financial information

3.1	Activities	64	3.5	Consolidated financial statements for the year ended December 31, 2019	74
3.1.1	Customers	64		Balance sheet	74
3.1.2	Lending	64		Accounting principles and valuation methods	84
3.1.3	Savings	65		Consolidation principles and methods	97
3.1.4	Shares	65		Consolidation rules	98
3.1.5	Business to business (BtoB) services	65		Notes to the consolidated financial statements	100
3.1.6	Non-life insurance	66		Notes to the balance sheet (in thousands of euros)	102
3.2	Financial results	66		Notes to the income statement (in thousands of euros)	134
3.2.1	Revenues	67		Notes on gains and losses recognized directly in equity (in thousands of euros)	152
3.2.2	Operating expenses	67		Other notes	154
3.2.3	Cost of risk	67	3.6	Aggregate financial statements as of December 31, 2019	166
3.2.4	Return on assets	67	3.6.1	Balance sheet	166
3.3	Capital and regulatory ratios	68	3.6.2	Income statement	168
3.3.1	Internal capital adequacy assessment process	68		Notes	172
3.3.2	Solvency ratios	68		Information regarding balance sheet, off-balance sheet and income statement items	177
3.3.3	Other solvency ratios monitored	69			
3.3.4	Solvency of group insurance companies	70			
3.4	Outlook	71			
3.4.1	Review of 2019	71			
3.4.2	Outlook 2020	72			

3.1 Activities

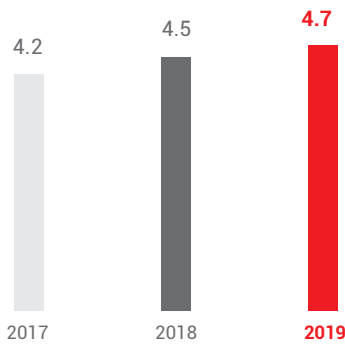
3.1.1 Customers

The customer portfolio will increase by 5.3% over 2019, representing more than 237,000 additional customers.

On a like-for-like basis ⁽¹⁾, it increased by 6.0%, i.e. 263,000 additional customers brought in by all subsidiaries: insurers (+79,000 customers), max personal assistant (+75,000 customers), online banking (+64,000 customers), local banks networks (+26,000 customers) and consumer credit subsidiaries (+17,000 customers).

Customer portfolio

(in millions)

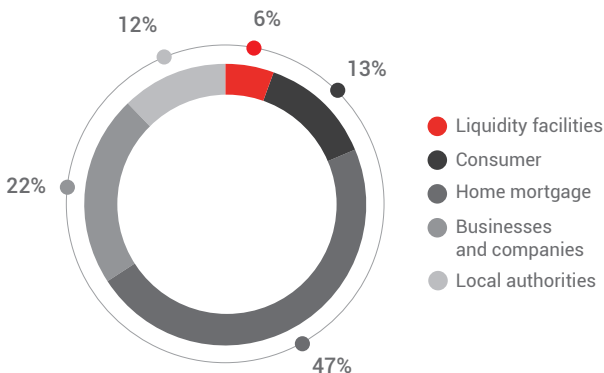


3.1.2 Lending

Gross loans outstandings before provisions rose 11.3% to €62.9 billion. Outstandings net of provisions came to €62.5 billion. At comparable scope ⁽²⁾, gross outstanding loans rose 12.1% to 62.9 billion euros.

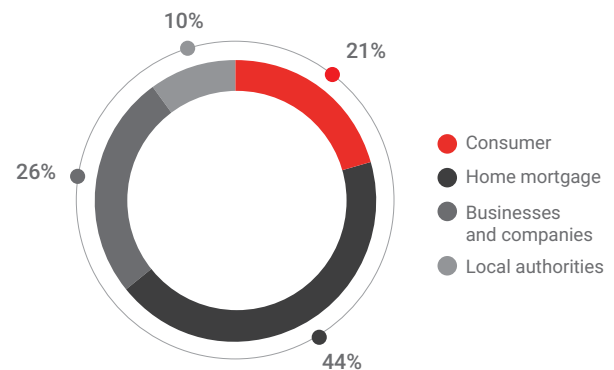
Loan production in 2019 reached €16.1 billion, up 15.0% compared to 2018.

Gross outstanding loans by type of contract in 2019

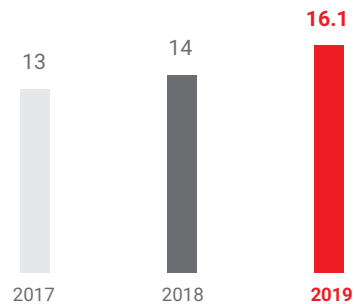


This growth in new lending concerned all types of loans: loans to individuals (up 13.5% to €10.4 billion), loans to professionals and businesses (up 14.7% to €4.1 billion) and loans to local authorities (up 27.3% to €1.6 billion).

Loan production by type of contract in 2019

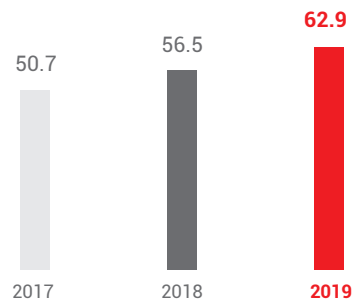


Loan production



Gross outstanding loans

(€ billions)



(1) Excluding changes in the scope of consolidation over the year (disposal of Leasecom in the first half of 2019 and acquisition of the Belgian portfolio of Moneyou in the second half of 2019).

(2) Excluding changes in the scope of consolidation over the year (disposal of Leasecom in the first half of 2019).

3.1.3 Savings

Total savings outstandings rose to €124.9 billion, up 12.4% vs. end 2018. At comparable scope ⁽¹⁾, it rose 11.0% to 123.4 billion euros.

Net savings intake over 2019 totalled €6.2 billion, up 60% compared to 2018.

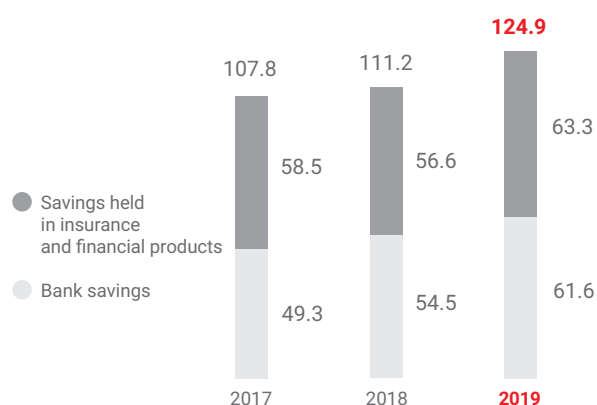
This one is marked with:

■ 2.7 billion in net inflows of interest-bearing bank savings, down 0.€5 billion compared to 2018;

■ 2.3 billion in net inflows in insurance savings, up 24.6% compared to 2018. Financial savings recorded inflows of €1.2 billion, compared to outflows of €2.4 billion in 2018.

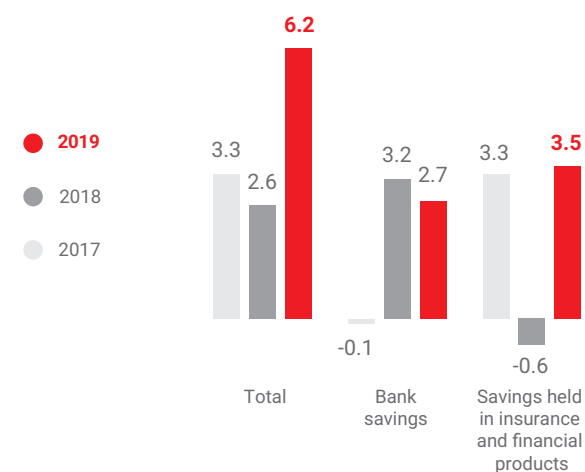
Outstanding savings

(in € billions)



Savings inflows

(in € billions)



3.1.4 Shares

Outstanding shares were up 3.8% to € 2.3 billion.

3.1.5 Business to business (BtoB) services

Assets under custody grew by 2.2% to €38.5 billion in 2019.

The group processed a stable volume of stock market orders with 7.0 million orders.

The portfolio of BtoB customers (Monext, Nextalk, Arkéa Banking Services, Procapital Securities Services) continues to grow by 2.3% in one year, reaching 1,679 customers.

	2019	2018	2017
Securities custody (€ millions)	38,463	37,624	42,697
Stock exchange order volumes traded (in millions)	7.0	7.0	6.5
Number of BtoB customers	1,679	1,641	1,519

(1) Excluding changes in the scope of consolidation over the year (acquisition of the Belgian portfolio of Moneyou in H2 2019)

3. FINANCIAL INFORMATION

Financial results

3.1.6 Non-life insurance

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

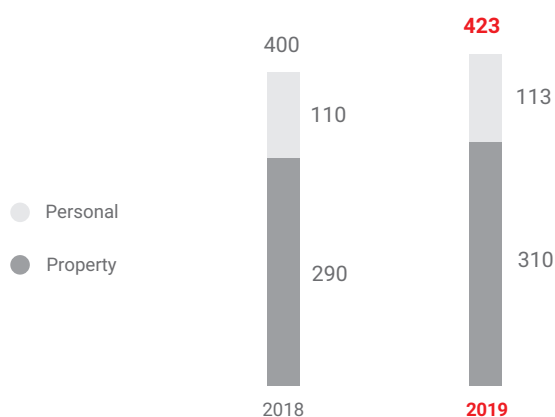
Earned premiums in the portfolio increased by 5.9% compared to 2018 to €423 million.

New business premiums increased by 6.3% to €59 million compared to 2018.

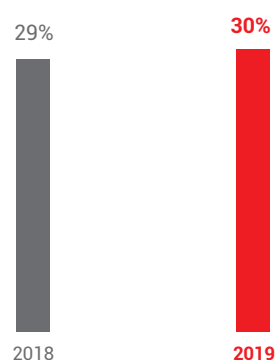
New business premiums brought in by external networks represent 56% of total new business premiums, up 2 points compared to 2018. At the end of 2019, premiums earned in the portfolio contributed by external networks represent 30% of total premiums earned in property and personal insurance.

Premiums earned on the portfolio

(in € millions)



Share of external networks in portfolio earned premiums



3.2 Financial results

In 2019, Arkéa's revenues reached its highest level ever at €511 million, up 16.8% compared to 2018 (+€73 million). The cost/income ratio fell ⁽¹⁾ by 2 points to 68.5%.

(in € millions)	2019	2018	Abs. change	% change
Net banking and insurance income including gains on disposal / dilution of MEE shares	2.303	2.146	158	7.3%
Operating expenses	-1.579	-1.514	-65	4.3%
Gross operating income	724	632	92	14.6%
Cost of risk	-99	-64	-35	54.9%
Pre-tax income	643	593	49	8.3%
Income tax	-132	-156	24	-15.4%
Net income, group share	511	437	73	16.8%
Cost/income ratio	68.5%	70.5%	-2 points	

(1) Management expense ratio (general operating expenses plus depreciation, amortization and impairment of intangible and tangible fixed assets) to Net banking and insurance income including gains on disposal or dilution in investments in associates.

3.2.1 Revenues ⁽¹⁾

Revenues reached an all-time high of €2,303 million, up 7.3% compared to 2018 (EUR +158 million).

The analysis of revenues ⁽¹⁾ is based on the segment breakdown presented in the financial statements.

3.2.1.1 The banking sector

The banking sector includes retail banking for individuals (local banks of Crédit Mutuel, Arkéa Direct Bank (including Fortuneo and Keytrade), Financo and CFCAL), retail banking for businesses (Arkéa Banque Entreprises et Institutionnels, Arkéa Crédit-Bail, Arkéa Capital Investissement and Arkéa Capital Partenaire) and BPO "Business Process Outsourcing" subsidiaries (Monext, Nextalk, Arkéa Banking Services, ProCapital, Leetchi, Nouvelle Vague, Pumpkin and Izimmo).

Banking sector revenues ⁽¹⁾ rose 6.4% compared to 2018 to €1,726 million.

On a comparable basis ⁽²⁾, revenues decreased by €76 million to €1,504 million:

- €675 million, impacted by the market environment (low interest rates), particularly on the home savings provision and changes in the value of equity investments;
- €625 million in connection with the regulatory cap and the additional actions taken by the Arkéa group on bank charges;
- other operating income and expenses increased by €11 million to €193 million in line with a sustained level of activity in the BPO business line;
- gains or losses on disposal - dilution of associates and joint ventures accounted for by the equity method increased by €11 million.

3.2.1.2 The insurance and asset management sector

The Insurance and Asset Management segment includes life insurance (Suravenir), non-life insurance (Suravenir Assurances),

brokerage (Novélia) and asset management companies (Federal Finance Gestion, Schelcher Prince Gestion and Arkéa Capital Gestion).

Insurance & Asset Management revenues ⁽¹⁾ was up €54 million to €577 million and was marked by the increase in life insurance business (growth in assets under management).

3.2.2 Operating expenses

Operating expenses totalled 1,€579 million, up €65 million.

On a comparable basis, operating expenses increased by €45 million to €1,529 million:

- personnel costs increased by €15 million to € 869 million;
- other expenses increased by €27 million to €539 million;
- depreciation, amortization and provisions increased by 3 million to €120 million.

3.2.3 Cost of risk

The cost of risk was up €35 million to €99 million.

At comparable scope, the cost of risk rose by 38 million to 89 million.

- the cost of risk on doubtful and disputed loans rose from €26 million to €69 million;
- allocations to provisions on performing loans increased from €12 million to €20 million.

3.2.4 Return on assets

The return on assets corresponds to the net accounting result compared to the balance sheet total on a consolidated basis. It stands at 0.32%, stable compared to 2018.

(1) Revenues correspond to Net Banking and insurance Income (NBI) including gains on disposal or dilution of companies accounted for by the equity method.

(2) Excluding changes in the scope of consolidation in 2019 (start-up of the CFCAL business in Belgium, disposal of Leasecom and acquisition of the Belgian portfolio of Moneyou) and 2018 (acquisition of the automotive portfolio of My Money Bank France); excluding the impact of the application of IFRS 16 in 2019 and excluding the remarkable Primonial transaction in 2019.

3.3 Capital and regulatory ratios

3.3.1 Internal capital adequacy assessment process

The Crédit Mutuel Arkéa group is subject to the prudential regulations applicable to credit institutions, insurance companies and financial conglomerates:

- the regulations applicable to credit institutions are the result of the transposition into French law of the CRD 4 (Capital Requirement Directive 4) and the CRR (Capital Requirement Regulation), which correspond to the so-called “Basel III” proposals. It is supplemented by the transposition into French law of the Bank Recovery and Resolution Directive (BRRD). On June 7, 2019, several texts commonly referred to as the “banking package” were published in the Official Journal of the European Union; these texts make a series of amendments to the regulations applicable, in particular to the CRR, the CRD IV and the BRRD;
- since 2016, the regulations applicable to insurance companies have resulted from the transposition of the Solvency 2/Omnibus 2 directives into French law;
- the regulations applicable to financial conglomerates are the result of the transposition of the Financial Conglomerates Directive into French law. The aim of this regulation is to ensure that all the risks of the conglomerate (aggregating banking and insurance activities) are covered by the group’s consolidated equity.

The solvency ratios for banks and financial conglomerates are calculated in accordance with the standards in force at the balance sheet date by Crédit Mutuel Arkéa’s Accounting Department, which bases itself, in particular, on the level of capital requirements calculated by the Risk Department.

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

Crédit Mutuel Arkéa’s Assets and Liabilities Management Department monitors all of these ratios and steers the consolidated solvency ratios of the banking business and financial conglomerates.

On the basis of regulatory statements, assumptions regarding the development of the Group’s business and appropriate capital requirement forecasts, the Assets and Liabilities Management Department makes ratio projections for the coming years (minimum 3 years). These projections are presented regularly to Executive Management, notably at meetings of the ALM and Capital Management Committee, and are supplemented by stress scenarios. The objective is to anticipate the Group’s capital requirements and propose optimization actions, in order to ensure long-term compliance with internal and regulatory requirements.

3.3.2 Solvency ratios

3.3.2.1 Regulatory capital ⁽¹⁾

“Common Equity Tier 1” (CET 1) amounts to EUR 6.16 billion and represents 77% of total prudential capital. It increased by €0.57 billion in 2019, mainly due to the inclusion of retained earnings for the year and the increase in unrealised capital gains on securities classified at fair value through equity following the fall in interest rates over the year.

Tier 2 shareholders’ equity increased by €1.16 billion in 2019 following Tier 2 issues for €0.8 billion in Q1 2019 and the redemption in September 2019 of €0.34 billion of subordinated debt issued by Suravenir.

Prudential capital stood at €8.05 billion, up €1.72 billion.

(in € millions)	12.31.2019	12.31.2018
Tier 1 capital net of deductions	6.199	5.639
of which Common Equity Tier 1 (CET1)	6.164	5.594
Tier 2 capital, net of deductions	1.852	688
TOTAL CAPITAL FOR SOLVENCY RATIO CALCULATION	8.051	6327

(1) Excluding outstanding CMMC network shares

3.3.2.2 Capital requirements

Capital requirements amounted to €3.01 billion (equivalent to €37.6 billion of risk-weighted assets) and are mainly composed of credit risk. They increased by €0.45 billion mainly due to the increase

in outstanding loans and equity investments in insurance entities (in connection with the €0.2 billion capital increase of Suravenir coupled with a €0.34 billion conversion of subordinated debt issued by Suravenir into equity).

(in € millions)	12.31.2019	12.31.2018
CREDIT RISK	2,812	2,367
Standardized approach	533	494
Central and public administrations	106	97
Credit institutions	14	13
Corporates	19	49
Retail customers	334	269
Shares, securitizations and other non-credit obligation assets	60	66
Internal ratings-based approach	2,279	1,873
Credit institutions	54	74
Corporates	971	797
Retail customers	282	251
Equities	944	726
Securitization	0	0
Other non-credit obligation assets	29	24
MARKET RISK AND CVA (STANDARDIZED APPROACH)	9	8
OPERATIONAL RISK (ALMOST EXCLUSIVELY ADVANCED MEASUREMENT APPROACH)	188	186
TOTAL CAPITAL ADEQUACY REQUIREMENTS	3,009	2,562

3.3.2.3 Solvency ratios

The CET 1 ratio stood at 16.4% ⁽¹⁾ at the end of 2019 compared with 17.5% at the end of 2018. The 1.1 point decrease in the ratio is explained by the increase in weighted risks, which is proportionally greater than the increase in Tier 1 capital.

In the context of the disaffiliation of the federation of Crédit Mutuel Massif Central from the credit institution Crédit Mutuel Arkéa on January 1, 2020, the solvency ratios as at December 31, 2019, filed with the ECB, include, in accordance with its request, the deduction of the shares awaiting repayment of the federation of Crédit Mutuel Massif Central, while maintaining the RWA of the said Fédération in the denominator of the ratio.

The CET 1 ratio is estimated at 16.6%, taking into account withdrawal of the Massif Central from the prudential scope.

The overall solvency ratio increased by 1.6 point to 21.4% at end-2019, driven by Tier 2 issues in Q1 2019 (€0.8 billion) and the redemption in September 2019 of the subordinated loans issued by Suravenir (€0.34 billion).

	12.31.2019	12.31.2018
CET 1 ratio	16.4%	17.5%
Tier 1 ratio	16.5%	17.6%
Overall ratio	21.4%	19.8%

3.3.3 Other solvency ratios monitored

3.3.3.1 Leverage Ratio

The "Basel III" texts defined a ratio aimed at capping leverage. The simplified calculation thus consists of a ratio of total assets to prudential capital (Tier 1), with a minimum level set at 3%.

In 2015, the European Commission adopted a delegated Regulation to specify the calculation methods. The leverage ratio becomes a Pillar 1 requirement as of June 28, 2021 through the application of the CRR II.

At the end of 2019, the level of the leverage ratio is 6.3%; it takes into account the provisions of the Delegated Regulations applicable *ex officio* but does not include the provisions subject to prior approval by the supervisor.

The leverage ratio would be 6.5%, taking into account the overall impact of the removal of Crédit Mutuel du Massif Central from the prudential scope.

3.3.3.2 Financial conglomerate ratio

The financial conglomerate ratio makes it possible to verify the coverage by consolidated capital of solvency requirements for banking activities (incorporating Pillar 2 requirements since 2016) and insurance activities. The minimum required level is 100%.

At the end of 2019, consolidated shareholders' equity stood at €10.6 billion and requirements at €5.8 billion, representing a level of 183% (for a regulatory requirement of 100%). The ratio increased by 28 points over 2019 despite the negative impact of lower interest rates on the solvency of the insurance portion. The inclusion of the new regulatory provisions related to the Suravenir Profit Sharing Reserve and the use of the transitional measure in the calculation of Suravenir's Solvency 2 technical reserves partly explain the increase in the conglomerate ratio.

The financial conglomerates ratio would be 184%, taking into account the overall impact of the removal of Crédit Mutuel du Massif Central from the prudential scope.

(1) Ratio excluding the impact of irrevocable payment commitments to the Single Resolution Fund and the Deposit Guarantee Scheme (negative impact of 12 bp on the CET 1 ratio at the end of 2019).

3.3.3.3 Ratio derived from 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 aim is to reduce the impact on the financial system of a bank failure and avoid burdening the taxpayer.

It provides for the introduction of the Minimum Requirement for own funds and Eligible Liabilities (MREL) ratio, whereby equity and other eligible liabilities (including senior debt with a maturity of more than one year) are divided by total liabilities. A minimum level will be set for each institution.

The Directive provides, under certain conditions, for a possible contribution from the resolution fund when shareholders and creditors have absorbed losses representing 8% of liabilities or 20% of weighted risks.

Crédit Mutuel Arkéa is not considered by the Single Resolution Committee (CRU) as a resolution entity on an individual basis. In fact, the CRU has not notified Crédit Mutuel Arkéa of any minimum regulatory requirement for equity capital and eligible commitments ("MREL ratio").

At the end of 2019, the ratio between shareholders' equity and senior debt (more than one year) on the one hand, and the Group's total banking liabilities on the other hand, is significantly above 8%. In addition, the ratio between shareholders' equity and senior debt (more than one year) and total weighted risks is significantly higher than 20%.

As part of the "banking package", the European Banking Authority advocates harmonisation between the European MREL standard and the international standard for total loss absorption capacity (or "TLAC"), by adopting the same basis for calculating MREL as a percentage of RWA and not as a percentage of own funds.

At the end of 2019, the European Union had not yet adopted this development for non-systemic institutions. MREL requirements must be met by January 1, 2024, with an intermediate target in 2022. The Single Resolution Council will publish an update of its MREL policy based on the new BRRD2 Directive in 2020.

3.3.4 Solvency of group insurance companies

Since January 1, 2016, European insurers must comply with the Solvency 2 framework.

In this reference framework, Solvency 2 equity capital is made up of the entities' hard equity capital (capital fixed by Crédit Mutuel Arkéa: share capital and issue premiums), the reconciliation reserve (net assets Solvency 2 less the capital fixed by Crédit Mutuel Arkéa) and the subordinated liabilities subscribed by Crédit Mutuel Arkéa.

In addition, the capital requirements (SCR/Solvency Capital Requirement) of the group's insurance companies are calculated by applying the standard formula provided for in Solvency 2.

Since 12.31.2019, Suravenir has been applying the transitional measure on technical provisions provided for in the Solvency 2 regulation. No other transitional measure provided for by European texts is applied by the group's insurance subsidiaries. Insurance companies' own funds and regulatory capital requirements are reported quarterly and discussed with the group.

The sharp drop in rates in negative territory observed during the summer of 2019 led Suravenir to not cover the Minimum Capital Requirement (MCR) and Solvency Capital Requirement (SCR) on a one-off basis. This coverage was reinstated before the end of September and never occurred on a quarterly date for calculating the coverage requirements of the MCR and the SCR, as these requirements were covered as at both June 30 and September 30, 2019.

It was caused on the one hand by the sharp increase in technical provisions due to the sharp drop in rates in negative territory, and more particularly their lowest level reached at the end of August 2019, and on the other hand by the application of capping rules to the eligibility of the various categories of equity capital. Thus, it should be stressed that before the application of this ceiling, the available equity capital was greater than the MCR.

Following these estimates, various measures were taken by Crédit Mutuel Arkéa and Suravenir in order to ensure coverage of regulatory requirements as of 30 September, including a €540 m capital increase by Suravenir, subscribed by Crédit Mutuel Arkéa, which significantly improved the level of eligible equity capital. The various measures have enabled Suravenir to once again fully meet its regulatory requirements as of September 30, 2019 and for the entire subsequent period.

With regard to governance, Suravenir and Suravenir Assurances have the four key functions required by regulations as well as internal control and risk management systems. Each year, the insurance subsidiaries produce an ORSA (*Own Risk and Solvency Assessment*) report that assesses the overall solvency requirement, identifies any deviation of each company's risk profile from the assumptions of the standard formula and ensures ongoing compliance with regulatory requirements.

Finally, Suravenir and Suravenir Assurances publish their SFCR (Solvency and Financial Conditions Report) reports and implement the RSR (Regular Supervisory Report) and the various quarterly and annual QRT (Quantitative Reporting Templates) reports for the ACPR, the EIOPA, the ECB and the FSB.

3.4 Outlook

3.4.1 Review of 2019

On the economic front, French GDP growth ended 2019 at 1.2% ⁽¹⁾, down from 1.7% in 2018 and 1.4% as expected at the beginning of the year. Despite the slowdown in the activity of its main trading partners, led by Germany, the French economy held up well, thanks in particular to tax measures in favour of households. On the other hand, the public deficit was not reduced over the year.

The main driver of growth has been investment, both by businesses, thanks to higher margins and favourable financial conditions, and by governments, due to the municipal election cycle.

The construction sector remained very well oriented, with a strong order book, but limited by the sector's ability to increase production (lack of manpower, unfavourable weather in public works in Q4).

Export growth slowed in 2019 as a result of the global economic slowdown. As a result, the contribution of foreign trade (exports - imports) to GDP growth was zero.

The rise in purchasing power (+2.2% from Q3 2018 to Q3 2019) linked to tax cuts, the measures announced following the movement of yellow jackets (€12 bn, or 0.9 point of gross disposable income) and the rise in the wage bill driven by job creation, was not followed by such vigorous growth in household consumption (1.3% over the same period). As a result, the savings rate rose to a historically high level of almost 15%.

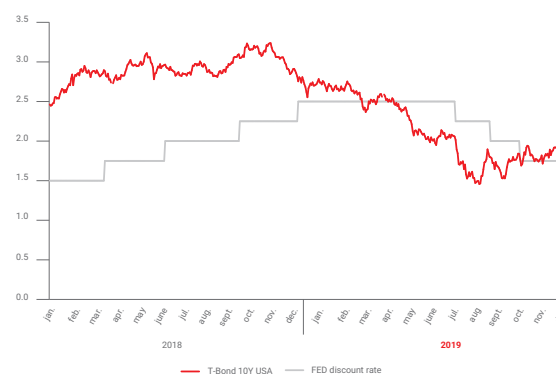
As in 2018, the unemployment rate continues to fall, reaching 8.1% in France and 7.9% in metropolitan France. This is its lowest level since the end of 2008.

For France's main trading partners, 2019 will have been a difficult year. Germany suffered from the slowdown in the Chinese economy, hampered by the trade war with the United States and a decline in automobile production (-9%, to 4.7 million units, its lowest level since 1997). Its economy did not recover until the second half of the year at a moderate pace. Growth in Italy was penalised by a deep political crisis which brought to power at the end of 2019 an unprecedented coalition between the Democratic Party and the "5 stars" movement. The United Kingdom was monopolised throughout the year by the Brexit dossier, while avoiding *in extremis* an exit from the European Union without agreement. Investment growth has been zero across the Channel, with UK business leaders waiting to see the effects of Brexit on economic activity.

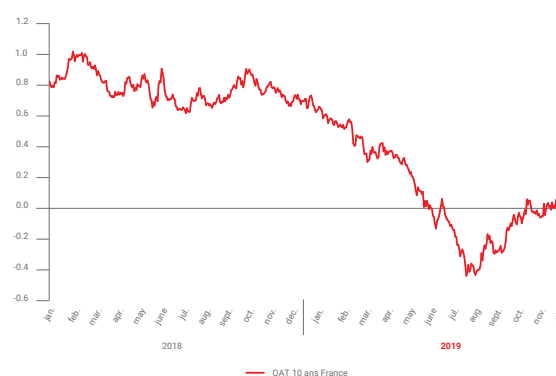
After the main central banks began to raise interest rates in 2018, the trend was reversed again in 2019. Key rates were lowered in the USA, China, Russia and Brazil, for example. Expansionary policies were announced with the announcement of quantitative measures (asset purchases on the markets, such as the ECB's TLTRO III plan) to stimulate economic activity.

One of the highlights of the year on the financial front was the temporary inversion of the yield curve in the United States and the move into negative territory of the main sovereign long-term rates in Europe, at historically low levels never reached before. Although the situation improved slightly at the end of the year, French sovereign long-term rates (10-year OATs) remained at very low levels, at 0.1% at the end of 2019, after a low point of -0.4% during the summer. With the announcement of a trade agreement between the United States and China, and the central banks' support policies, the equity markets had a very good year. After a decline in 2018, the CAC40 rose by more than 30% in 2019.

T-Bond USA (red) and FED discount rate (grey) over 2 years (2018-2019)



10-year OAT France over 2 years (2018-2019)



(1) INSEE.

FOCUS ON ECONOMIC ACTIVITY IN THE REGIONS

In Brittany, as in most regions, services account for the bulk of economic activity. In this sector, the morale of business leaders is on the rise at the end of 2019, well above the national average.

The agri-food sector in the broadest sense (processing industry, fishing, agriculture, livestock) has a relatively large weight in total wealth production compared to other regions. The trend has been favourable for the price of pork (Brittany produces 58% of the pigs in France⁽¹⁾). At the end of 2019, the price of pork will reach its highest level since 1992, due to strong demand from China following the outbreak of African swine fever.

Tourism also did well, with an increase in the number of overnight stays this summer due to the strong sunshine in July.

The construction sector is dynamic, but is expected to slow down in 2020 after the municipal elections and with the decline in building permits, except in Ille-et-Vilaine.

The unemployment rate remains the lowest of the French regions with 7.1% in Q3 2019.

In Nouvelle-Aquitaine, wealth creation is more balanced, with a greater weight of industry than in other regions.

The industry is dominated by wood processing, chemicals, pharmaceuticals, automotive subcontracting and aeronautics. In industry, the morale of business leaders is declining at the end of 2019.

In the services sector, the morale of business leaders is well above the national average at the end of 2019, as in the Brittany region.

The wine sector in Gironde and the cognac sector in Charente-Maritime are also important creators of regional wealth. To date, the impact of American taxes on European exports on a list of food products remains unmeasured.

Tourism is doing very well, with growth above the national average and a good occupancy rate both on the coast and inland.

After a very strong rebound since mid-2018, housing construction stalled in the third quarter of 2019. The number of building permits rose slightly, with wide disparities: up sharply in the Landes and Pyrénées-Atlantiques regions, down in the Dordogne and Gironde (-6.9% year-on-year).

The unemployment rate is below the national level at 8.0% in the third quarter of 2019.

In terms of the regulatory environment, 2019 was marked at the European level by the first overhaul of the so-called "Basel III" regulations, which dated from 2013. In the first half of 2019, the Council and Parliament reached an agreement in the first half of 2019 leading to a new banking regulation for European banks (CRD5/CRR2). The implementation of the majority of the measures is expected by June 2021, the time for the Member States to transpose the Directives into their national laws and for institutions to adapt.

The ambition of this revision is to improve risk management by banks and to integrate several international standards. The main changes to be made concern capital and liquidity management (including the leverage ratio and the NSFR long-term liquidity ratio becoming mandatory), disclosure requirements (governance, data monitoring and more disclosure under Pillar 3) and new risk assessment methodologies to be applied (SA-CCR on derivatives; standard or simplified/alternative standard for IRRBB and market risk, modified weightings and supporting factors for credit risk).

The Bank Resolution and Restructuring Directive was also revised in 2019 (BRRD 2) and led to a redefinition of eligible liabilities, recalibration of the LRM requirements and granting the Resolution Authorities the power to enhance them, and the establishment of reporting and publication requirements in this area.

3.4.2 Outlook 2020

Since the March 3, 2020 release of the financial statements as of December 31, 2019, the Covid-19 epidemic has spread from China to the rest of the world. After an initial phase in Asia, the virus hit Europe hard, causing a halt in economic activity in the countries concerned. Industries dependent on the supply of components from China were affected initially, and then tourism and cultural activities were halted.

To slow the spread of the disease, schools were closed and total containment measures were put in place in some European countries (Italy, Spain, France, ...). The European economy was paralysed by all the health measures and the restriction of movement or professional activity.

In France, in order to limit as much as possible the impact on the companies, the government has taken a number of measures, such as freezing the of all tax and social security charges, the establishment of a guarantee on new loans of up to €300 billion, and a €45-billion business support package. A massive short-time working scheme has also been introduced.

The financial markets have been falling sharply since the beginning of 2020 in view of the magnitude of this shock with its economic consequences... difficult to quantify. The French Minister of the Economy is studying the possibility to recapitalise French companies that have been put into stock market difficulties, should the situation persist.

(1) <https://www.bretagne.cci.fr/file/exe-chiffres-cles-2019pdf>

Volatility on the financial markets (particularly on equity markets and credit spreads) is high and interest rates have risen sharply since their low point in early March 2020, in anticipation of a sharp slippage in public deficits to support economic activity in the context of the crisis. Faced with this rise, the ECB (European Central Bank) has announced a vast asset purchase plan with the Pandemic Emergency Purchase Programme (PEPP) of €750 billion by the end of the year. The total package of measures already taken by the ECB amounts to purchases of almost €120 billion per month.

Against this background, the world, European and French economies are facing a sudden halt in activity that has not been seen for decades. There are many uncertainties in 2020 about the world trade and raw material prices (and in particular oil).

Beyond that, economic developments are subject to political and trade agreements that could not be finalized so far: the new relations with the United Kingdom post-Brexit and the new front trade between Europe and the United States of America. Ultimately, there are two other threats to world economic growth: the acceleration of wealth inequality and the increase of global warming.

Assessment of the overall consequences for the banking sector and Arkéa in particular is still in progress. The measures taken by Arkéa to date to maintain its activities, to ensure the continuity of client services, to protect the health of customers and employees, to strengthen support for clients particularly affected by the crisis and the identification of the risks for Arkéa from this the situation is detailed in part 4.1.1 of this universal registration document related to macroeconomic hazards and regulatory environment of the Arkéa group.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

3.5 Consolidated financial statements for the year ended December 31, 2019

Balance sheet

(in € thousands)

ASSETS	Notes	12.31.2019	12.31.2018
Cash, due from central banks	1	10,083,885	3,236,588
Financial assets at fair value through profit or loss	2	1,480,688	1,179,263
Derivatives used for hedging purposes	3	1,082,121	692,564
Financial assets at fair value through equity	4	9,654,975	11,323,695
Available-for-sale financial assets	5	635,489	163,949
Securities at amortized cost	1	9,785,387	8,986,833
Loans and receivables – credit institutions, at amortized cost	6	62,444,613	55,574,536
Loans and receivables – customers, at amortized cost		790,682	299,115
Placement of insurance activities	7	58,172,448	50,190,292
Current tax assets	8	240,252	224,673
Deferred tax assets	9	144,962	149,446
Accruals, prepayments and sundry assets	10	911,703	867,127
Non-current assets held for sale	27	5,336	444,230
Deferred profit-sharing		0	0
Investments in associates	11	197,630	201,775
Investment property	12	144,215	154,236
Property, plant and equipment	13	343,158	257,761
Intangible assets	14	457,604	435,758
Goodwill	15	566,776	538,461
TOTAL ASSETS		157,141,925	134,920,302

(in € thousands)

LIABILITIES	Notes	12.31.2019	12.31.2018
Due to central banks	16	0	0
Financial liabilities at fair value through profit or loss	17	1,173,150	811,071
Derivatives used for hedging purposes	3	1,043,663	427,735
Debt securities	18	16,533,888	12,770,678
Due to banks	16	7,767,767	7,117,358
Liabilities to customers	19	61,700,260	54,555,163
Remeasurement adjustment on interest-rate risk hedged portfolios		274,938	63,362
Current tax liabilities	8	110,949	127,008
Deferred tax liabilities	9	151,241	133,565
Accruals, deferred income and sundry liabilities	20	2,296,644	2,063,634
Liabilities associated with non-current assets held for sale	27	0	19,442
Insurance companies' technical reserves	21	55,708,402	48,033,048
Provisions	22	531,286	423,551
Subordinated debt	23	2,498,059	1,667,088
TOTAL EQUITY		7,351,679	6,707,600
Shareholders' equity, group share		7,348,433	6,704,447
Share capital and additional paid-in capital	24	2,353,416	2,266,390
Consolidated reserves	24	4,294,471	3,896,396
Gains and losses recognized directly in equity	25	189,810	104,373
Net income for the year		510,737	437,288
Non-controlling interests		3,246	3,152
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		157,141,925	134,920,302

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Income statement

(in € thousands)	Notes	12.31.2019	12.31.2018
Interest and similar income ⁽¹⁾	30	1,821,128	1,844,189
Interest and similar expense ⁽¹⁾	30	(1,230,230)	(1,164,720)
Commission income	31	618,714	622,640
Commission expense	31	(150,640)	(142,399)
Net gain (loss) on financial instruments at fair value through profit or loss	32	70,728	84,986
Net gain (loss) on financial instruments at fair value through equity	33	39,025	31,635
Net gain (loss) on derecognition of financial instruments at amortized cost	34	0	1
Net income from insurance activities	35	736,205	687,044
Income from other activities	36	261,032	257,531
Expense from other activities	36	(67,686)	(75,178)
NET BANKING INCOME		2,098,276	2,145,729
Gains (losses) on disposal – dilution in investments in associates	37	205,071	76
NET BANKING INCOME INCLUDING GAINS (LOSSES) ON DISPOSAL – DILUTION IN INVESTMENTS IN ASSOCIATES		2,303,347	2,145,805
General operating expenses	38	(1,445,910)	(1,394,211)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	39	(132,950)	(119,314)
GROSS OPERATING INCOME		724,487	632,280
Cost of credit risk	40	(98,650)	(63,679)
OPERATING INCOME		625,837	568,601
Share in net income of equity-accounted associates and joint ventures	11	(1,837)	248
Gains (losses) on other assets	41	18,512	4,829
Changes in goodwill		0	19,549
PRE-TAX INCOME		642,512	593,227
Income tax	42	(131,683)	(155,695)
Net income (loss) from discontinued operations		0	0
NET INCOME		510,829	437,532
O/w non-controlling interests		92	244
NET INCOME – GROUP SHARE		510,737	437,288

(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)	Notes	12.31.2019	12.31.2018
NET INCOME		510,829	437,532
Revaluation of financial assets at fair value through recyclable equity (net of taxes)		(1,406)	(28,869)
Revaluation of available-for-sale financial assets (net of taxes)		71,294	(49,440)
Revaluation of derivatives used to hedge recyclable items (net of taxes)		397	252
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes)		(16)	(399)
ITEMS TO BE RECYCLED TO PROFIT OR LOSS		70,269	(78,456)
Actuarial gains (losses) on defined benefit plans (net of taxes)		(38,582)	(34,928)
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option (net of taxes)		(5,546)	4,947
Revaluation of equity instruments at fair value through equity (net of taxes) ⁽¹⁾		51,839	(7,942)
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes) not recycled to profit or loss		7,470	(13,198)
ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS		15,181	(51,121)
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY		85,450	(129,577)
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	43	596,279	307,955
of which group share		596,174	307,714
of which non-controlling interests		105	241

(1) of which the impact of the transfer to reserves of non-recyclable items for €60,000.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Changes in shareholders' equity

(in € thousands)	Share capital and reserves	Consolidated reserves	Total gains and losses recognized directly in equity
POSITION AT JANUARY 1, 2018	2,207,864	3,513,186	233,947
Capital increase/reduction	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 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	3,904,483	233,947
Changes in gains and losses recognized directly in equity		(5,143)	(129,574)
2018 net income			
SUBTOTAL	2,266,390	3,899,340	104,373
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		(1,159)	
POSITION AT DECEMBER 31, 2018	2,266,390	3,896,396	104,373
Capital increase	87,026		
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		437,288	
Dividend paid in 2019 in respect of 2018		(39,505)	
Change in equity interests in subsidiaries with no loss of control			
SUBTOTAL OF CHANGES INVOLVING TRANSACTIONS WITH SHAREHOLDERS	2,353,416	4,294,179	104,373
Changes in gains and losses recognized directly in equity		(60)	85,437
2019 net income			
SUBTOTAL	2,353,416	4,294,119	189,810
Impact of acquisitions and disposals on non-controlling interests			
Share of changes in shareholders' equity from investments in associates and joint ventures		(2,383)	
Change in accounting methods		7,500	
Other changes		(4,765)	
POSITION AT DECEMBER 31, 2019	2,353,416	4,294,471	189,810

Net income attributable to equity holders of the parent	Shareholders' equity, group share	Non-controlling interests in equity	Total equity
428,121	6,383,118	2,882	6,386,000
	58,526		58,526
	0		0
	0		0
	0		0
	0		0
(428,121)	0		0
	(36,824)	(3)	(36,827)
	0		0
0	6,404,820	2,879	6,407,699
	(134,717)	(3)	(134,720)
437,288	437,288	244	437,532
437,288	6,707,391	3,120	6,710,511
	259		259
	(2,044)		(2,044)
	0		0
	(1,159)	33	(1,126)
437,288	6,704,447	3,153	6,707,600
	87,026		87,026
	0		0
	0		0
	0		0
	0		0
(437,288)	0		0
	(39,505)	(4)	(39,509)
	0		0
0	6,751,968	3,149	6,755,117
	85,377	13	85,390
510,737	510,737	92	510,829
510,737	7,348,082	3,254	7,351,336
	0		0
	(2,383)		(2,383)
	7,500		7,500
	(4,766)	(8)	(4,774)
510,737	7,348,433	3,246	7,351,679

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Net cash flow statement

(in € thousands)	12.31.2019	12.31.2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	510,829	437,532
Tax	131,683	155,695
PRE-TAX INCOME	642,512	593,227
Depreciation and amortization of property, plant and equipment and intangible assets	135,189	118,000
Impairment of goodwill and other non-current assets	(2,796)	288
Net additions to depreciations	196,454	28,186
Share of income (loss) from investments in associates	992	(248)
Net loss (gain) from investing activities	(207,415)	(13,288)
(Income)/expense from financing activities	0	0
Other changes	4,881,808	1,522,419
TOTAL NON-CASH ITEMS INCLUDED IN NET INCOME AND OTHER ADJUSTMENTS	5,004,232	1,655,357
Interbank transactions	(1,654,361)	(2,135,555)
Transactions with customers	688,115	(606,209)
Transactions involving other financial assets/liabilities	(5,176,357)	(323,378)
Transactions involving other non-financial assets/liabilities	2,802,486	44,205
Dividends from investments in associates	866	874
Taxes paid	(159,666)	(178,852)
NET DECREASE/(INCREASE) IN OPERATING ASSETS AND LIABILITIES	(3,498,917)	(3,198,915)
NET CASH FLOW FROM OPERATING ACTIVITIES	2,147,828	(950,330)
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets and investments	(264,669)	(550,523)
Investment property	(45,416)	7,939
Property, plant and equipment and intangible assets	(154,169)	(133,183)
Other	0	0
CASH FLOWS FROM INVESTING ACTIVITIES	(464,254)	(675,767)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash flows from/to shareholders	72,518	55,700
Other cash flows from financing activities	3,607,500	1,528,000
CASH FLOWS FROM FINANCING ACTIVITIES	3,680,018	1,583,700
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,363,592	(42,397)
Cash flows from operating activities	2,147,828	(950,330)
Cash flows from investing activities	(464,254)	(675,767)
Cash flows from financing activities	3,680,018	1,583,700
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,831,782	3,874,179
Cash, central banks (assets & liabilities)	3,236,588	4,182,765
Deposits (assets and liabilities) and demand loans with credit institutions	595,194	(308,586)
CASH AND CASH EQUIVALENTS, END OF THE YEAR	9,195,374	3,831,782
Cash, central banks (assets & liabilities) (Notes 1 and 16)	10,083,885	3,236,588
Deposits (assets and liabilities) and demand loans with credit institutions (Notes 1; 7d; 16 and 21b)	(888,511)	595,194
CHANGE IN NET CASH AND CASH EQUIVALENTS	5,363,592	(42,397)

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, 2019

Highlights of the year

At December 31, 2019, the Arkéa group posted a record performance, generating €511 million in net income attributable to owners of the company.

In an environment of persistently low interest rates, the sales momentum within the group's business lines led to a significant increase in net banking and insurance income. (including gains (losses) on disposal – dilution in investments in associates) to €2.303 billion, which also includes the capital gain realized by the group on the sale of its interest in the Primonial group of €194 million.

The group made further investments in order to achieve its growth targets under its strategic plan, recording operating expenses of €1.579 billion.

The cost of risk, held at €99 million, reflects the quality of the group's loan portfolio.

On the back of solid financial fundamentals, the group continues to post solvency ratios well above the regulatory requirements.

Crédit Mutuel Arkéa issued its first social bond in the second half of the year. The €500 million raised will contribute to regional economic development, in line with the group's mission to support and finance the real economy.

In the second half of 2019, the group acquired fintech Budget Insight, the French leader in data aggregation and payment initiation. With this move, the group is pursuing its strategy of opening up to new financial services companies and strengthening its positioning as a collaborative bank dedicated to serving its partners and customers.

The Leasecom and Leasecom Car subsidiaries were sold to NBB Lease in March 2019.

Accounting standards applied

Pursuant to European Regulation 1606/2002 of July 19, 2002 on the application of international standards, Crédit Mutuel Arkéa group prepared its summary consolidated financial statements for the period ending December 31, 2019 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of that date.

At December 31, 2019, the group applied the standards in force as at January 1, 2019 and adopted by the European Union.

The group also opted for early application of the amendments to IAS 39, IFRS 9 and IFRS 7 published by the IASB related to the reform of the interbank offered rate indices. The group chose to forgo early application of other standards and interpretations adopted by the European Union whose application was optional in 2019.

IFRS 16 Leases

The group has applied IFRS 16 since January 1, 2019.

IFRS 16 replaces IAS 17 as well as SIC 15 and SIC 27 interpretations.

IFRS 16 harmonizes the treatment to be applied to leases without distinction between operating leases and financing. Thus, IFRS 16 requires companies to book their leases on the balance sheet, thereby accounting for new assets and liabilities. Exemptions exist in particular for contracts relating to short-term leases and/or low-value assets.

IFRS 16 is applied using the retrospective method, modified by adjusting the opening balance sheet on January 1, 2019, without any obligation to restate the financial years presented for comparison purposes.

The group therefore presents its 2019 financial statements without a comparative statement for 2018 in IFRS 16 format. An explanation of the transition between the two standards on January 1, 2019 is presented below (Notes – First Time Application section).

Details of the IFRS 16 principles applied by the group are presented in the section entitled "Accounting policies and valuation methods".

IFRIC 23 - Uncertainty over income tax treatments

On June 7, 2017, IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was published, which is applicable as from January 1, 2019.

Based on this text, it is presumed that the tax authorities:

- check all amounts reported to it,
- has access to all necessary documentation and knowledge.

The entity must assess the likelihood that the tax authorities will accept/disapprove of the position and draw the consequences for the tax result, tax bases, tax loss carryforwards, unused tax credits and tax rates. In the event of an uncertain tax position (*i.e.* it is probable that the tax authorities will not accept the position taken), the amounts to be paid are assessed on the basis of the most probable amount or the expected value using the method that reflects the best anticipation of the amount that will be paid or received.

At this stage, the Group considers that the scope of application of IFRIC 23 is limited to income tax and that it does not entail any significant change from current practice. Currently, a risk is recognized as soon as a recovery occurs, which may be a recovery related to the entity itself, a related entity or a market, *i.e.* a third-party entity.

Notes – first-time application

The group has applied IFRS 16 since January 1, 2019.

IFRS 16 harmonizes the treatment to be applied to leases without distinction between operating leases and financing. Thus, IFRS 16 requires companies to book their leases on the balance sheet, thereby accounting for new assets and liabilities. Exemptions exist in particular for contracts relating to short-term leases and/or low-value assets.

For the first-time application of IFRS 16, the group chose to implement the modified retrospective approach proposed by the standard and opt for the related simplification measures:

- Tacit renewal leases were excluded due to the exception of § C10c,
- Rental leases with a term of less than 12 months from the date of first application and low value leases have been excluded.

As at January 1, 2019, the rental debt on outstanding contracts is calculated by discounting the residual rents to the rates in force on that date, taking into account the estimated residual term of the contracts. The corresponding rights of use are recorded in the balance sheet for an amount equal to that of the rental debt. The first-time application of IFRS 16 therefore had no impact on the group's equity at January 1, 2019.

On that date, leases with a residual term of less than 12 months and those tacitly renewed are therefore considered to be short-term leases (contracts of less than one year) and are not subject to any restatement, in accordance with the exemption option offered by IFRS 16.

In accordance with the requirements of IFRS 16 relating to the modified retrospective approach, comparative data for the 2018 financial year that is presented with respect to the 2019 data is not restated.

Details of the IFRS 16 principles applied by the group are presented in the section entitled "Accounting policies and valuation methods".

The Group had validated the inventory and analysis of lease agreements as of December 31, 2018.

The first-time application of IFRS 16 resulted in the recognition for the group of a rental debt and an asset representing rights of use in the amount of €85 million, relating exclusively to property leases.

First-time application

Property rights	85,240
Rights of use - others	0
Rental bonds - real estate	85,240
Lease obligations - other	0

Other standards

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

Amendment to IAS 28

This covers all financial instruments not subject to the equity method, including long-term financial assets that are part of the net investment in an associate or joint venture (e.g. loans to such entities). This recognition involves two steps: the financial instrument is accounted for in accordance with IFRS 9, including the provisions relating to the impairment of financial assets, after which the provisions of IAS 28 apply, which may result in a reduction in its carrying amount by offsetting the accumulated losses of the entity accounted for using the equity method, when the carrying amount has already been reduced to zero.

When this amendment is first applied, issuers can recognize the impacts in opening equity for 2019 without restating the comparative information.

Amendment to IAS 19

This relates to the consequences of a modification, reduction or liquidation in the regime for calculating the cost of services rendered and the net interest. The cost of services rendered and the net interest for the period following modification, reduction or liquidation must be calculated using the actuarial assumptions used to account for these events.

Amendment to IAS 12

This amendment specifies that the tax effects of dividend distributions on financial instruments classified in equity must be recognized in profit or loss, regardless of their origin, on the date of recognition of the dividend debt. For accounting purposes, dividends are deducted from equity. Fiscally, this is a debt instrument with coupons that are deductible.

Amendment to IAS 39, IFRS 9 et IFRS 7

A reform was introduced at the international level to strengthen the fixing methodologies of the interbank offered rate, or IBOR, indices currently used (Euribor, Libor, etc.), and implement new risk-free rates (Ester, Sofr, Sonia etc.). This reform has accounting impacts on the valuation of assets and liabilities using these rate indices and on the accounting treatment of the related hedges. The Arkéa group is mainly impacted by exposure to the Euribor, Eonia and Libor indices.

The IASB has amended the current standards to limit the effects of the reform on the financial statements of impacted companies.

For example, on September 26, 2019, the IASB published proposed amendments related to potential uncertainties associated with existing hedging relationships stemming from uncertainties about the future indices resulting from IBOR reform. The amendment to IAS 39 aims to maintain the existing hedging relationships and entails ignoring the impacts related to the new rates and assuming that they will not alter the cash flows of instruments by requiring the continued use of the original contractual cash flows. Pursuant to the amendment to IAS 39, entities should assume that benchmark interest rates are not altered by IBOR reform. Disclosure requirements are reduced pursuant to the amendment to IFRS 7; however, additional information must be provided for fair value hedging relationships or cash flow hedging relationships impacted by the amendments, for indices about which uncertainties remain. The amendment to IFRS 9 clarifies certain notions in the context of interest rate reform and provides proposed treatment in case of a substantial modification of debt instruments.

These amendments will be applicable for a temporary period so that hedging relationships can be maintained prior to the effective implementation of IBOR reform. They will apply retrospectively as of January 1, 2020. Early application at December 31, 2019 is permitted subject to adoption of the amendment by the European Union. Since the amendment was adopted on January 16, 2020, the group has opted to apply it early at December 31, 2019.

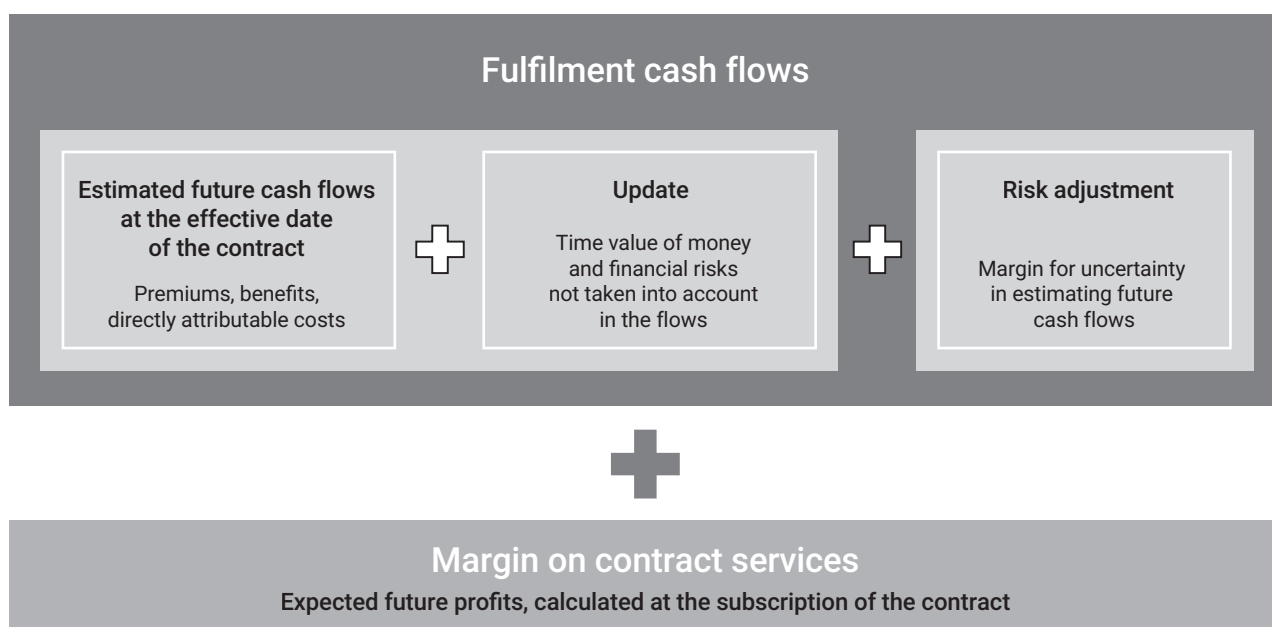
At December 31, 2019, the derivatives notional amounts, all derivatives included, are the following:

(in € thousands)	Notional 12.31.2019
EURIBOR rate	65,226,256
EONIA rate	6,753,587
LIBOR rate	34,238

Main standards not yet adopted by the European Union

IFRS 17 Insurance Contracts

Liabilities representative of insurance contracts



Positive margins on contractual services will be recognized progressively in profit or loss over the duration of the insurance service. In the case of loss-making contracts, the loss corresponding to the net cash outflow for the group of contracts must be recognized in profit or loss upon subscription.

This general model will apply by default to all insurance contracts.

However, IFRS 17 also provides for an adjustment of the general model for direct profit-sharing contracts. This adapted model, known as the 'Variable Fee Approach', will allow the obligation to return to policyholders a substantial portion of the return on the underlying assets net of policy charges to be reflected in the valuation of the insurance liability (the changes in the value of the underlying assets accruing to policyholders being neutralized in the margin on contractual services).

The standard also makes it possible, subject to conditions, to apply a simplified approach known as the "premium allocation approach" to contracts with a term of 12 months or less or if the application of the simplified approach gives a result close to the general model.

These valuation models for insurance liabilities will have to be applied to portfolios of similar insurance policies, the granularity of which will be determined by combining three areas:

- aggregation of contracts exposed to similar risks and managed together,
- a breakdown of policies by year of underwriting, and
- upon initial recognition, a distinction is made between loss-making contracts, contracts for which there is no significant possibility of subsequently becoming loss-making, and other contracts.

The standard requires a more detailed level of granularity in the calculations since it requires estimates per group of contracts.

IFRS 17 project

Despite the uncertainties still surrounding the standard (date of application, actions underway to change certain positions, exposure draft published on June 26, 2019), the CM Arkéa group's insurance entities have set up project structures to keep up with the changes resulting from the standard and continued their preparatory work throughout 2019: assessment and documentation of choices related to standards, modeling, adaptation of systems and organizations, production of accounts and changeover strategy, financial communication and change management.

Amendment to IAS 1 and IAS 8

The aim of this amendment is to change the definition of the term "significance" in order to clarify it and harmonize it between the conceptual framework and IFRS. Subject to European adoption, information would be material (*i.e.* relatively significant) if its omission, inaccuracy, or obscuration would reasonably be expected to influence the decisions of key users of general purpose financial statements based on these financial statements, which contain financial information about a given accounting entity.

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' 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 instrument 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 group 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 €18.5 million was recognized on the balance sheet for valuation adjustments as at December 31, 2019.

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-qualified 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 group 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.

Changes in financial assets that are not made due to financial difficulties of the borrower (*i.e.* commercial renegotiations) are generally analyzed as the prepayment of the old loan, which is derecognized, followed by the introduction of a new loan at market terms.

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.

The Group has chosen to use the simplifying measures (art. IFRS 9 B5.5.35) provided for by the standard for entities that do not have source data enabling the assessment of the credit loss.

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 "Net additions to/reversals from provisions for loan losses" 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:

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

- 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).

The expected credit loss approach under IFRS 9 is symmetrical, i.e. if expected credit losses at maturity were recognised in a previous period and if it appears that there is no longer a significant increase in credit risk for the financial instrument for the current reporting period since its initial recognition, the provision is recalculated on the basis of an expected credit loss over 12 months.

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 Crédit Mutuel Arkéa group'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 Crédit Mutuel Arkéa group 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 €96 million at December 31, 2019. Their elimination would have had an impact of €5 million on net income in the year to December 31, 2019.

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.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

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 Cr dit 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 hierarchal 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.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

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 real estate

Non-current assets owned by the group

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 2019 ranged between 8.23% and 11.07% 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% 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 4.7% overall reduction in the recoverable amounts without precipitating any impairment of a CGU.

Fixed assets leased by the Group

For all leases, the lessee must recognize in its balance sheet an asset representing the right to use the leased asset and a liability

representing the obligation to pay the lease payments; in the income statement, the depreciation expense is shown separately from the interest expense on the liability. This treatment, currently applied to finance leases in lessee financial statements, is thus extended to include operating leases.

Scope

IFRS 16 applies to all lease contracts except:

- contracts for the prospecting or exploitation of non-renewable natural resources; or for biological assets;
- service concession agreements;
- intellectual property licenses;
- the rights held by the lessee under license agreements on cinematographic films, video recordings, plays, manuscripts, patents and copyrights.

Exemption measures

Lessees may choose not to apply the new lease treatment to contracts with a term of less than one year (including renewal options) or to contracts for goods with a low unit value. This latter simplification is aimed in particular at small equipment such as computers, telephones and small office furniture. The IASB mentioned an indicative threshold of USD 5,000 in the basis for conclusions of the standard (threshold to be assessed with regard to the new unit value of the leased asset).

The Group has decided to apply this exemption threshold of USD 5,000 and has also considered the possibility of excluding certain contracts the effect of which would be immaterial to its financial statements. The majority of vehicle lease agreements are entered into with the group's consolidated entities. Vehicle leases entered into with external lessors are marginal and have been excluded due to their low materiality.

Real estate leases were reclassified under IFRS 16. The scope of the IT, automotive and other leases is not material.

Accounting treatment of leases by lessees

On the date the leased property is made available, the lessee recognizes a rental debt under liabilities. The initial amount of the liability is equal to the present value of the lease payments payable over the lease term.

This rental debt is then measured at amortized cost using the effective interest rate method: each lease payment is thus recognized partly as interest expense in the income statement and partly as a gradual reduction of the rental debt under liabilities in the balance sheet.

The amount of the rental debt may be subsequently adjusted in the event of a change to the lease agreement, a re-estimate of the lease term, and to take account of contractual changes in rents relating to the application of indices or rates.

Lease term

The lease term to be used to calculate the rentals to be discounted corresponds to the non-cancellable lease term adjusted to take into account:

- options to extend the contract that the lessee is reasonably certain to exercise;
- early termination options that the lessee is reasonably certain to exercise.

The assessment of whether any extension options and early termination options are reasonably certain must take into account all facts and circumstances that may create an economic incentive to exercise those options or not, notably:

- the conditions for exercising these options (including an assessment of the level of rents in the event of an extension or of the amount of any penalties in the event of early termination);
- major improvements made to the leased premises (specific fittings, such as a safe-deposit room for example);
- the costs associated with the termination of the contract (negotiating costs, moving costs, cost of searching for a new asset suited to the lessee, etc.);
- the importance of the leased property to the lessee in view of its specific nature, its location or the availability of replacement assets (in particular for agencies located in strategic sites from a commercial point of view, for example in view of their accessibility, the expected influx or the prestige of the location);
- a history of similar contract renewals as well as the strategy concerning the future use of the assets (depending on the prospects for the redeployment or redevelopment of a commercial network of agencies, for example).

If the lessee and the lessor each have the right to terminate the lease without the other party's prior agreement and without a non-negligible penalty, the lease is no longer enforceable and therefore no longer generates any rental debt.

In France, the majority of commercial real estate lease agreements are 9-year commercial leases with the option of early termination at 3 and 6 years (so-called "3/6/9" leases). At the end of 9 years, if a new contract is not signed, the initial lease will be automatically renewed.

The period during which these "3/6/9" commercial leases are enforceable is generally 9 years with an initial non-terminable period of 3 years.

Rent discount rate

The implied rates on contracts are generally not known or readily determinable, particularly for real estate leases. The group therefore decided to use its refinancing rate to discount rents and thus calculate the amount of rental debt.

Rent amount

The payments to be taken into account for the valuation of the rental debt include fixed and variable rents based on an index (e.g. consumer price index or construction cost index) or a reference interest rate (Euribor, etc.), as well as, if applicable, the sums that the lessee expects to pay to the lessor under residual value guarantees, purchase options or early termination penalties.

However, variable rents that are indexed based on the use of the leased property are excluded from the assessment of rental debt (indexation to actual revenues or the mileage covered, for example). This variable portion of rental payments is recognized in profit or loss over time in accordance with changes in the contractual indexation.

In France, rents are recorded on the basis of their amount excluding value added tax. Furthermore, in the case of real estate leases, real estate taxes rebilled by lessors and the local residence tax are excluded from rental debts insofar as their amounts, as determined by the competent public authorities, may vary.

Recognizing a right of use by lessees

On the date the leased property is made available, the lessee must recognize as an asset a right to use the leased property in an amount equal to the initial value of the rental debt plus, if applicable, initial direct costs, advance payments and rehabilitation costs.

This asset is then amortized on a straight-line basis over the lease term used to value the rental debt.

The asset value may be subsequently adjusted in the event of a change in the lease agreement, a re-estimate of the lease term, and to take into account contractual variations in rents linked to the application of indices or rates.

The rights of use are shown in the lessee's balance sheet in the fixed asset lines where assets of the same kind held in full ownership are recorded. Where the lease agreements provide for the initial payment of a lease right to the former tenant of the premises, the amount of such right is treated as a separate component of the right of use and is presented in the same heading as the latter.

In the income statement, depreciation charges on rights of use are presented together with depreciation charges on fully-owned fixed assets.

Income tax

A deferred tax is recognized based on the net amount of taxable and deductible temporary differences.

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 provision. 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 2019 calculations used a discount rate of 0.62%, 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 0.15% and 7.11% and a salary increase rate of between 2.55% and 3.88%⁽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).

Consolidation principles and methods

Consolidating entity

The consolidating entity of the Crédit Mutuel Arkéa group is 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.

(1) Arkade and Arkéa-SCD UES rate, representing 96% of the obligation.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

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.

Gains or losses obtained through the dilution or the sale of investments in associates are accounted for in the profit and loss account, within the "Gains (losses) on disposal – dilution in investments in associates".

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

The Leasecom and Leasecom Car subsidiaries were sold to NBB Lease in March 2019.

Crédit Mutuel Arkéa sold its entire interest in Primonial in the second half of the year.

Lastly, on November 21, 2019, Crédit Mutuel Arkéa purchased Budget Insight, a French fintech company that specializes in white-label BtoB financial data aggregation.

The companies included in the Crédit Mutuel Arkéa group'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 consolidated financial statements

Detailed notes summary

Note 1.	Cash, due from central banks, Loans and receivables – credit institutions	102	Note 15.	Goodwill	114
Note 2.	Financial assets at fair value through profit or loss	103	Note 16.	Central banks – Due to credit institutions	114
Note 2a.	Financial assets held for trading purposes	103	Note 17.	Financial liabilities at fair value through profit or loss	115
Note 2b.	Assets classified at fair value option	103	Note 17a.	Fair value option financial liabilities through profit or loss	115
Note 2c.	Other financial assets at fair value through profit or loss	104	Note 17b.	Financial assets and liabilities subject to netting, an enforceable master netting agreement or a similar agreement	116
Note 3.	Information relating to hedging	104	Note 18.	Debt securities	117
Note 3a.	Derivatives used for hedging purposes	104	Note 19.	Liabilities to customers	117
Note 4.	Financial assets at fair value through equity	105	Note 20.	Accruals, deferred income and sundry liabilities	117
Note 5.	Securities at amortized cost	106	Note 21.	Liabilities – insurance activity	118
Note 6.	Loans and receivables due from customers	106	Note 21a.	Financial liabilities at fair value through profit or loss	118
Note 6a.	Information on delinquent payments	107	Note 21b.	Liabilities to credit institutions	119
Note 6b.	Restructured outstandings by type	107	Note 21c.	Insurance companies' technical reserves	119
Note 7.	Placement of insurance activities and reinsurers' shares in technical provisions	108	Note 21d.	Other insurance liabilities	119
Note 7a.	Financial assets at fair value through profit or loss	108	Note 22.	Provisions	120
Note 7b.	Available-for-sale financial assets	109	Note 22a.	Pension obligations and similar benefits	120
Note 7c.	Securities at amortized cost	109	Note 22b.	Provisions for regulated savings product risks	120
Note 7d.	Loans and receivables – credit institutions	110	Note 22c.	Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope	121
Note 7e.	Loans and receivables linked to insurance activities	110	Note 23.	Subordinated debt	121
Note 7f.	Investment property	110	Note 24.	Share capital and additional paid-in capital – Consolidated reserves	122
Note 7g.	Share of reinsurers in technical provisions and other insurance assets	111	Note 25.	Gains and losses recognized directly in equity	122
Note 8.	Current taxes	111	Note 26a.	Breakdown of financial liabilities according to maturity – banking activity	123
Note 9.	Deferred taxes	111	Note 26b.	Breakdown of financial liabilities according to maturity – insurance activity	123
Note 10.	Accruals, prepayments and sundry assets	112	Note 27.	Non-current assets held for sale and related liabilities	123
Note 11.	Investments in associates	112			
Note 12.	Investment real estate – banking activity	113			
Note 13.	Property, plant and equipment	113			
Note 14.	Intangible assets	113			

Note 28a. Fair value ranking - banking activity	124	Note 38c. Post-employment benefits	139
Note 28b. Fair value ranking - insurance activity	126	Note 38d. Share-based payments	143
Note 28c. Fair value ranking - details of level 3 - banking activity	128	Note 38e. Other expenses	143
Note 28d. Fair value ranking - details of level 3 - insurance activity	130	Note 39. Depreciation, amortization and impairment of property, plant and equipment and intangible assets	144
Note 29a. Fair value ranking of financial assets and liabilities recognized at amortized cost - banking activity	132	Note 40. Cost of risk	145
Note 29b. Fair value ranking of financial assets and liabilities recognized at amortized cost - insurance activity	133	Note 40a. Cost of risk - banking activity	145
Note 30. Interest and similar income/expense	134	Note 40b. Cost of risk - insurance activity	147
Note 31. Fee and commission income/expense	134	Note 40c. Banking activities - Information regarding changes in outstanding loans subject to provisions for expected losses for credit risk	148
Note 32. Net gain (loss) on financial instruments at fair value through profit or loss	135	Note 40d. Banking activities - Information regarding changes in provisions for expected losses for credit risk	149
Note 33. Net gain (loss) on financial instruments at fair value through equity	135	Note 40e. Banking activities - gross carrying amount of loans and receivables due from customers by credit risk category	150
Note 34. Net gain (loss) on financial instruments at amortized cost	136	Note 41. Gains (losses) on other assets	150
Note 35. Net income from insurance activities	136	Note 42. Income tax	151
Note 35a. Interest and similar income/expense	136	Note 43a. Information on the recycling to profit or loss of gains or losses recognized directly in equity	152
Note 35b. Fee and commission income/expense	137	Note 43b. Tax on each component of gains or losses recognized directly in equity	153
Note 35c. Net gain (loss) on financial instruments at fair value through profit or loss	137	Note 44a. Commitments given and received - banking activity	154
Note 35d. Net gain (loss) on available-for-sale financial instruments	137	Note 44b. Commitments given and received - insurance activity	155
Note 35e. Other income/expense from insurance activities	138	Note 45. Segment information	155
Note 35f. Gross margin on insurance activities	138	Note 46. Information on related parties	156
Note 36. Income/expense from other activities	138	Note 47. Investments in unconsolidated structured entities	158
Note 37. Gains (losses) on disposal - dilution in investments in associates	138	Note 48. Scope of consolidation	159
Note 38. Operating expense	139	Note 49. Business combinations	164
Note 38a. Personnel expenses	139	Note 50. Events after the reporting period	165
Note 38b. Average number of employees	139		

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Notes to the balance sheet (in thousands of euros)

Note 1. Cash, due from central banks, Loans and receivables – credit institutions

(in € thousands)	12.31.2019	12.31.2018
CASH, DUE FROM CENTRAL BANKS		
Due from central banks	9,942,206	3,104,473
Cash	141,679	132,115
Accrued interest	0	0
TOTAL	10,083,885	3,236,588
LOANS AND RECEIVABLES – CREDIT INSTITUTIONS		
Current accounts	6,906,487	6,017,669
Loans	757,235	1,420,561
Guarantee deposits paid	669,857	400,726
Repurchase agreements	1,397,909	1,099,520
Individually impaired receivables (B3)	0	0
Accrued interest	56,090	50,504
Impairment on performing loans (B1/B2)	(2,191)	(2,147)
Other impairment (B3)	0	0
TOTAL	9,785,387	8,986,833
of which deposits and demand loans with credit institutions	452,241	1,065,914

Note 2. Financial assets at fair value through profit or loss

(in € thousands)	12.31.2019	12.31.2018
Assets held for trading purposes	565,109	404,958
Assets classified at fair value option	9,074	16,926
Other assets classified at fair value	906,505	757,379
TOTAL	1,480,688	1,179,263

Note 2a. Financial assets held for trading purposes

(in € thousands)	12.31.2019	12.31.2018
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	565,109	404,958
Loans and receivables	0	0
of which repurchase agreements	0	0
TOTAL	565,109	404,958

Trading derivatives are held for the purpose of hedging customer transactions.

Note 2b. Assets classified at fair value option

(in € thousands)	12.31.2019	12.31.2018
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
Accrued interest	0	0
Including UCI	0	0
■ Stocks and other variable-income securities	0	0
Listed	0	0
Unlisted	0	0
Loans and receivables	9,074	16,926
of which guarantee deposits paid	0	0
of which repurchase agreements	0	0
TOTAL	9,074	16,926

The maximum non-recoverable amount of loans classified at fair value through profit or loss by option was €9,045,000. This amount was not hedged through the use of credit derivatives.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 2c. Other financial assets at fair value through profit or loss

(in € thousands)	12.31.2019	12.31.2018
Securities	855,646	693,626
■ Treasury bills, notes and government bonds	0	0
■ Bonds and other fixed-income securities	381,066	306,423
Listed	0	0
Unlisted	369,200	298,374
Accrued interest	11,866	8,049
Including UCI	173,483	165,020
■ Stocks and other variable-income securities	474,580	387,203
Listed	1,455	1,978
Unlisted	473,125	385,225
Loans and receivables	50,859	63,753
of which repurchase agreements	0	0
Guarantee deposits paid	0	0
TOTAL	906,505	757,379

Note 3. Information relating to hedging

Note 3a. Derivatives used for hedging purposes

(in € thousands)	12.31.2019			
	Fair value hedging		Cash flow hedging	
	Book value	Nominal value	Book value	Nominal value
Interest-rate risks				
Hedging derivatives				
Hedging derivatives – assets	1,081,882	31,807,362	239	0
Hedging derivatives – liabilities	1,040,237	21,330,480	3,426	63,000
Change in the fair value of the hedging instrument	46,679		585	
Currency risk				
Hedging derivatives				
Hedging derivatives – assets				
Hedging derivatives – liabilities				
Change in the fair value of the hedging instrument				

(in € thousands)	12.31.2018			
	Fair value hedging		Cash flow hedging	
	Book value	Nominal value	Book value	Nominal value
Interest rate risk				
Hedging derivatives				
Hedging derivatives – assets	691,478	26,138,180	1,086	0
Hedging derivatives – liabilities	422,949	13,778,615	4,786	67,500
Change in the fair value of the hedging instrument	(17,529)		517	
Currency risk				
Hedging derivatives				
Hedging derivatives – assets				
Hedging derivatives – liabilities				
Change in the fair value of the hedging instrument				

Note 4. Financial assets at fair value through equity

(in € thousands)	12.31.2019	12.31.2018
Treasury bills, notes and government bonds	3,846,612	4,931,080
Bonds and other fixed-income securities	5,304,676	5,953,599
■ Listed	4,673,995	4,963,447
■ Unlisted	610,773	955,927
Accrued interest	19,908	34,225
SUBTOTAL GROSS VALUE OF DEBT INSTRUMENTS	9,151,288	10,884,679
Impairment on performing loans (B1/B2)	(6,195)	(6,758)
Other impairment (B3)	0	0
SUBTOTAL NET VALUE OF DEBT INSTRUMENTS	9,145,093	10,877,921
Loans and receivables	0	0
■ Loans and receivables due from credit institutions	0	0
■ Loans and receivables due from customers	0	0
Accrued interest	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	99,482	89,185
■ Listed	84,988	74,727
■ Unlisted	14,494	14,458
Accrued interest	0	0
Equity securities held for long-term investment	410,400	356,589
■ Long-term investments	347,309	301,103
■ Other long-term investments	62,783	55,282
■ Shares in associates	308	204
■ Translation adjustments	0	0
■ Loaned securities	0	0
Accrued interest	0	0
SUBTOTAL EQUITY INSTRUMENTS	509,882	445,774
TOTAL	9,654,975	11,323,695
Of which unrealized capital gains/losses recognized in equity	135,470	88,503
Of which securities sold under repurchase agreements	0	0
Of which listed long-term investments	113,894	101,728

Equity instruments at fair value through equity mainly include investments in associates and the group's other long-term investments.

The accumulated loss at the time of disposal was €90,000.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 5. Securities at amortized cost

(in € thousands)	12.31.2019	12.31.2018
Treasury bills, notes and government bonds	379,329	0
Bonds and other fixed-income securities	263,561	168,970
■ Listed	224,525	48,700
■ Unlisted	37,331	104,380
Accrued interest	1,705	15,890
GROSS TOTAL	642,890	168,970
of which impaired assets (B3)	6,059	5,542
Impairment on performing loans (B1/B2)	(1,431)	(818)
Other impairment (B3)	(5,970)	(4,203)
NET TOTAL	635,489	163,949

Note 6. Loans and receivables due from customers

(in € thousands)	12.31.2019	12.31.2018
Performing receivables (B1/B2)	60,289,153	53,491,691
■ Commercial receivables	130,755	141,490
■ Other loans to customers	60,036,416	53,233,100
Housing loans	33,418,261	29,363,811
Other loans and various receivables, including repurchase agreements	26,524,867	23,820,462
Guarantee deposits paid	93,288	48,827
■ Accrued interest	121,982	117,101
Individually impaired receivables (B3)	1,393,251	1,360,860
Gross receivables	61,682,404	54,852,551
Impairment on performing loans (B1/B2)	(249,415)	(231,256)
Other impairment (B3)	(809,439)	(783,459)
SUBTOTAL I	60,623,550	53,837,836
Finance leases (net investment)	1,790,927	1,706,380
■ Movable goods	1,025,516	954,883
■ Real property	765,411	751,497
Individually impaired receivables (B3)	68,811	67,387
Gross receivables	1,859,738	1,773,767
Impairment on performing loans (B1/B2)	(18,923)	(17,066)
Other impairment (B3)	(19,752)	(20,001)
SUBTOTAL II	1,821,063	1,736,700
TOTAL	62,444,613	55,574,536
Of which equity loans with no voting rights	9,606	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	> 30 days ≤ 90 days	> 90 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	333,022	143,343	65,269	233,898
Central governments	18,466	679	0	8,268
Credit institutions	9,961	2,595	409	5,599
Other financial companies	794	520	236	669
Non-financial companies	109,266	53,021	55,430	94,018
Retail customers	194,535	86,528	9,194	125,344
Other financial assets	0	0	0	0
TOTAL	333,022	143,343	65,269	233,898

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)	Renegotiation of contract	Total or partial refinancing of outstanding	Total
Restructured outstandings by type as of 12.31.2019			
Performing outstandings	94,372	24,002	118,374
Non-performing outstandings – gross amounts	303,719	99,448	403,167
Restructured non-performing outstandings – impairment loss	(154,150)	(54,699)	(208,849)
Net non-performing outstandings	149,569	44,749	194,318

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 7. Placement of insurance activities and reinsurers' shares in technical provisions

(in € thousands)	12.31.2019	12.31.2018
Financial assets at fair value through profit or loss	30,486,386	22,882,853
Available-for-sale financial assets	26,384,069	25,981,518
Loans and receivables – credit institutions	458	22,542
Loans and receivables linked to insurance activities	481,087	499,427
Held-to-maturity financial assets	0	3,534
Investment property	377,727	340,535
Share of reinsurers in technical provisions and other insurance assets	442,721	459,883
TOTAL	58,172,448	50,190,292

Note 7a. Financial assets at fair value through profit or loss

(in € thousands)	12.31.2019	12.31.2018
Financial assets held for trading purposes	152	1
Derivatives held for trading purposes	152	1
SUBTOTAL I	152	1
Assets classified at fair value option	30,486,234	22,882,852
Securities	30,486,234	22,882,852
■ Bonds and other fixed-income securities	7,564,659	6,026,576
Listed	6,735,465	5,464,274
Unlisted	767,367	505,023
Accrued interest	61,827	57,279
■ Stocks and other variable-income securities	22,921,575	16,856,276
Listed	13,448,737	9,124,949
Unlisted	9,447,950	7,709,267
Accrued interest	24,888	22,060
SUBTOTAL II	30,486,234	22,882,852
TOTAL	30,486,386	22,882,853

At December 31, 2019, the fair value of financial assets at fair value through profit or loss whose cash flows resembled those of a basic loan totaled €386 million. The change in the fair value of these assets during the period was €+1 million.

Note 7b. Available-for-sale financial assets

(in € thousands)	12.31.2019	12.31.2018
Treasury bills, notes and government bonds	8,680,139	9,272,247
Bonds and other fixed-income securities	16,354,854	15,496,279
■ Listed	13,372,903	12,480,228
■ Unlisted	2,822,274	2,844,693
Accrued interest	159,677	171,358
SUBTOTAL GROSS VALUE OF DEBT INSTRUMENTS	25,034,993	24,768,526
Impairment	(651)	(267)
SUBTOTAL NET VALUE OF DEBT INSTRUMENTS	25,034,342	24,768,259
Shares and other variable-income securities	782,182	725,878
■ Listed	314,735	292,968
■ Unlisted	462,373	427,167
Accrued interest	5,074	5,743
Equity securities held for long-term investment	569,604	489,612
■ Long-term investments	281,528	268,212
■ Other long-term investments	288,076	221,400
■ Shares in associates	0	0
SUBTOTAL GROSS VALUE OF EQUITY INSTRUMENTS	1,351,786	1,215,490
Impairment	(2,059)	(2,231)
SUBTOTAL NET VALUE OF EQUITY INSTRUMENTS	1,349,727	1,213,259
TOTAL	26,384,069	25,981,518
Of which unrealized capital gains/losses recognized in equity	260,433	164,117
Of which listed long-term investments	60,931	54,422

At December 31, 2019, the fair value of available-for-sale financial assets whose cash flows resembled those of a basic loan totaled €21,939 million. The change in the fair value of these assets during the period was €+80 million.

Note 7c. Securities at amortized cost

(in € thousands)	12.31.2019	12.31.2018
Treasury bills, notes and government bonds	0	3,534
Bonds and other fixed-income securities	0	0
■ Listed	0	0
■ Unlisted	0	0
Accrued interest	0	0
GROSS TOTAL	0	3,534
of which impaired assets	0	0
Impairment	0	0
NET TOTAL	0	3,534

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 7d. Loans and receivables – credit institutions

(in € thousands)	12.31.2019	12.31.2018
Loans and receivables – credit institutions		
Other regular accounts	197	22,291
Loans	0	250
Guarantee deposits paid	0	0
Repurchase agreements	0	0
Accrued interest	261	1
TOTAL	458	22,542
of which deposits and demand loans with credit institutions	197	22,541

At December 31, 2019, loans and receivables due from credit institutions whose cash flows resembled those of a basic loan totaled €0,5 million.

Note 7e. Loans and receivables linked to insurance activities

(in € thousands)	12.31.2019	12.31.2018
Performing receivables	481,087	499,427
Loans to customers	477,764	495,782
■ Housing loans	0	0
■ Other loans and various receivables, including repurchase agreements	477,764	495,782
Accrued interest	3,323	3,645
Individually impaired receivables	4	54
Gross receivables	481,091	499,481
Impairment	(4)	(54)
TOTAL	481,087	499,427

At December 31, 2019, loans and receivables linked to insurance activities and whose cash flows resembled those of a basic loan totaled €481 million.

Note 7f. Investment property

(in € thousands)	12.31.2018	Increase	Decrease	Other	12.31.2019
Historical cost	528,471	53,714	0	0	582,185
Amortization and impairment	(187,936)	(16,522)	0	0	(204,458)
NET AMOUNT	340,535	37,192	0	0	377,727

The fair value of investment real estate recognized at cost amounted to €783 million at December 31, 2019 compared with €715 million at December 31, 2018.

Note 7g. Share of reinsurers in technical provisions and other insurance assets

(in € thousands)	12.31.2019	12.31.2018
Technical provisions – Reinsurers' share	116,190	87,473
Other insurance assets	326,531	372,410
TOTAL	442,721	459,883

Note 8. Current taxes

(in € thousands)	12.31.2019	12.31.2018
Assets (through profit or loss)	240,252	224,673
Liabilities (through profit or loss)	110,949	127,008

Note 9. Deferred taxes

(in € thousands)	12.31.2019	12.31.2018
Assets (through profit or loss)	56,261	73,890
Assets (through equity)	88,701	75,556
Liabilities (through profit or loss)	21,268	29,848
Liabilities (through equity)	129,973	103,717

Deferred taxes by major category

(in € thousands)	12.31.2019	12.31.2018
Loss carryforwards	5,429	8,401
Temporary differences on:		
Deferred capital gains or losses on available-for-sale securities	(69,480)	(44,456)
Deferred capital gains or losses on securities at fair value through equity	(18,198)	(14,409)
Change in credit risk of liabilities at fair value through profit or loss by option	289	(2,323)
Unrealized gains or losses on cash flow hedges	943	1,131
Unrealized gains or losses on actuarial differences	45,174	31,896
Provisions for non-deductible contingencies and charges	89,414	84,432
Unrealized reserves of finance leases	(22,901)	(25,728)
Other temporary differences	(36,949)	(23,063)
TOTAL NET DEFERRED TAXES	(6,279)	15,881

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 10. Accruals, prepayments and sundry assets

(in € thousands)	12.31.2019	12.31.2018
Accruals – assets		
Receivables collection	301,671	268,077
Foreign currency adjustment accounts	7,005	13,796
Accrued income	109,787	114,256
Miscellaneous accrual accounts	122,273	183,678
SUBTOTAL	540,736	579,807
Other assets*		
Settlement accounts for securities transactions	65,647	98,289
Various debtors	303,413	187,989
Inventories and similar	1,547	1,748
Other miscellaneous applications of funds	3,223	3,046
SUBTOTAL GROSS VALUE OF OTHER ASSETS	373,830	291,072
Impairment on performing loans (B1/B2)		
Other impairment (B3)	(2,863)	(3,752)
SUBTOTAL NET VALUE OF OTHER ASSETS	370,967	287,320
TOTAL	911,703	867,127

* 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 11. Investments in associates

(in € thousands)	12.31.2019			12.31.2018		
	Associates investments	Share of earnings	Dividends received	Associates investments	Share of earnings	Dividends received
Caisse Centrale du Crédit Mutuel	136,023	2,062	0	137,177	2,753	0
Primonial Holding	0	0	0	5,460	5,460	0
Younited Credit	18,279	(2,920)	0	10,455	(3,987)	0
New Port	33,984	2,284	0	31,262	2,200	0
Other	9,344	(3,263)	0	17,422	(6,177)	0
GROSS TOTAL	197,630	(1,837)	0	201,775	248	0

Supplementary information on main investments in associates (IFRS) at December 31, 2019

(in € thousands)	Total assets	NBI	Gross operating income	Net income	OCI	Shareholders' equity
Caisse Centrale du Crédit Mutuel	4,785,981	17,046	9,954	8,222	8,324	667,430
Younited Credit	525,773	36,695	(12,022)	(13,105)	0	80,414
New Port	204,977	7,655	7,424	7,424	43,672	114,755

Note 12. Investment real estate – banking activity

(in € thousands)	12.31.2018	Increase	Decrease	Other	12.31.2019
Historical cost	212,047	512	(7,797)	0	204,762
Amortization and impairment	(57,811)	(6,826)	4,090	0	(60,547)
NET AMOUNT	154,236	(6,314)	(3,707)	0	144,215

The fair value of investment real estate recognized at cost amounted to €217 million at December 31, 2019 compared with €218 million at December 31, 2018.

Note 13. Property, plant and equipment

(in € thousands)	12.31.2018	Increase	Decrease	Other	12.31.2019
HISTORICAL COST					
Land	22,173	39	(197)	0	22,015
Plant	594,572	17,066	(21,593)	29	590,074
Rights of use – Property ⁽¹⁾	0	10,713	(2,470)	84,806	95,501
Other property, plant and equipment	243,900	30,332	(21,398)	256	253,090
TOTAL	860,645	58,150	(45,658)	85,091	960,680
AMORTIZATION AND IMPAIRMENT					
Land	0	0	0	0	0
Plant	(408,017)	(22,432)	20,454	0	(409,995)
Rights of use – Property	0	(12,347)	22	0	(12,325)
Other property, plant and equipment	(194,867)	(18,060)	17,823	(98)	(195,202)
TOTAL	(602,884)	(52,839)	38,299	(98)	(617,522)
NET AMOUNT	257,761	5,311	(7,359)	84,993	343,158

(1) Impact of the 1st application of IFRS 16. The amount in "other" is essentially the amount of rights of use as of January 1, 2019 (+ €85.6 million).

Note 14. Intangible assets

(in € thousands)	12.31.2018	Increase	Decrease	Other	12.31.2019
HISTORICAL COST					
Self-produced assets	475,988	58,716	(602)	176	534,278
Acquired assets	740,595	101,542	(59,851)	733	783,019
Software	376,104	17,917	(1,945)	82	392,158
Other	364,491	83,625	(57,906)	651	390,861
TOTAL	1,216,583	160,258	(60,453)	909	1,317,297
AMORTIZATION AND IMPAIRMENT					
Self-produced assets	(357,592)	(52,230)	524	(113)	(409,411)
Acquired assets	(423,233)	(30,359)	3,365	(55)	(450,282)
Software	(331,052)	(18,981)	1,016	(138)	(349,155)
Other	(92,181)	(11,378)	2,349	83	(101,127)
TOTAL	(780,825)	(82,589)	3,889	(168)	(859,693)
NET AMOUNT	435,758	77,669	(56,564)	741	457,604

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 15. Goodwill

(in € thousands)	12.31.2018	Increase	Decrease	Other	12.31.2019
Gross goodwill	538,461	28,315	0	0	566,776
Impairment	0	0	0	0	0
Net goodwill	538,461	28,315	0	0	566,776

Allocation by Division

(in € thousands) Division	Entity	12.31.2019	12.31.2018
Retail customers	Arkéa Direct Bank	259,757	259,757
Retail customers	Budget Insight	28,315	0
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
B2B and Specialized Services – Fintech	Pumpkin	10,974	10,974
Products	Izimmo	17,964	17,964
Products	Schelcher Prince Gestion	11,649	11,649
Products	Suravenir Assurances	10,969	10,969
Net goodwill		566,776	538,461

Note 16. Central banks - Due to credit institutions

(in € thousands)	12.31.2019	12.31.2018
Due from central banks	0	0
Liabilities to credit institutions	7,767,767	7,117,358
Current accounts	719,617	403,600
Loans	1,833,290	1,432,850
Guarantee deposits received	295,245	268,466
Other liabilities	64,385	39,829
Repurchase agreements	4,883,045	4,994,676
Accrued interest	(27,815)	(22,063)
TOTAL	7,767,767	7,117,358
of which deposits and demand loans with credit institutions	1,333,693	493,261

Note 17. Financial liabilities at fair value through profit or loss

(in € thousands)	12.31.2019	12.31.2018
Financial liabilities held for trading purposes	561,824	450,009
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	561,824	450,009
Other financial liabilities held for trading purposes	0	0
Fair value option financial liabilities through profit or loss	611,326	361,062
Liabilities to credit institutions	2,115	1,895
Liabilities to customers	5,076	6,243
Debt securities	604,135	352,924
Subordinated debt	0	0
TOTAL	1,173,150	811,071

The settlement value of financial liabilities at fair value through profit or loss was €1,162 million at December 31, 2019 versus €845 million at December 31, 2018.

Note 17a. Fair value option financial liabilities through profit or loss

(in € thousands)	12.31.2019			12.31.2018		
	Carrying amount	Amount due at maturity	Difference	Carrying amount	Amount due at maturity	Difference
Liabilities to credit institutions	2,115	2,114	1	1,895	1,868	27
Liabilities to customers	5,076	5,075	1	6,243	6,239	4
Debt securities	604,135	593,487	10,648	352,924	386,420	(33,496)
Subordinated debt	0	0	0	0	0	0
TOTAL	611,326	600,676	10,650	361,062	394,527	(33,465)

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 17b. Financial assets and liabilities subject to netting, an enforceable master netting agreement or a similar agreement

(in € thousands)	12.31.2019						
	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	Related amounts not netted on the balance sheet			Net amount
				Impact of master netting agreements	Financial instruments received/given as guarantees	Cash collateral	
ASSETS							
Derivatives	1,647,382	0	1,647,382	(942,563)	0	(293,940)	410,879
Reverse repurchase agreements of securities, securities borrowing or similar agreements	1,548,810	0	1,548,810	0	(1,447,294)	0	101,516
Other financial instruments	0	0	0	0	0	0	0
TOTAL ASSETS	3,196,192	0	3,196,192	(942,563)	(1,447,294)	(293,940)	512,395
LIABILITIES							
Derivatives	1,719,888	0	1,719,888	(942,563)	0	(694,895)	82,430
Repurchase agreements of securities, securities lending or similar agreements	5,939,352	0	5,939,352	0	(5,929,413)	(7,554)	2,385
Other financial instruments	0	0	0	0	0	0	0
TOTAL LIABILITIES	7,659,240	0	7,659,240	(942,563)	(5,929,413)	(702,449)	84,815

(in € thousands)	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	Related amounts not netted on the balance sheet			Net amount
				Impact of master netting agreements	Financial instruments received/given as guarantees	Cash collateral	
ASSETS							
Derivatives	1,097,523	0	1,097,523	(472,293)	0	(257,564)	367,666
Reverse repurchase agreements of securities, securities borrowing or similar agreements	1,183,315	0	1,183,315	0	(1,090,216)	0	93,099
Other financial instruments	0	0	0	0	0	0	0
TOTAL ASSETS	2,280,838	0	2,280,838	(472,293)	(1,090,216)	(257,564)	460,765
LIABILITIES							
Derivatives	980,882	0	980,882	(472,293)	0	(402,833)	105,756
Repurchase agreements of securities, securities lending or similar agreements	6,305,368	0	6,305,368	0	(6,297,896)	(4,720)	2,752
Other financial instruments	0	0	0	0	0	0	0
TOTAL LIABILITIES	7,286,250	0	7,286,250	(472,293)	(6,297,896)	(407,553)	108,508

Note 18. Debt securities

(in € thousands)	12.31.2019	12.31.2018
Certificates of deposit	9,262	7,318
Interbank market securities and negotiable debt securities	2,941,083	2,617,491
Bond issues	12,372,019	9,514,284
Non-preferred senior debt	1,066,808	500,641
Accrued interest	144,716	130,944
TOTAL	16,533,888	12,770,678

Note 19. Liabilities to customers

(in € thousands)	12.31.2019	12.31.2018
Savings accounts governed by special regulations	29,690,093	26,009,281
Sight accounts	24,182,471	20,572,450
Term accounts	5,507,622	5,436,831
Accrued interest on savings accounts	212,467	214,302
SUBTOTAL	29,902,560	26,223,583
Current accounts	23,721,618	20,145,779
Term accounts and term loans	7,920,139	8,130,328
Repurchase agreements	52,039	0
Accrued interest	50,887	53,967
Guarantee deposits received	53,017	1,506
SUBTOTAL	31,797,700	28,331,580
TOTAL	61,700,260	54,555,163

Note 20. Accruals, deferred income and sundry liabilities

(in € thousands)	12.31.2019	12.31.2018
ACCRUALS – LIABILITIES		
Blocked accounts for collection operations	394,935	409,600
Foreign currency adjustment accounts	7,410	8,846
Accrued expenses	197,082	184,645
Deferred income	267,887	299,951
Miscellaneous accrual accounts	466,841	314,353
SUBTOTAL	1,334,155	1,217,395
OTHER LIABILITIES*		
Lease liabilities – Property	75,245	
Settlement accounts for securities transactions	312,167	312,436
Outstanding payments on securities	7,536	7,510
Miscellaneous creditors	567,541	526,293
SUBTOTAL	962,489	846,239
TOTAL	2,296,644	2,063,634

* Includes "other liabilities" not specific to insurance within the insurance scope; the "other liabilities" specific to the insurance activity within the insurance scope are included in Note 21d.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Breakdown of lease liabilities according to maturity

(in € thousands)	12.31.2019					Total
	less than 1 year	1 year to 3 years	3 years to 6 years	6 years to 9 years	more than 9 years	
Property	13,127	19,118	21,097	20,809	1,094	75,245
Information technology	0	0	0	0	0	0
Other	0	0	0	0	0	0
LEASE LIABILITIES	13,127	19,118	21,097	20,809	1,094	75,245

Within the group, lease liabilities relate only to property contracts.

Note 21. Liabilities - insurance activity

(in € thousands)	12.31.2019	12.31.2018
Financial liabilities at fair value through profit or loss	114,401	103,138
Liabilities to credit institutions	1,047,554	1,340,999
Debt securities	0	0
Insurance companies' technical reserves	48,563,719	43,480,679
Other insurance liabilities	5,982,276	3,107,678
Subordinated debt	452	554
TOTAL	55,708,402	48,033,048

Note 21a. Financial liabilities at fair value through profit or loss

(in € thousands)	12.31.2019	12.31.2018
Financial liabilities held for trading purposes	114,401	103,138
Derivatives	114,401	103,138
Other financial liabilities held for trading purposes	0	0
Fair value option financial liabilities through profit or loss	0	0
Liabilities to credit institutions	0	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	114,401	103,138

Note 21b. Liabilities to credit institutions

(in € thousands)	12.31.2019	12.31.2018
LIABILITIES TO CREDIT INSTITUTIONS		
Current accounts	7,256	0
Loans	0	0
Guarantee deposits received from credit institutions	0	0
Other liabilities	0	0
Repurchase agreements	1,040,298	1,340,999
Accrued interest	0	0
TOTAL	1,047,554	1,340,999
of which deposits and demand loans with credit institutions	7,256	0

Note 21c. Insurance companies' technical reserves

(in € thousands)	12.31.2019	12.31.2018
Life insurance, excluding unit-linked contracts	34,511,368	32,012,177
of which profit-sharing	3,122,321	2,129,752
Non-life insurance	505,554	470,912
Unit-linked contracts	13,380,524	10,841,617
Other	166,273	155,973
TOTAL	48,563,719	43,480,679
Active deferred profit-sharing	0	0
Reinsurers' share	(116,190)	(87,473)
NET TECHNICAL PROVISIONS	48,447,529	43,393,206

Note 21d. Other insurance liabilities

(in € thousands)	12.31.2019	12.31.2018
Security deposits and guarantees received	28,737	27,195
Insurance and reinsurance liabilities	65,079	54,408
Other	5,888,460	3,026,075
TOTAL	5,982,276	3,107,678

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 22. Provisions

(in € thousands)	12.31.2018	Allocations	Write-backs (used)	Write-backs (unused)	Other	12.31.2019
Provisions for pension obligations	314,075	87,170	(11,419)	0	0	389,826
Provisions for home savings accounts and plans	18,470	40,939	0	0	0	59,409
Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope	43,714	2,303	0	(521)	1	45,497
Provisions for execution of guarantee commitments	0	0	0	0	0	0
Provisions for taxes	9,347	85	(1,677)	(8)	(7,340)	407
Provisions for lawsuits	7,741	4,788	(1,452)	(1,904)	16	9,189
Provisions for contingencies	3,542	403	(360)	(183)	(645)	2,757
Other	26,662	6,172	(4,851)	(4,610)	828	24,201
TOTAL	423,551	141,860	(19,759)	(7,226)	(7,140)	531,286

Note 22a. Pension obligations and similar benefits

Defined benefit pension obligations and other long-term benefits

(in € thousands)	12.31.2018	Allocations	Write-backs	Other	12.31.2019
Retirement benefits	61,571	16,287	(3,290)	0	74,568
Retirement pension supplements	134,072	45,957	(6,193)	0	173,836
Length-of-service awards	43,702	8,282	(1,936)	0	50,048
Time savings accounts	74,730	16,644	0	0	91,374
TOTAL	314,075	87,170	(11,419)	0	389,826

Note 22b. Provisions for regulated savings product risks

Home savings accounts and plans during the savings phase: deposits and provisions

(in € thousands)	12.31.2019		12.31.2018	
	Deposits	Provisions	Deposits	Provisions
Home savings plans	5,327,596	59,236	5,160,762	18,144
Under 4 years old	298,598	44	1,045,703	8
Between 4 and 10 years old	3,158,450	23,305	2,252,717	2,834
Over 10 years old	1,870,548	35,887	1,862,342	15,302
Home savings accounts	711,437	0	686,426	1
TOTAL	6,039,033	59,236	5,847,188	18,145

Loans granted under home savings accounts and plans: deposits and provisions

(in € thousands)	12.31.2019		12.31.2018	
	Deposits	Provisions	Deposits	Provisions
Home savings plans	2,612	6	3,844	13
Home savings accounts	21,684	167	34,076	312
TOTAL	24,296	173	37,920	325

Note 22c. Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope

(in € thousands)	12.31.2018	Allocations	Write-backs	Other	12.31.2019
COMMITMENTS GIVEN					
12-month expected losses	11,992	1,705	0	(400)	13,297
Lifetime expected losses for non-impaired assets	2,928	598	0	401	3,927
Lifetime expected losses for impaired assets (instruments impaired or not at acquisition/creation)	28,794	0	(521)	0	28,273
TOTAL	43,714	2,303	(521)	1	45,497

Note 23. Subordinated debt

(in € thousands)	12.31.2019	12.31.2018
Subordinated debt	2,349,061	1,538,910
Equity loans with no voting rights	2,693	2,693
Undated subordinated debt	97,193	97,199
Other liabilities	0	0
Accrued interest	49,112	28,286
TOTAL	2,498,059	1,667,088

Main subordinated debt at December 31, 2019

Issuer	Issue date	Amount	Currency	Interest rate	Due date
Crédit Mutuel Arkéa	07.05.2004	97,314	Euro	CMS 10 ans + 0,10	Undated
Crédit Mutuel Arkéa	06.01.2016	500,000	Euro	3.25%	06.01.2026
Crédit Mutuel Arkéa	02.09.2017	500,000	Euro	3.50%	02.09.2029
Crédit Mutuel Arkéa	10.25.2017	500,000	Euro	1.88%	10.25.2029
Crédit Mutuel Arkéa	03.11.2019	750,000	Euro	3.38%	03.11.2031
TOTAL		2,347,314			

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 24. Share capital and additional paid-in capital – Consolidated reserves

(in € thousands)	12.31.2019	12.31.2018
Share capital	2,347,978	2,260,952
Additional paid-in capital	5,438	5,438
Consolidated reserves	4,294,471	3,896,397
Legal reserve	509,793	495,763
Reserves provided for in the by-laws and contractual reserves	2,249,249	2,186,859
Regulated reserves	0	0
Translation adjustments	0	0
Other reserves	1,473,827	1,153,330
Retained earnings	61,602	60,445
TOTAL	6,647,887	6,162,787

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)	12.31.2019	12.31.2018
Available-for-sale assets	190,953	119,659
Non-recyclable equity instruments at fair value through equity by option	109,872	50,559
Recyclable debt instruments at fair value through equity	21,317	22,740
Change in fair value attributable to credit risk presented in other items of comprehensive income for the liabilities	(613)	4,933
Cash flow hedge derivatives	(2,002)	(2,399)
Real property	0	0
Other	(129,717)	(91,120)
TOTAL	189,809	104,372

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	114,812	162,989	174,328	721,020	0	1,173,150
Derivatives used for hedging purposes	0	0	0	0	1,043,663	1,043,663
Liabilities to credit institutions	1,185,001	2,398,191	2,577,386	1,607,172	0	7,767,751
Liabilities to customers	49,149,902	3,161,506	6,146,527	3,242,324	0	61,700,259
Debt securities	1,937,527	5,229,742	4,822,340	4,544,279	0	16,533,888
Subordinated debt	0	0	15,518	2,379,555	102,986	2,498,059

Note 26b. Breakdown of financial liabilities according to maturity – insurance activity

(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					114,401	114,401
Liabilities to credit institutions	107,256	940,298	0	0	0	1,047,554
Subordinated debt	0	452	0	0	0	452

Note 27. Non-current assets held for sale and related liabilities

The group is in the process of selling Linxo Group.

The sale is scheduled to take place in the first half of 2020.

Linxo Group's contribution is accounted for in the consolidated financial statements for the year ended December 31, 2019 in accordance with IFRS 5 relating to entities held for sale.

The main categories of assets and liabilities reclassified on the two lines of the statement of financial position are presented below:

(in € thousands)	12.31.2019
ASSETS	
Financial assets	
■ <i>Financial assets at fair value through profit or loss</i>	
■ <i>Financial assets at fair value through equity</i>	
■ <i>Loans and receivables – credit institutions, at amortized cost</i>	
■ <i>Loans and receivables – customers, at amortized cost</i>	
Other assets	
Investments in associates	5,336
Immobilisations	
TOTAL ASSETS	5,336

(in € thousands)	12.31.2019
LIABILITIES	
Financial liabilities	
■ <i>Financial liabilities at fair value through profit or loss</i>	
■ <i>Due to banks</i>	
■ <i>Liabilities to customers</i>	
Other liabilities	
Provisions	
TOTAL LIABILITIES	0

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 28a. Fair value ranking – banking activity

(in € thousands)	12.31.2019			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
FVOCI	7,904,691	1,441,704	308,580	9,654,975
Treasury bills and similar securities – FVOCI ⁽¹⁾	3,174,059	670,297	0	3,844,356
Bonds and other fixed-income securities – FVOCI ^{(2) (3)}	4,531,750	768,987	0	5,300,737
Stocks and other variable-income securities – FVOCI	84,988	2,420	12,074	99,482
Equity investments and other long-term investments – FVOCI	113,894	0	296,198	410,092
Shares in associates – FVOCI	0	0	308	308
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	11,639	781,462	687,587	1,480,688
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 – 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	10,184	156,420	214,462	381,066
Stocks and other variable-income securities – Trading	0	0	0	0
Stocks and other variable-income securities – Other FVTPL	1,455	0	473,125	474,580
Loans and receivables due from credit institutions – Fair value option	0	2,115	0	2,115
Loans and receivables due from credit institutions – Other FVTPL	0	50,158	0	50,158
Loans and receivables due from customers – Fair value option	0	6,959	0	6,959
Loans and receivables due from customers – Other FVTPL	0	701	0	701
Derivatives and other financial assets – Trading	0	565,109	0	565,109
Derivatives used for hedging purposes	0	1,082,121	0	1,082,121
TOTAL	7,916,330	3,305,287	996,167	12,217,784
FINANCIAL LIABILITIES				
Trading/FVO	0	1,173,150	0	1,173,150
Amounts due to credit institutions – Fair value option	0	2,115	0	2,115
Amounts due to customers – Fair value option	0	5,076	0	5,076
Debt securities – Fair value option	0	604,135	0	604,135
Derivatives and other financial liabilities – Trading	0	561,824	0	561,824
Derivatives used for hedging purposes	0	1,043,663	0	1,043,663
TOTAL	0	2,216,813	0	2,216,813

(1) Transfers from level 2 to level 1 were made in the amount of €59 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 €2 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 €211 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

	12.31.2018			
(in € thousands)	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 – 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 – 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 – 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				
Trading/FVO	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 – 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.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 28b. Fair value ranking – insurance activity

(in € thousands)	12.31.2019			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Available-for-sale assets	21,976,518	2,022,064	2,385,487	26,384,069
Treasury bills and similar securities – AFS	8,680,139	0	0	8,680,139
Bonds and other fixed-income securities – AFS ^{(1) (2)}	12,981,859	1,568,813	1,803,531	16,354,203
Stocks and other variable-income securities – AFS	253,589	453,251	73,283	780,123
Equity investments and other long-term investments – AFS	60,931	0	508,673	569,604
Shares in associates – AFS	0	0	0	0
Trading/FVO	13,624,456	11,017,827	5,844,103	30,486,386
Treasury bills and similar securities – Fair value option	0	0	0	0
Bonds and other fixed-income securities – Trading	0	0	0	0
Bonds and other fixed-income securities – Fair value option	175,719	6,614,420	774,520	7,564,659
Stocks and other variable-income securities – Fair value option ^{(3) (4)}	13,448,737	4,403,255	5,069,583	22,921,575
Loans and receivables due from credit institutions – Fair value option	0	0	0	0
Derivatives and other financial assets – Trading	0	152	0	152
Derivatives used for hedging purposes	0	0	0	0
TOTAL	35,600,974	13,039,891	8,229,590	56,870,455
FINANCIAL LIABILITIES				
Trading/FVO	0	114,401	0	114,401
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 – Trading	0	114,401	0	114,401
Derivatives used for hedging purposes	0	0	0	0
TOTAL	0	114,401	0	114,401

(1) Transfers from level 1 to level 2 were made in the amount of €15 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

(2) Transfers from level 2 to level 1 were made in the amount of €310 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

(3) Transfers from level 2 to level 3 were made in the amount of €10 million. They consisted mainly of equities whose characteristics correspond to level 3 criteria.

(4) Transfers from level 3 to level 2 were made in the amount of €1,057 million. They consisted mainly of equities whose characteristics correspond to level 2 criteria.

(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 – 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 – 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 – 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 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.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 28c. Fair value ranking – details of level 3 – banking activity

(in € thousands)	Opening balance	Purchases	Issues	Sales
FINANCIAL ASSETS				
FVOCI	266,922	13,860	1,300	(7,951)
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	12,038	0	0	0
Equity investments and other long-term investments – FVOCI	254,657	13,680	1,300	(7,951)
Shares in associates – FVOCI	227	180	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	543,344	161,109	5,140	(52,857)
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 – 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	158,119	67,762	5,140	(15,863)
Stocks and other variable-income securities – Trading	0	0	0	0
Stocks and other variable-income securities – Other FVTPL	385,225	93,347	0	(36,994)
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 – Trading	0	0	0	0
Derivatives used for hedging purposes	0	0	0	0
TOTAL	810,266	174,969	6,440	(60,808)
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 – Trading	0	0	0	0
Derivatives used for hedging purposes	0	0	0	0
TOTAL	0	0	0	0

Repayments	Transfers	Gains and losses through profit or loss	Gains and losses in equity	Other changes	Closing balance	Transfers L1, L2 => L3	Transfers L3 => L1, L2
(100)	0	0	34,429	119	308,579	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	36	0	12,074	0	0
0	0	0	34,393	119	296,198	0	0
(100)	0	0	0	0	307	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(3,825)	0	34,686	0	(10)	687,587	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	0	0	0	0	0
0	0	0	0	0	0	0	0
(3,825)	0	3,139	0	(10)	214,462	0	0
0	0	0	0	0	0	0	0
0	0	31,547	0	0	473,125	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	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(3,925)	0	34,686	34,429	109	996,166	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	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

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 28d. Fair value ranking – details of level 3 – insurance activity

(in € thousands)	Opening balance	Purchases	Issues	Disposals
FINANCIAL ASSETS				
Available-for-sale assets	2,033,229	488,974	0	0
Treasury bills and similar securities – AFS	0	0	0	0
Bonds and other fixed-income securities – AFS	1,521,154	413,613	0	0
Stocks and other variable-income securities – AFS	76,885	0	0	0
Equity investments and other long-term investments – AFS	435,190	75,361	0	0
Shares in associates – AFS	0	0	0	0
Trading/FVO	4,872,181	2,221,986	0	(220,459)
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 – Trading	0	0	0	0
Bonds and other fixed-income securities – Fair value option	510,153	299,241	0	0
Stocks and other variable-income securities – Trading	0	0	0	0
Stocks and other variable-income securities – Fair value option	4,362,028	1,922,745	0	(220,459)
Derivatives and other financial assets – Trading	0	0	0	0
Derivatives used for hedging purposes	0	0	0	0
TOTAL	6,905,410	2,710,960	0	(220,459)
FINANCIAL LIABILITIES				
Trading/FVO	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 – Trading	0	0	0	0
Derivatives used for hedging purposes	0	0	0	0
TOTAL	0	0	0	0

Repayments	Transfers	Gains and losses through profit or loss	Gains and losses in equity	Other changes	Closing balance	Transfers L1, L2 => L3	Transfers L3 => L1, L2
(156,896)	0	(10,313)	30,366	127	2,385,487	0	0
0	0	0	0	0	0	0	0
(151,094)	0	0	19,731	127	1,803,531	0	0
0	0	0	(3,602)	0	73,283	0	0
(5,802)	0	(10,313)	14,237	0	508,673	0	0
0	0	0	0	0	0	0	0
(44,484)	(1,047,618)	62,497	0	0	5,844,103	9,538	(1,057,156)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(39,349)	0	4,475	0	0	774,520	0	0
0	0	0	0	0	0	0	0
(5,135)	(1,047,618)	58,022	0	0	5,069,583	9,538	(1,057,156)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(201,380)	(1,047,618)	52,184	30,366	127	8,229,590	9,538	(1,057,156)
					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	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 29a. Fair value ranking of financial assets and liabilities recognized at amortized cost - banking activity

12.31.2019						
(in € thousands)	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	75,283,026	72,865,489	2,417,537	470,080	9,967,719	64,845,227
Financial assets at amortized cost						
Loans and receivables due from credit institutions	9,788,104	9,785,387	2,717	0	9,788,104	0
Loans and receivables due from customers	64,820,956	62,444,613	2,376,343	0	0	64,820,956
Securities	673,966	635,489	38,477	470,080	179,615	24,271
Liabilities	89,632,630	88,499,974	1,132,656	0	27,912,217	61,720,413
Liabilities to credit institutions	7,802,927	7,767,767	35,160	0	7,802,927	0
Liabilities to customers	61,720,413	61,700,260	20,153	0	0	61,720,413
Debt securities	17,326,335	16,533,888	792,447	0	17,326,335	0
Subordinated debt	2,782,955	2,498,059	284,896	0	2,782,955	0

12.31.2018						
(in € thousands)	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

12.31.2019

(in € thousands)	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	481,545	481,545	0	0	458	481,087
Loans and receivables due from credit institutions	458	458	0	0	458	0
Other loans and receivables linked to insurance activities	481,087	481,087	0	0	0	481,087
Held-to-maturity financial assets	0	0	0	0	0	0
Liabilities	1,048,006	1,048,006	0	0	1,048,006	0
Liabilities to credit institutions	1,047,554	1,047,554	0	0	1,047,554	0
Debt securities	0	0	0	0	0	0
Subordinated debt	452	452	0	0	452	0

12.31.2018

(in € thousands)	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

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Notes to the income statement (in thousands of euros)

Note 30. Interest and similar income/expense

(in € thousands)	12.31.2019		12.31.2018	
	Income	Expense	Income	Expense
Credit institutions and central banks	132,735	(176,744)	114,890	(124,552)
Customers	1,340,521	(528,720)	1,441,804	(590,575)
of which leasing	175,979	(117,815)	151,343	(102,647)
of which rental debts		(863)		
Securities at amortized cost	2,211	0	2,191	0
Financial assets at fair value through profit or loss	11,634	(1,157)	11,912	(854)
Derivatives used for hedging purposes	330,054	(286,739)	278,894	(221,051)
Financial assets at fair value through equity	3,973	0	(5,502)	0
Debt securities	0	(236,870)	0	(227,688)
TOTAL	1,821,128	(1,230,230)	1,844,189	(1,164,720)

Note 31. Fee and commission income/expense

(in € thousands)	12.31.2019		12.31.2018	
	Income	Expense	Income	Expense
Credit institutions	8,402	(23,853)	8,190	(10,820)
Customers	109,060	(252)	92,821	(344)
Derivatives	11,579	(958)	8,773	(1,112)
Foreign exchange	5,006	0	5,250	(53)
Financing and guarantee commitments	713	(2,732)	562	(2,576)
Securities and services	483,954	(122,845)	507,044	(127,494)
TOTAL	618,714	(150,640)	622,640	(142,399)

Note 32. Net gain (loss) on financial instruments at fair value through profit or loss

(in € thousands)	12.31.2019	12.31.2018
Instruments held for trading	60,995	(10,633)
Fair value option instruments	(51,577)	14,988
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	59,009	81,216
Including UCI	21,088	29,412
Hedging ineffectiveness	2,215	(751)
■ Cash flow hedges	(4)	1
■ Fair value hedges	2,219	(752)
change in fair value of hedged items	(112,404)	16,777
change in fair value of hedges	114,623	(17,529)
Foreign exchange gains (losses)	86	166
TOTAL OF CHANGES IN FAIR VALUE	70,728	84,986

Note 33. Net gain (loss) on financial instruments at fair value through equity

(in € thousands)	12.31.2019		
	Dividends	Realized gains/losses	Total
Treasury bills, notes and government bonds		23,723	23,723
Bonds and other fixed-income securities		4,304	4,304
Loans – Credit institutions		0	0
Customer loans		0	0
Stocks and other variable-income securities	4,859		4,859
Equity securities held for long-term investment	6,139		6,139
TOTAL	10,998	28,027	39,025

(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
Customer loans			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

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 34. Net gain (loss) on financial instruments at amortized cost

	Profit or loss recognized on the derecognition of assets as at December 31, 2019	Profit or loss recognized on the derecognition of assets as at December 31, 2018
FINANCIAL ASSETS		
Treasury bills, notes and government bonds	0	0
Bonds and other fixed-income securities	0	1
Loans – Credit institutions	0	0
Customer loans	0	0
FINANCIAL LIABILITIES		
Liabilities to credit institutions	0	0
Liabilities to customers	0	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	0	1

Note 35. Net income from insurance activities

(in € thousands)	12.31.2019	12.31.2018
Interest and similar income/expense	40,476	41,565
Fee and commission income/expense	(88,411)	(74,764)
Net gain (loss) on financial instruments at fair value through profit or loss	7,149	3,885
Net gain (loss) on available-for-sale financial instruments	22,935	28,631
Net gain (loss) on financial assets/liabilities at amortized cost	0	0
Other income/expense from insurance activities	754,056	687,727
TOTAL	736,205	687,044

Note 35a. Interest and similar income/expense

(in € thousands)	12.31.2019		12.31.2018	
	Income	Expense	Income	Expense
Credit institutions and central banks	918	(2,853)	2,818	(2,361)
Customers	0	0	0	0
Held-to-maturity financial assets	134	0	256	0
Financial assets/liabilities at fair value through profit or loss	0	0	0	0
Available-for-sale financial assets	42,277	0	40,852	0
Debt securities	0	0	0	0
Subordinated debt	0	0	0	0
TOTAL	43,329	(2,853)	43,926	(2,361)

Note 35b. Fee and commission income/expense

(in € thousands)	12.31.2019		12.31.2018	
	Income	Expense	Income	Expense
Credit institutions	0	(34)	0	(31)
Customers	0	0	551	0
Derivatives	0	0	0	0
Foreign exchange	0	0	0	0
Financing and guarantee commitments	0	0	0	(2)
Securities and services	64,256	(152,633)	63,386	(138,668)
TOTAL	64,256	(152,667)	63,937	(138,701)

Note 35c. Net gain (loss) on financial instruments at fair value through profit or loss

(in € thousands)	12.31.2019	12.31.2018
Instruments held for trading	(96)	(39)
Fair value option instruments	7,286	4,287
Other instruments at fair value through profit or loss	0	0
Foreign exchange gains (losses)	(41)	(363)
TOTAL OF CHANGES IN FAIR VALUE	7,149	3,885

Note 35d. Net gain (loss) on available-for-sale financial instruments

(in € thousands)	12.31.2019			12.31.2018		
	Dividends	Realized gains/losses	Total	Dividends	Realized gains/losses	Total
Treasury bills, notes, government bonds, bonds and other fixed-income securities	0	359	359	0	1,101	1,101
Stocks and other variable-income securities	21,879	0	21,879	24,692	0	24,692
Equity securities held for long-term investment	697	0	697	2,838	0	2,838
Other	0	0	0	0	0	0
TOTAL	22,576	359	22,935	27,530	1,101	28,631

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 35e. Other income/expense from insurance activities

(in € thousands)	12.31.2019		12.31.2018	
	Income	Expense	Income	Expense
Insurance business	12,999,844	(12,233,849)	6,334,766	(5,645,324)
Investment property	0	(16,522)	5,258	(16,197)
Other income and expense	10,772	(6,189)	12,848	(3,624)
TOTAL	13,010,616	(12,256,560)	6,352,872	(5,665,145)

Note 35f. Gross margin on insurance activities

(in € thousands)	12.31.2019	12.31.2018
Premiums earned	5,485,631	5,052,761
Cost of claims and benefits	(209,667)	(195,674)
Change in provisions	(9,431)	175
Other technical and non-technical income and expenses	(5,898,393)	(4,900,828)
Net investment income	1,397,855	733,008
TOTAL	765,995	689,442

Note 36. Income/expense from other activities

(in € thousands)	12.31.2019		12.31.2018	
	Income	Expense	Income	Expense
Investment property	5,103	(6,946)	13,718	(14,835)
Other income and expense	255,929	(60,740)	243,813	(60,343)
TOTAL	261,032	(67,686)	257,531	(75,178)

Note 37. Gains (losses) on disposal – dilution in investments in associates

(in € thousands)	12.31.2019	12.31.2018
Gains or losses on disposal/dilution on joint ventures	0	0
Gains or losses on disposal/dilution on associates	205,071	76
TOTAL	205,071	76

The amount of gains (losses) on disposal – dilution in investments of associates includes capital gain on the sale of the Primonial group for €194 million.

Note 38. Operating expense

(in € thousands)	12.31.2019	12.31.2018
Personnel expenses	(910,165)	(871,654)
Other expense	(535,745)	(522,557)
TOTAL	(1,445,910)	(1,394,211)

Note 38a. Personnel expenses

(in € thousands)	12.31.2019	12.31.2018
Salaries and wages	(516,803)	(476,107)
Payroll taxes	(218,052)	(229,854)
Mandatory and optional employee profit-sharing	(107,025)	(96,796)
Taxes, levies and similar payments on compensation	(68,285)	(68,886)
Other	0	(11)
TOTAL	(910,165)	(871,654)

Note 38b. Average number of employees

(in € thousands)	12.31.2019	12.31.2018
Employees	4,379	4,373
Management and supervisors	5,597	5,390
TOTAL	9,976	9,764

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 2019, expenses related to these plans totaled €80,167,000 compared with €77,804,000 in 2018.

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.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Change in actuarial liability

(in € thousands)	Post-employment benefits			Total 12.31.2019	Total 12.31.2018
	Supplementary plan	Retirement benefits	Other long-term benefits ⁽¹⁾		
Gross actuarial liability at the beginning of the period	138,667	61,571	118,431	318,669	275,547
Cost of services rendered during the period	7,806	4,155	2,883	14,845	11,947
Net interest	2,239	997	1,951	5,187	4,193
Modification/reduction/liquidation of the plan		(769)		(769)	0
Acquisition, disposal (change in consolidated scope)				0	633
Benefits paid	(6,193)	(2,515)	(2,127)	(10,835)	(19,352)
Actuarial gains/losses	35,066	11,128	20,285	66,479	45,700
of which actuarial gains/losses due to changes in demographic assumptions	3,280	2,130	463	5,873	21,773
of which gains/losses related to changes in financial assumptions	32,049	8,924	15,256	56,229	11,111
of which actuarial gains/losses due to differences between estimates and actual experiences	(262)	74	4,566	4,377	12,816
Gross actuarial liability at the end of the period	177,584	74,569	141,422	393,575	318,669

(1) Other long-term benefits relate to long-service awards and time savings accounts.

Expense recognized on the income statement

(in € thousands)	Post-employment benefits			Total 12.31.2019	Total 12.31.2018
	Supplementary plan	Retirement benefits	Other long-term benefits		
Cost of services rendered during the period	(7,806)	(4,155)	(2,883)	(14,845)	(11,645)
Net interest	(393)	(308)	(1,594)	(2,295)	(1,595)
Impact of any reduction or liquidation of the plan				0	0
Actuarial gains/losses			(20,459)	(20,459)	(13,824)
of which actuarial gains/losses due to changes in demographic assumptions recognized on the income statement			(463)	(463)	(2,945)
of which gains/losses due to changes in financial assumptions recognized on the income statement			(15,431)	(15,431)	(3,129)
of which actuarial gains/losses due to differences between estimates and actual experiences			(4,566)	(4,566)	(7,749)
Expense recognized on the income statement	(8,199)	(4,463)	(24,937)	(37,599)	(27,064)

Change in fair value of plan assets and reimbursement rights

(in € thousands)	Post-employment benefits			Total 12.31.2019	Total 12.31.2018
	Supplementary plan	Retirement benefits	Other long-term benefits		
Fair value of assets at the beginning of the period	116,794	43,618	22,008	182,421	170,984
Net interest	1,846	689	357	2,891	2,535
Employer contributions		14,896		14,896	24,165
Acquisition, disposal (change in consolidated scope)				0	0
Benefits paid	(6,193)	(2,293)	0	(8,486)	(12,744)
Actuarial gains/losses	(1,022)	214	(174)	(983)	(2,521)
of which actuarial gains/losses due to changes in demographic assumptions				0	0
of which actuarial gains/losses on plan assets due to changes in financial assumptions	(1,022)	214	(174)	(983)	(2,521)
of which actuarial gains/losses due to differences between estimates and actual experiences	0			0	0
Fair value of assets at the end of the period	111,425	57,124	22,191	190,740	182,420

Net position

(in € thousands)	Supplementary plan	Retirement benefits	Other long-term benefits	Total 12.31.2019	Total 12.31.2018
Actuarial liability at the end of the period	177,584	74,569	141,422	393,575	318,669
Fair value of assets/reimbursement rights	(111,425)	(57,124)	(22,191)	(190,740)	(182,420)
Net position	66,160	17,444	119,232	202,835	136,249

Items recognized immediately in comprehensive income

(in € thousands)	12.31.2019	12.31.2018
Actuarial differences generated on post-employment benefit plans	(52,038)	(37,153)
Adjustments to the asset ceiling	0	0
Total items recognized immediately during the year	(52,038)	(37,153)
Aggregate actuarial differences at the end of the year	(174,891)	(122,853)

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Information regarding plan assets

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, 2019, the weighted average term of defined benefit obligations was 13.4 years, unchanged from 2018.

The employer contributions to be paid for 2020 in respect of defined benefit post-employment benefits are estimated at €3,923,000.

Composition of hedging assets

(in € thousands)	12.31.2019			
	Debt securities	Equity instruments	Real property	Other
Fair value of plan assets				
Assets listed on an active market	108,660	7,600	683	0
Assets not listed on an active market	40,712	885	10,009	0
TOTAL	149,372	8,485	10,692	0

(in € thousands)	12.31.2018			
	Debt securities	Equity instruments	Real property	Other
Fair value of plan assets				
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

Sensitivity of obligations to changes in the main actuarial assumptions

(As a% of the item measured)	12.31.2019			
	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%	6%

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.

(in € thousands)	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7
Type of plan	Cash settled	Cash settled	Cash settled	Cash settled	Cash settled	Cash settled	Cash settled
Award date	10.15.2015	09.18.2015	06.30.2015	11.29.2017	07.2017	11.2017	11.2019
Exercise period	Q1 2018/ Q1 2020	HY1 2021	Q4 2020	Q1 2021	Q3 2020	Q1 2020/ Q1 2023	2022/2024
Valuation method	Net position + Multiple of outstandings	Multiple of revenue	Discounted cash flow	% of net income – Group share	Customer conquest	EBITDA multiple	Multiple of revenue
Impact 2019 income	523	852	(929)	(794)	(1,092)	(2,586)	(379)
Liabilities on the balance sheet	5,565	4,745	23,847	6,789	1,706	4,344	6,327

Note 38e. Other expenses

(in € thousands)	12.31.2019	12.31.2018
Taxes other than on income	(78,749)	(78,971)
Rentals	(55,755)	(62,519)
■ short term rentals of assets or low/substantial values	(51,615)	(57,594)
■ other rentals	(4,140)	(4,925)
External services	(401,168)	(380,780)
Other miscellaneous expenses	(73)	(287)
TOTAL	(535,745)	(522,557)

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

(in € thousands)	12.31.2019			12.31.2018		
	Mazars	Deloitte network	Total	Mazars	Deloitte network	Total
AUDITING, CERTIFICATION, EXAMINATION OF INDIVIDUAL AND CONSOLIDATED ACCOUNTS	1,763	1,730	3,493	1,589	1,459	3,048
Crédit Mutuel Arkéa	650	706	1,356	576	330	906
Consolidated subsidiaries	1,113	1,024	2,137	1,013	1,129	2,142
SERVICES OTHER THAN ACCOUNT CERTIFICATION	330	521	851	397	630	1,027
Crédit Mutuel Arkéa	217	443	660	359	569	928
Consolidated subsidiaries	113	78	191	38	61	99
Total	2,093	2,251	4,344	1,986	2,089	4,075

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 €336,000 in respect of 2019 versus €329,000 at 2018.

Note 39. Depreciation, amortization and impairment of property, plant and equipment and intangible assets

(in € thousands)	12.31.2019	12.31.2018
Amortization	(135,746)	(119,358)
Property, plant and equipment	(52,657)	(39,051)
- of which rights of use – Property	(12,347)	0
Intangible assets	(83,089)	(80,307)
Impairment	2,796	44
Property, plant and equipment	447	44
- of which rights of use – Property	0	0
Intangible assets	2,349	0
TOTAL	(132,950)	(119,314)

Note 40. Cost of risk**Note 40a. Cost of risk – banking activity**

(in € thousands)	Allocations	Write-backs	Irrecoverable debts		Collection of receivables written off	12.31.2019
			Provisioned bad debt	Unprovisioned bad debt		
12-month expected losses	(84,542)	67,413				(17,129)
Loans and receivables due from credit institutions	(911)	870				(41)
Loans and receivables due from customers	(68,014)	52,661				(15,353)
of which finance leases	(2,316)	1,300				(1,016)
Financial assets at amortized cost – Fixed income securities	(756)	205				(551)
Financial assets at FVOCI – Fixed income securities	(4,731)	5,256				525
Financial assets at FVOCI – Loans	0	0				0
Off-balance sheet	(10,130)	8,421				(1,709)
Other assets	0	0				0
Lifetime expected loss	(85,795)	80,460				(5,335)
Loans and receivables due from credit institutions	0	0				0
Loans and receivables due from customers	(82,422)	77,706				(4,716)
of which finance leases	(1,743)	815				(928)
Financial assets at amortized cost – Fixed income securities	(105)	44				(61)
Financial assets at FVOCI – Fixed income securities	(30)	69				39
Financial assets at FVOCI – Loans	0	0				0
Off-balance sheet	(3,238)	2,641				(597)
Other assets	0	0				0
Impaired assets	(329,565)	307,852	(48,758)	(9,600)	3,834	(76,237)
Loans and receivables due from credit institutions	0	0	0	0	0	0
Loans and receivables due from customers	(306,236)	291,643	(48,627)	(9,600)	3,821	(68,999)
of which finance leases	(4,135)	2,033	(1,347)	(460)	0	(3,909)
Financial assets at amortized cost – Fixed income securities	(1,450)	(300)	0	0	0	(1,750)
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	(21,735)	16,223	0	0	0	(5,512)
Other assets	(144)	286	(131)	0	13	24
TOTAL	(499,902)	455,725	(48,758)	(9,600)	3,834	(98,701)

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

(in € thousands)	Allocations	Write-backs	Irrecoverable debts		Collection of receivables written off	12.31.2018
			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	(216,817)	225,937	(60,400)	(8,125)	6,349	(53,056)
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 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)	Allocations	Write-backs	Irrecoverable debts		Collection of receivables written off	12.31.2019
			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	51	0	0	0	51
TOTAL	0	51	0	0	0	51

(in € thousands)	Allocations	Write-backs	Irrecoverable debts		Collection of receivables written off	12.31.2018
			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

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 40c. Banking activities – Information regarding changes in outstanding loans subject to provisions for expected losses for credit risk

(in € thousands)	12.31.2018	Acquisition/ production	Sale/repayment	Transfers between buckets	Other	12.31.2019
Financial assets at amortized costs – loans and receivables due from credit institutions	8,988,980	1,753,661	(956,394)	0	1,331	9,787,578
12-month expected losses	8,988,980	1,753,661	(956,394)	0	1,331	9,787,578
Lifetime expected losses – non-impaired assets	0	0	0	0	0	0
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0
Financial assets at amortized costs – loans and receivables due from customers	56,626,318	12,889,037	(5,973,213)	0	0	63,542,142
12-month expected losses	52,773,663	12,862,077	(5,586,158)	(711,905)	0	59,337,677
Lifetime expected losses – non-impaired assets	2,424,408	0	(180,351)	498,346	0	2,742,403
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	1,213,898	0	(169,203)	213,559	0	1,258,254
Lifetime expected losses – assets impaired as from acquisition/creation	214,349	26,960	(37,501)	0	0	203,808
Financial assets at amortized cost – Securities	168,970	563,479	(89,559)	0	0	642,890
12-month expected losses	143,113	557,183	(89,559)	(517)	0	610,220
Lifetime expected losses – non-impaired assets	20,315	6,296	0	0	0	26,611
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	5,542	0	0	517	0	6,059
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0
Financial assets at FVOCI – Fixed income securities	10,884,679	79	(1,733,470)	0	0	9,151,288
12-month expected losses	10,852,953	79	(1,701,767)	(28,153)	0	9,123,112
Lifetime expected losses – non-impaired assets	31,726	0	(31,703)	28,153	0	28,176
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0
Financial assets at FVOCI – Loans	0	0	0	0	0	0
12-month expected losses	0	0	0	0	0	0
Lifetime expected losses – non-impaired assets	0	0	0	0	0	0
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0
TOTAL	76,668,947	15,206,256	(8,752,636)	0	1,331	83,123,898

Note 40d. Banking activities – Information regarding changes in provisions for expected losses for credit risk

(in € thousands)	12.31.2018	Allocations	Reversals	Transfers	Change of method	Other	12.31.2019
Financial assets at amortized costs – loans and receivables due from credit institutions	(2,147)	(911)	867	0	0	0	(2,191)
12-month expected losses	(2,147)	(911)	867	0	0	0	(2,191)
Lifetime expected losses – non-impaired assets	0	0	0	0	0	0	0
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0	0
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0	0
Financial assets at amortized costs – loans and receivables due from customers	(1,051,782)	(671,703)	625,956	0	0	0	(1,097,529)
12-month expected losses	(113,225)	(67,995)	76,458	(23,798)	0	0	(128,560)
Lifetime expected losses – non-impaired assets	(135,097)	(82,387)	65,022	12,684	0	0	(139,778)
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	(665,736)	(519,205)	470,572	11,114	0	0	(703,255)
Lifetime expected losses – assets impaired as from acquisition/creation	(137,724)	(2,116)	13,904	0	0	0	(125,936)
Financial assets at amortized cost – Securities	(5,021)	(2,627)	247	0	0	0	(7,401)
12-month expected losses	(342)	(755)	99	105	0	0	(893)
Lifetime expected losses – non-impaired assets	(476)	(105)	148	(105)	0	0	(538)
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	(4,203)	(1,767)	0	0	0	0	(5,970)
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0	0
Financial assets at FVOCI – Fixed income securities	(6,758)	(4,761)	5,324	0	0	0	(6,195)
12-month expected losses	(6,689)	(4,731)	5,255	0	0	0	(6,165)
Lifetime expected losses – non-impaired assets	(69)	(30)	69	0	0	0	(30)
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0	0
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0	0
Financial assets at FVOCI – Loans	0	0	0	0	0	0	0
12-month expected losses	0	0	0	0	0	0	0
Lifetime expected losses – non-impaired assets	0	0	0	0	0	0	0
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0	0
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0	0
Commitments given	(43,714)	(37,896)	36,113	0	0	0	(45,497)
12-month expected losses	(11,992)	(9,733)	8,428	0	0	0	(13,297)
Lifetime expected losses – non-impaired assets	(2,928)	(3,640)	2,641	0	0	0	(3,927)
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	(28,794)	(24,523)	25,044	0	0	0	(28,273)
Other assets	0	0	0	0	0	0	0
12-month expected losses	0	0	0	0	0	0	0
Lifetime expected losses – non-impaired assets	0	0	0	0	0	0	0
■ of which expected losses measured according to the simplified method	0	0	0	0	0	0	0
Lifetime expected losses for impaired assets (whether impaired or not at acquisition/creation)	0	0	0	0	0	0	0
■ of which expected losses measured according to the simplified method	0	0	0	0	0	0	0
TOTAL	(1,109,422)	(717,898)	668,507	0	0	0	(1,158,813)

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 40e. Banking activities – gross carrying amount of loans and receivables due from customers by credit risk category

At 12.31.2019

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	26,412,396	2,530	0	0
[0,1;0,25]	11,537,001	5,773	0	0
[0,26;0,99]	11,673,626	186,673	0	0
[1;2,99]	3,855,243	535,423	0	0
[3;9,99]	5,716,654	1,079,741	0	0
>=10	142,757	932,263	1,258,254	203,808
TOTAL	59,337,677	2,742,403	1,258,254	203,808

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)

	12.31.2019	12.31.2018
Property, plant and equipment and intangible assets	(2,759)	1,590
Capital losses on disposals	(6,791)	(726)
Capital gains on disposals	4,032	2,316
Expenses related to business combinations	(2,179)	3,239
More or less transfer values on consolidated securities	23,450	0
TOTAL	18,512	4,829

Note 42. Income tax**Breakdown of tax expense**

(in € thousands)	12.31.2019	12.31.2018
Current tax expense	(125,333)	(153,389)
Net deferred tax expense or revenue	(6,350)	(2,306)
NET INCOME TAX EXPENSE	(131,683)	(155,695)
Income before taxes, badwill and income contribution from associates	643,504	573,430
EFFECTIVE TAX RATE	20.46%	27.15%

Analysis of effective tax rate

(in € thousands)	12.31.2019	12.31.2018
Statutory tax rate	34.43%	34.43%
Permanent differences	2.17%	0.66%
Income taxed at a reduced rate or exempt	(15.11%)	(4.54%)
Change of tax rate	(1.32%)	(0.98%)
Impact of fiscal losses	0.73%	(0.30%)
Tax credits	(0.37%)	(1.27%)
Special	0.65%	(0.16%)
Other	(0.73%)	(0.68%)
EFFECTIVE TAX RATE	20.46%	27.15%

Regulation n° 2019-759, published on July 24, 2019, as well as the 2020 finance act, provide modifications in the gradual reduction of the corporate tax rate initially planned by the 2018 finance act. The tax rate for the fiscal year 2019 is therefore 34.43%; this rate will be reduced from 34.43% to 25.83% over the 2019-2022 period.

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.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Notes on gains and losses recognized directly in equity (in thousands of euros)

Note 43a. Information on the recycling to profit or loss of gains or losses recognized directly in equity

(in € thousands)	Changes in 2019	Changes in 2018
Revaluation of debt instruments at fair value through equity	(1,406)	(28,869)
■ Reclassification to profit or loss	(26,513)	(11,141)
■ Other changes	25,107	(17,728)
Revaluation of available-for-sale financial assets	71,294	(49,440)
■ Reclassification to profit or loss	73	(107)
■ Other changes	71,221	(49,333)
Revaluation of hedging derivatives	397	252
■ Reclassification to profit or loss	3	0
■ Other changes	394	252
Share of recyclable gains and losses of equity-accounted entities recognized directly in equity	(16)	(399)
Items to be recycled to profit or loss	70,269	(78,456)
Actuarial gains and losses on defined benefit plans	(38,582)	(34,928)
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option	(5,546)	4,947
Revaluation of equity instruments at fair value through equity (sold and not sold during the year)	51,839	(7,942)
Share of non-recyclable gains and losses of equity-accounted entities recognized directly in equity	7,470	(13,198)
Items not to be recycled to profit or loss	15,181	(51,121)
TOTAL	85,450	(129,577)

Note 43b. Tax on each component of gains or losses recognized directly in equity

(in € thousands)	12.31.2019			12.31.2018		
	Gross	Tax	Net	Gross	Tax	Net
Revaluation of recyclable debt instruments at fair value through equity	(2,720)	1,314	(1,406)	(44,986)	16,117	(28,869)
Revaluation of available-for-sale financial assets	96,316	(25,022)	71,294	(95,709)	46,269	(49,440)
Revaluation of hedging derivatives	585	(188)	397	517	(265)	252
Share of gains and losses of equity-accounted entities recognized directly in equity	(249)	233	(16)	(609)	210	(399)
Items to be recycled to profit or loss	93,932	(23,663)	70,269	(140,787)	62,331	(78,456)
Actuarial gains and losses on defined benefit plans	(52,016)	13,434	(38,582)	(37,156)	2,228	(34,928)
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option	(8,158)	2,612	(5,546)	7,277	(2,330)	4,947
Revaluation of equity instruments at fair value through equity	56,945	(5,106)	51,839	(10,338)	2,396	(7,942)
Share of gains and losses of equity-accounted entities recognized directly in equity	7,709	(239)	7,470	(13,866)	668	(13,198)
Items not to be recycled to profit or loss	4,480	10,701	15,181	(54,083)	2,962	(51,121)
Total changes in gains and losses recognized directly in equity	98,412	(12,962)	85,450	(194,870)	65,293	(129,577)

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Other notes

(in thousands of euros)

Note 44a. Commitments given and received - banking activity

(in € thousands)	12.31.2019	12.31.2018
Commitments given	14,669,854	14,077,950
Financing commitments	9,805,932	9,669,199
to credit and similar institutions	9,350	13,750
to customers	9,796,582	9,655,449
Guarantee commitments	4,217,217	3,761,510
to credit and similar institutions	515	1,012
to customers	4,216,702	3,760,498
Securities commitments	646,705	647,241
repurchase agreements	0	0
other commitments given	646,705	647,241
Commitments received	49,021,969	45,330,560
Financing commitments	10,497,553	11,272,071
from credit and similar institutions	10,490,432	11,264,184
from customers	7,121	7,887
Guarantee commitments	38,181,778	33,580,476
from credit and similar institutions	224,711	209,899
from customers	37,957,067	33,370,577
Securities commitments	342,638	478,013
Reverse repurchase agreements	0	0
Other commitments received	342,638	478,013

Financing commitments given include the €9,350,000 cash advance made to Caisse de Refinancement de l'Habitat to fund it.

(in € thousands)	12.31.2019	12.31.2018
Receivables pledged as collateral	13,606,632	14,568,978
Banque de France	11,694,485	12,601,162
European Investment Bank	648,276	547,314
Caisse de Refinancement de l'Habitat	260,602	369,929
Caisse des Dépôts et Consignations	1,001,270	1,048,574
Other	2,000	2,000
Loaned securities	0	0
Deposits on market transactions	708,950	400,856
Securities sold under repurchase agreements	4,883,045	4,994,676

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)	12.31.2019	12.31.2018
COMMITMENTS GIVEN	-	-
COMMITMENTS RECEIVED	1,378,515	959,106

Note 45. Segment information

(in € thousands)	Banking		Insurance and asset management		Group	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018	12.31.2019	12.31.2018
Internal income ⁽¹⁾	263,759	267,456	(263,759)	(267,456)	0	0
External income ⁽²⁾	1,257,014	1,355,084	841,262	790,645	2,098,276	2,145,729
NET BANKING INCOME	1,520,773	1,622,540	577,503	523,189	2,098,276	2,145,729
Gains (losses) on disposal – dilution	205,071	(35)	0	111	205,071	76
NET BANKING INCOME INCLUDING GAINS (LOSSES) ON DISPOSAL – DILUTION	1,725,844	1,622,505	577,503	523,300	2,303,347	2,145,805
General operating expenses and depreciation and amortization	(1,393,150)	(1,347,463)	(185,710)	(166,062)	(1,578,860)	(1,513,525)
GROSS OPERATING INCOME	332,694	275,042	391,793	357,238	724,487	632,280
Cost of risk	(99,286)	(64,453)	636	774	(98,650)	(63,679)
OPERATING INCOME	233,408	210,589	392,429	358,012	625,837	568,601
Share of income of companies carried under equity method	(1,099)	(1,601)	(738)	1,849	(1,837)	248
Other	18,512	24,367	0	11	18,512	24,378
RECURRING INCOME BEFORE TAX	250,821	233,355	391,691	359,872	642,512	593,227
Income tax	(4,046)	(42,143)	(127,637)	(113,552)	(131,683)	(155,695)
NET INCOME	246,775	191,212	264,054	246,320	510,829	437,532
O/w non-controlling interests	66	207	26	37	92	244
NET INCOME, GROUP SHARE	246,709	191,006	264,028	246,282	510,737	437,288

(in € thousands)	12.31.2019	12.31.2018	12.31.2019	12.31.2018	12.31.2019	12.31.2018
SEGMENT ASSETS AND LIABILITIES	97,318,252	83,429,111	59,823,672	51,491,191	157,141,924	134,920,302

(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.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 46. Information on related parties

Crédit Mutuel Arkéa group 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 group is presented in Note 48. 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)	12.31.2019	12.31.2018
	Companies under the equity method ⁽¹⁾	Companies under the equity method ⁽¹⁾
ASSETS		
Loans and receivables – credit institutions, at amortized cost	717,878	735,394
Loans and receivables – customers, at amortized cost		0
Assets at fair value through profit or loss		0
Financial assets at fair value through equity		0
Securities at amortized cost		83,192
Derivatives used for hedging purposes		0
Other assets		39,159
LIABILITIES		
Liabilities to credit institutions	32,229	14,845
Derivatives used for hedging purposes		0
Liabilities at fair value through profit or loss		0
Liabilities to customers		27,219
Debt securities		0
Subordinated debt		0
Other liabilities		10,501

(1) CCCM + Younited.

(in € thousands)	12.31.2019	12.31.2018
	Companies under the equity method ⁽¹⁾	Companies under the equity method ⁽¹⁾
Interest and similar income		8,241
Interest and similar expense	(3,877)	(3,062)
Fee and commission income		2,071
Fee and commission expense		0
Net gain (loss) on financial instruments at fair value through profit or loss		0
Net gain (loss) on financial instruments at fair value through equity	866	874
Net gain (loss) on available-for-sale financial instruments		
Net gain (loss) on derecognition of financial instruments at amortized cost		0
Net income from insurance activities		(27,981)
Income from other activities		0
Expense from other activities		0
NET BANKING INCOME	(3,011)	(19,857)

(1) CCCM + Younited.

(in € thousands)	12.31.2019	12.31.2018
	Companies under the equity method	Companies under the equity method
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

Relations with the main corporate officers of Crédit Mutuel Arkéa group

The Board of Directors of Crédit Mutuel Arkéa currently consists, at December 31, 2019, of 21 members appointed for three-year terms:

- 16 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 2019 was €2,050,000 (compared with €1,986,000 in 2018).

The total compensation paid to the group's key corporate officers in 2019 was €3,528,000 (compared with €3,528,000 in 2018).

Except in the case of the Chairman and of the Chief Executive Officer of Crédit Mutuel Arkéa group, 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 group, 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 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.

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 2019 pursuant to IAS 19 for post-employment benefits, other long-term benefits and termination benefits totaled €477,000 (compared with €414,000 in 2018).

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Note 47. Investments in unconsolidated structured entities

(in € thousands) 12.31.2019	Securitization vehicles	Asset management (mutual funds/real estate investment funds)	Other structured entities
Total assets	322,194	3,935,441	0
Carrying amount of financial assets ⁽¹⁾	82,410	1,011,814	0
Carrying amount of financial liabilities ⁽¹⁾	0	0	0
Maximum exposure to risk of loss	82,410	1,011,814	0

(1) Carrying amount of assets and liabilities that Crédit Mutuel Arkéa group 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) 12.31.2018	Securitization vehicles	Asset management (mutual funds/real estate investment funds)	Other structured entities
Total assets	285,469	3,969,456	0
Carrying amount of financial assets ⁽¹⁾	73,769	983,853	0
Carrying amount of financial liabilities ⁽¹⁾	0	0	0
Maximum exposure to risk of loss	73,769	983,853	0

(1) Carrying amount of assets and liabilities that Crédit Mutuel Arkéa group recognizes with respect to the structured entities

Note 48. Scope of consolidation

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2019	12.31.2018	12.31.2019	12.31.2018
Crédit Mutuel Arkéa + Fédérations et Caisses du Crédit Mutuel de Bretagne, du Sud-Ouest et du Massif Central	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	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	France	Banking/Private equity	100.0	100.0	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	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
BUDGET INSIGHT ⁽¹⁾	France	Banking/Banking services	100.0	/	100.0	/
CAISSE DE BRETAGNE DE CREDIT MUTUEL AGRICOLE	France	Banking/Mutual banking	93.3	93.2	93.3	93.2
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANK (branch) ⁽¹⁾	Belgium	Banking/Asset holding company	100.0	/	100.0	/
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANQUE	France	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	Banking/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 ⁽²⁾	France	Banking/Finance leasing	/	100.0	/	100.0
LEASECOM CAR ⁽²⁾	France	Banking/Finance leasing	/	100.0	/	100.0
LEETCHI SA	France	Banking/Services	100.0	100.0	100.0	100.0

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2019	12.31.2018	12.31.2019	12.31.2018
MANGOPAY SA	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
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 ⁽⁴⁾	France	Insurance and asset management/Holding	/	100.0	/	100.0
STRATEO (branch)	Swiss	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	
			12.31.2019	12.31.2018	12.31.2019	12.31.2018
COMPANIES CONSOLIDATED USING THE EQUITY METHOD						
AVIAFUND FUND FACILITY MANAGEMENT GmbH ⁽²⁾	Germany	Insurance and asset management/mutual funds	/	25.3	/	25.9
AVIAFUND FUND SOLUTION SERVICES GmbH ⁽²⁾	Germany	Insurance and asset management/mutual funds	/	25.3	/	25.9
AVIARENT CAPITAL MANAGEMENT SARL ⁽²⁾	Luxembourg	Insurance and asset management/mutual funds	/	25.3	/	25.9
AVIARENT INVEST AG ⁽²⁾	Germany	Insurance and asset management/mutual funds	/	25.3	/	25.9
CAISSE CENTRALE DU CREDIT MUTUEL	France	Banking/Mutual banking	20.6	21.0	20.6	21.0
CODABEL MANAGEMENT ⁽²⁾	Belgium	Insurance and asset management/mutual funds	/	10.4	/	10.7
DS INVESTMENT SOLUTIONS SAS ⁽²⁾	France	Insurance and asset management/mutual funds	/	23.8	/	24.4
FINANSEMBLE	France	Insurance and asset management/Asset management	30.4	30.4	30.4	30.4
HALLES A FOURAGES SCCV ⁽²⁾	France	Insurance and asset management/mutual funds	/	17.8	/	18.3
JIVAI ⁽²⁾	France	Insurance and asset management/Insurance brokerage	/	32.4	/	32.4
LA COMPAGNIE FRANCAISE DES SUCCESSIONS	France	Insurance and asset management/Asset management	32.6	32.6	32.6	32.6
LA FINANCIERE DE L'ECHIQUIER ⁽²⁾	France	Insurance and asset management/mutual funds	/	11.9	/	12.2
LEEMO ⁽²⁾	France	Insurance and asset management/mutual funds	/	11.9	/	12.2
LINK BY PRIMONIAL ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2019	12.31.2018	12.31.2019	12.31.2018
LINXO GROUP	France	Banking/Services	29.8	29.8	29.8	29.8
MARSEILLE FURNITURE SARL ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
MATA CAPITAL ⁽²⁾	France	Insurance and asset management/mutual funds	/	11.9	/	12.2
NEW PORT	France	Banking/Holding	29.9	31.0	29.9	31.0
NEW PRIMONIAL HOLDING ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
OIKO GESTION (EX AIBO GESTION) ⁽²⁾	France	Insurance and asset management/mutual funds	/	15.2	/	15.5
PFP ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL HOLDING ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL IMMOBILIEN GmbH (EX-EC ADVISORS GmbH) ⁽²⁾	Germany	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL LUXEMBOURG ⁽²⁾	Luxembourg	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL LUXEMBOURG FUND SERVICES ⁽²⁾	Luxembourg	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL LUXEMBOURG REAL ESTATE ⁽²⁾	Luxembourg	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL MANAGEMENT ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL MANAGEMENT 2 ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL PARTENAIRES (EX-PATRIMMOFI) ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
PRIMONIAL REIM ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
SEFAL PROPERTY ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.4	/	30.1
SPORTINVEST ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
UPSTONE SAS ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
VIVIENNE INVESTISSEMENT	France	Insurance and asset management/Asset management	34.4	34.4	34.4	34.4
VOLTAIRE CAPITAL ⁽²⁾	France	Insurance and asset management/mutual funds	/	29.7	/	30.5
YOMONI	France	Insurance and asset management/Asset management	34.0	34.5	34.0	34.5
YOUNITED CREDIT	France/Italy/ Spain/Germany	Banking/Services	22.3	25.8	22.3	25.8

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2019	12.31.2018	12.31.2019	12.31.2018
COMPANIES CONSOLIDATED USING THE SHORTCUT METHOD						
AIS MANDARINE ACTIVE	France	Insurance and asset management/mutual funds	78.2	77.2	78.2	77.2
AIS MANDARINE ENTREPRENEURS	France	Insurance and asset management/mutual funds	80.1	73.4	80.1	73.4
AIS MANDARINE MULTI-ASSETS	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
ARKEA CAPITAL 1	France	Banking/mutual funds	100.0	100.0	100.0	100.0
ARKEA CAPITAL MANAGERS ⁽³⁾	France	Banking/mutual funds	/	100.0	/	100.0
AUTOFOCUS CROISSANCE JANVIER 2017 ⁽³⁾	France	Insurance and asset management/mutual funds	/	97.2	/	97.2

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2019	12.31.2018	12.31.2019	12.31.2018
AUTOFOCUS CROISSANCE JUIN 2015	France	Insurance and asset management/mutual funds	94.0	93.9	94.0	93.9
AUTOFOCUS CROISSANCE MAI 2017	France	Insurance and asset management/mutual funds	97.2	97.3	97.2	97.3
AUTOFOCUS CROISSANCE MARS 2015	France	Insurance and asset management/mutual funds	84.8	78.6	84.8	78.6
AUTOFOCUS CROISSANCE NOVEMBRE 2018 ⁽¹⁾	France	Insurance and asset management/mutual funds	80.0	/	80.0	/
AUTOFOCUS CROISSANCE + SEPTEMBRE 2017 ⁽³⁾	France	Insurance and asset management/mutual funds	/	99.3	/	99.3
AUTOFOCUS JANVIER 2016 ⁽³⁾	France	Insurance and asset management/mutual funds	/	92.4	/	92.4
AUTOFOCUS RENDEMENT JANVIER 2018 ⁽¹⁾	France	Insurance and asset management/mutual funds	99.3	/	99.3	/
AUTOFOCUS RENDEMENT JUIN 2018 ⁽¹⁾	France	Insurance and asset management/mutual funds	98.4	/	98.4	/
AUTOFOCUS RENDEMENT DECEMBRE 2014	France	Insurance and asset management/mutual funds	93.4	93.6	93.4	93.6
AUTOFOCUS RENDEMENT MARS 2015	France	Insurance and asset management/mutual funds	93.0	93.1	93.0	93.1
AUTOFOCUS RENDEMENT MARS 2017	France	Insurance and asset management/mutual funds	97.1	97.3	97.1	97.3
AUTOFOCUS SEPTEMBRE 2016 ⁽³⁾	France	Insurance and asset management/mutual funds	/	96.6	/	96.6
BREHAT ⁽¹⁾	France	Insurance and asset management/mutual funds	98.6	/	98.6	/
BREIZH ARMOR CAPITAL ⁽¹⁾	France	Banking/mutual funds	50.0	/	50.0	/
DIAPAZEN CLIMAT SEPTEMBRE 2016	France	Insurance and asset management/mutual funds	97.7	97.8	97.7	97.8
FCT MERIUS SURAVENIR ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FCT OBLIGATION BAUX AC 2019 ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FCT RESIDENTIAL DUTCH MORTGAGE FUND LARGO D ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FCT SCOR SURAVENIR EURO LOANS ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FCT SP EUROCREANCES	France	Insurance and asset management/mutual funds	43.4	43.4	43.4	43.4
FCT SPG DETTE PRIVEE ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FCT SUR PRIV DEBT II	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FCT SURAVENIR CONSO FUND ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FCT SURAVENIR PRIVAT	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FEDERAL AMBITION CLIMAT ⁽¹⁾	France	Insurance and asset management/mutual funds	99.3	/	99.3	/
FEDERAL APAL	France	Insurance and asset management/mutual funds	71.6	74.4	71.6	74.4
FEDERAL CAPITAL INVESTISSEMENT	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FEDERAL CONVICTION GRANDE ASIE	France	Insurance and asset management/mutual funds	81.8	83.9	81.8	83.9
FEDERAL CROISSANCE	France	Insurance and asset management/mutual funds	91.4	90.5	91.4	90.5
FEDERAL ESSOR INTERNATIONAL	France	Insurance and asset management/mutual funds	42.9	45.0	42.9	45.0
FEDERAL IMPACT TERRITOIRES (EX FEDERAL MULTI PME)	France	Insurance and asset management/mutual funds	57.0	67.5	57.0	67.5
FEDERAL INDICIEL JAPON	France	Insurance and asset management/mutual funds	64.4	66.7	64.4	66.7
FEDERAL INDICIEL US	France	Insurance and asset management/mutual funds	53.5	56.0	53.5	56.0
FEDERAL MULTI ACTIONS EUROPE	France	Insurance and asset management/mutual funds	73.8	74.0	73.8	74.0

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2019	12.31.2018	12.31.2019	12.31.2018
FEDERAL MULTI L/S	France	Insurance and asset management/mutual funds	56.4	63.2	56.4	63.2
FEDERAL MULTI OR ET MATIERES 1ERES	France	Insurance and asset management/mutual funds	89.5	89.4	89.5	89.4
FEDERAL MULTI PATRIMOINE	France	Insurance and asset management/mutual funds	90.5	91.4	90.5	91.4
FEDERAL OPPORTUNITE EQUILIBRE ESG	France	Insurance and asset management/mutual funds	99.8	99.9	99.8	99.9
FEDERAL OPPORTUNITE MODERE ESG	France	Insurance and asset management/mutual funds	98.5	98.5	98.5	98.5
FEDERAL OPPORTUNITE TONIQUE ESG	France	Insurance and asset management/mutual funds	99.1	99.0	99.1	99.0
FEDERAL OXYGENE ⁽¹⁾	France	Insurance and asset management/mutual funds	94.2	/	94.2	/
FEDERAL STRATEGIES ACTIVES	France	Banking/mutual funds	/	99.8	/	99.8
FEDERAL SUPPORT COURT TERME ESG	France	Insurance and asset management/mutual funds	38.3	/	38.3	/
FEDERAL SUPPORT MONETAIRE ESG	France	Insurance and asset management/mutual funds	46.0	/	46.0	/
FORMUL'ACTION SECURITE ⁽³⁾	France	Insurance and asset management/mutual funds	/	93.7	/	93.7
FPS SURAVENIR ACTIONS INTERNATIONALES PROTECT	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS LOW VOL	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS MID CAPS ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FPS SURAVENIR ACTIONS PROTECT	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS PROTECT II	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR OVERLAY LOW VOL ACTIONS ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FSP/COMPARTIMENT 5	France	Insurance and asset management/mutual funds	/	42.4	/	42.4
KALEIDOSCOPE ⁽³⁾	France	Insurance and asset management/mutual funds	/	98.5	/	98.5
OPCI CLUB FRANCE RET	France	Insurance and asset management/mutual funds	46.3	46.3	46.3	46.3
OPCI PREIM DEFENSE 2	France	Insurance and asset management/mutual funds	37.5	37.5	37.5	37.5
OPCI PREIM EUROS	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
OPCI PREIM EUROS 2	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
OPCI PREMIUM	France	Insurance and asset management/mutual funds	75.5	89.5	75.5	89.5
OPCI SOFIDY PIERRE EUROPE	France	Insurance and asset management/mutual funds	/	84.5	/	84.5
OPCI TIKEHAU RET PRO	France	Insurance and asset management/mutual funds	39.3	39.3	39.3	39.3
OUessant ⁽¹⁾	France	Insurance and asset management/mutual funds	37.0	/	37.0	/
PRIMO ELITE	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
PRO FEDERAL LIQUIDITES ⁽⁴⁾	France	Insurance and asset management/mutual funds	/	63.3	/	63.3
S.C.I PROGRES PIERRE	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
S.C.I SURAV PIERRE	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
SCI CLOVERHOME	France	Insurance and asset management/mutual funds	50.0	50.0	50.0	50.0
SCI LE VINCI HOLDING	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
SCI PR2 PREIM RET 2	France	Insurance and asset management/mutual funds	38.0	38.0	38.0	38.0

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2019

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2019	12.31.2018	12.31.2019	12.31.2018
SCI SOFIDY CONV IMMO	France	Insurance and asset management/mutual funds	/	52.0	/	52.0
SCI USUFRUIMMO	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
SCPI PIERRE EXPANSION	France	Insurance and asset management/mutual funds	57.0	57.0	57.0	57.0
SCPI PRIMOFAMILY	France	Insurance and asset management/mutual funds	41.3	55.7	41.3	55.7
SCPI PRIMONIA CAP IMMO	France	Insurance and asset management/mutual funds	35.8	40.1	35.8	40.1
SP CONVERTIBLES ⁽¹⁾	France	Insurance and asset management/mutual funds	20.8	/	20.8	/
SP CONVERTIBLES ISR EUROPE ⁽⁴⁾	France	Insurance and asset management/mutual funds	/	26.6	/	26.6
SP HAUT RENDEMENT	France	Insurance and asset management/mutual funds	41.1	38.3	41.1	38.3
SP NS FAMILLE	France	Insurance and asset management/mutual funds	45.3	43.1	45.3	43.1
SP OPPORTUNITES EUROPEENNES	France	Insurance and asset management/mutual funds	35.7	31.2	35.7	31.2
SURAVENIR INITIATIVE ACTIONS	France	Insurance and asset management/mutual funds	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
YOMONI ALLOCATION ⁽¹⁾	France	Insurance and asset management/mutual funds	47.5	/	47.5	/
YOMONI MONDE ⁽¹⁾	France	Insurance and asset management/mutual funds	44.0	/	44.0	/

(1) Companies first-time consolidated in 2019.

(2) Property.

(3) Liquidation.

(4) Merger of assets and liabilities.

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

Lastly, on November 21, 2019, Crédit Mutuel Arkéa purchased Budget Insight, a French fintech company that specializes in white-label BtoB financial data aggregation.

ANC Regulation no.2016-09 (ANC, the French Accounting standard setter) requires companies that prepare their consolidated financial statements in accordance with international standards to publish additional information relating to companies not included in their scope of consolidation as well as significant equity interests. This information is available on the Group website, within the regulatory information section.

Budget Insight is fully consolidated in the accounts of Crédit Mutuel Arkéa.

The following table contains key information about these business combinations:

(in € thousands)	Budget Insight
Date of acquisition	21.11.2019
Acquisition price	29,400
Net IFRS position (100%)	862
Goodwill (100%)	0
Related deferred taxes (100%)	0
Other (100%)	223
Net assets + goodwill	1,085
Consolidation method	Full consolidated
Goodwill recognized on the balance sheet (full goodwill)	28,315
Contribution to the Group's 2019 profit/loss	(379)

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.

Note 50. Events after the reporting period

On September 5, 2019, Crédit Mutuel Arkéa signed a memorandum of understanding with Caisse Fédérale de Crédit Mutuel and the Crédit Mutuel Massif Central federation to define the terms of the separation of the Crédit Mutuel Massif Central federation.

The separation became effective on January 1, 2020.

This transaction is neither a sale nor a distribution. It is a special transaction among shareholders in the mutual and cooperative sector. It does not fall within the scope of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

The main impacts of the withdrawal of the CMMC network are estimated at:

Customer loans: €1.451 billion

Due to customers: €1.180 billion

Contribution to the group's equity: €119 million

3.6 Aggregate financial statements as of December 31, 2019

The Aggregate financial statements correspond to the corporate statements of Crédit Mutuel Arkéa (the group's consolidating entity). They include the accounts of the legal company of Crédit Mutuel Arkéa itself, the local branches and the Federations of Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central. The aggregated financial statements are drawn up in accordance with French accounting standards.

3.6.1 Balance sheet

3.6.1.1 Balance sheet structure

As of December 31, 2019, the balance sheet total of the globalised accounts increased by €11.1 billion to €91.3 billion compared to €80.3 billion in 2018 (+14%).

On the assets side, the cash, due from central banks item is up €6.8 billion. 2.5 billion, mainly due to sustained new business in home loans. 1.7 billion, mainly as a result of the increase in outstanding loans to group subsidiaries in line with the growth in their business and the increase in repayments to CDC of Livret A/LDD passbook savings accounts.

On the liabilities side, borrowings from credit institutions rose by €3.8 billion, reflecting the increase in outstandings placed with credit institutions by the subsidiaries as a result of strong sales and marketing performance in savings inflows. 3.3 billion to 35.8 billion in connection with savings inflows by federations. 2.9 billion, mainly as a result of the increase in outstanding refinancing.

3.6.1.2 The credit institution's shareholders' equity

Shareholders' equity amounted to €6.0 billion. It is made up of shareholders' equity (capital, reserves, etc.) and the Fund for General Banking Risks. Share capital rose by €0.1 billion to €2.4 billion. Almost all of the capital is made up of shares subscribed to by local banks.

The Fund for General Banking Risks amounts to €729.1 million, compared to €715.7 million in 2018. In addition to the amounts allocated to cover general risks, it includes the federal fund set up by the local bank networks, which is involved in financial solidarity mechanisms.

Aggregate financial statements for the year ended 12.31.2019

Balance sheet

(in € thousands)

ASSETS	Notes	12.31.2019	12.31.2018
Cash, due from central banks	1	10,000,756	3,176,987
Treasury bills and similar securities	2	3,777,399	4,384,559
Due from credit institution	3	26,621,625	24,933,506
Transactions with costumers	4	36,722,454	34,213,223
Bonds and other fixed-income securities	5	6,733,381	7,042,640
Stocks and other variable-income securities		154,412	153,705
Equity holdings and other long-term investments	6	416,504	434,767
Share in associates	6	4,791,552	4,076,099
Intangible assets	7	14,393	13,758
Property, plant and equipment	7	217,198	212,526
Other assets	8	1,093,670	890,208
Accruals	9	787,861	719,123
TOTAL		91,331,205	80,251,101

(in € thousands)

LIABILITIES	Notes	12.31.2019	12.31.2018
Liabilities to credit institutions	10	36,750,647	32,960,908
Transactions with customers	11	35,795,189	32,543,612
Debt securities	12	8,504,292	5,614,473
Other liabilities	13	669,079	619,556
Accruals	14	1,025,224	946,614
Provisions	15	122,317	57,510
Subordinated debt	16	2,450,756	1,648,900
Fund for general banking risks (FRGB)		729,124	715,684
Shareholders' equity excluding FRBG	17	5,284,577	5,143,844
Subscribed capital		2,347,978	2,260,952
Additional paid-i, capital		5,438	5,438
Reserves		2,818,081	2,741,661
Regulated provisions and investment subsidies		4,529	4,527
Retained earnings		14,929	13,772
Net income for the year		93,622	117,494
TOTAL		91,331,205	80,251,101

Off-balance sheet items

(in € thousands)

	Notes	12.31.2019	12.31.2018
Commitments given	21	6,948,990	6,639,577
Financing commitments		4,120,701	3,855,353
Guarantee commitments		2,366,899	2,328,326
Securities commitments		461,390	455,898
Commitments received	21	11,753,429	12,546,620
Financing commitments		10,489,282	11,263,033
Guarantee commitments		1,073,245	1,040,619
Securities commitments		190,902	242,968
Financial futures	22	81,016,960	69,547,426

3. FINANCIAL INFORMATION

Aggregate financial statements as of December 31, 2019

3.6.2 Income statement

3.6.2.1 Net income

Net income from the aggregate financial statements amounted to €93.6 million, a decrease of €23.9 million compared to 2018.

3.6.2.2 Net banking income

Net banking income from aggregate financial statements amounted to €851.4 million, a decrease of €131.1 million. Financial margin was down €83.5 million to €446.1 million, marked by the increase in refinancing costs and the unfavourable 2018 base effect on marketable securities, which was reduced by the increase in dividends on equity investments from €19 million to €237 million.

Net commissions increased by €2.1 million to €449.2 million mainly due to the increase in distributor commissions received (insurance products in particular), card commissions and cash flow on means of payment (move upmarket on cards) lessened by the implementation in 2019 of the regulatory cap and the additional actions decided by the Arkéa group on bank fees.

Other net operating expenses increased from €49.7 million to €43.9 million in 2019. This increase is mainly due to the change in the home savings provision.

3.6.2.3 Operating expenses

Operating expenses and depreciation rose by €52.5 million (+6.3%) to €879.9 million in 2019. This change is mainly due to the increase in personnel expenses related to the impact of the remarkable Primonial transaction on profit-sharing and incentive schemes and to the increase in expenses incurred on regulatory and development projects.

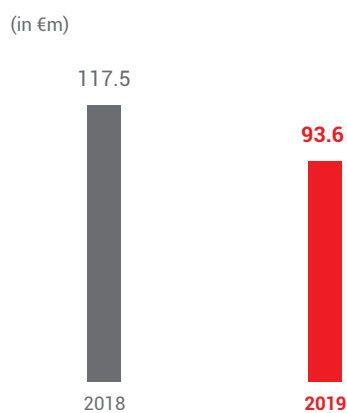
3.6.2.4 Cost of risk

The cost of risk amounted to €21.2 million, up €11.6 million compared to 2018, mainly due to the provisioning in 2019 of the Sentential case.

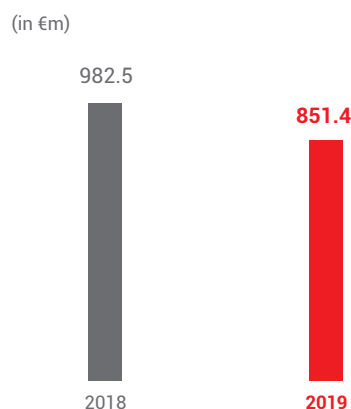
3.6.2.5 Gains or losses on fixed assets

Net gains on other non-current assets increased by €88.5 million to €88.9 million, in connection with the remarkable Primonial and Leasecom transactions.

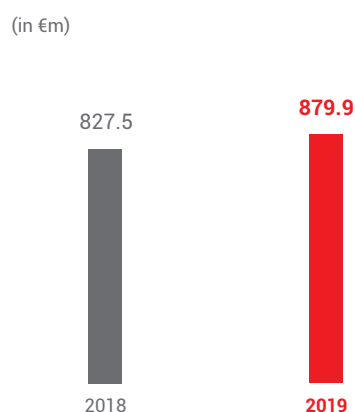
Net income



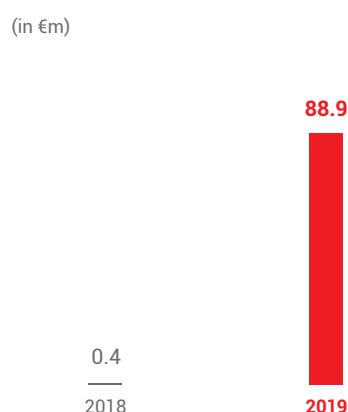
Net banking income



Operating expenses



Gains or losses on fixed assets



Income statement

(in € thousands)	Notes	12.31.2019	12.31.2018
Interest and similar income	23	1,481,273	1,427,942
Interest and similar expense	23	-1,309,623	-1,164,229
Income on variable-income securities	24	236,845	217,876
Commissions income	25	509,189	505,746
Commissions expense	25	-59,950	-58,600
Net gains/(losses) on trading account securities	26	960	1,111
Net gains/(losses) on investment portfolio and similar securities	26	36,600	46,807
Other operating income from banking activities		5,643	12,629
Other operating expense from banking activities		-49,533	-6,783
NET BANKING INCOME		851,404	982,499
General operating expenses	27	-866,347	-814,072
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-13,594	-13,386
GROSS OPERATING INCOME		-28,537	155,041
Cost of risk	28	-21,179	-9,535
OPERATING INCOME		-49,716	145,506
Gains/(losses) on non-current assets	29	88,927	426
RECURRING INCOME BEFORE TAX		39,211	145,932
Non-recurring income/(loss)		-4,681	-3,506
Income tax	30	72,531	34,811
Allocation to/reversals from FRBG and regulated provisions		-13,439	-59,743
NET INCOME		93,622	117,494

3. FINANCIAL INFORMATION

Aggregate financial statements as of December 31, 2019

3.6.2.6 Supplier lead times

Pursuant to 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 trade payables due by due date is as follows:

	Item D,441 I,-1°: Received invoices not paid at the closing date of the financial year whose term has expired						Item D,441 I,-1°: Outstanding invoices issued at the closing date of the financial year whose term has expired					
	0 day (call sign)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	0 day (call sign)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Slices overdue by payment												
Number of invoices concerned						239						
Total amount of invoices concerned T.T.C.	466.79	67,222.62	36,672.37	2,590,369.19		2,694,730.97						
Percentage of the total amount of purchases T.T.C. of the exercise	0.00 %	0.05 %	0.03 %	1.78 %		1.85 %						
Percentage numerical of T.T.C. business of the year												
(B) Invoices excluded from (A) relating to disputed or unrecorded payables and receivables												
Number of excluded invoices												
Montant total des factures exclues												
D) Reference payment periods (contractual or legal period - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Deadlines forpayment used for the calculation of delays for payment	Contractual deadlines:						Contractual deadlines:					
	Legal deadlines :						Legal deadlines :					

The information relating to payment periods mentioned in Article D.441-4 of the French Commercial Code does not include banking and related transactions, as they are not considered to be within the scope of the information to be produced.

For receivables and payables relating to Crédit Mutuel Arkéa customers, please refer to note 19 on the breakdown of certain assets/liabilities, which provides information on their residual maturity.

3.6.2.7 Other mentions**Five-year financial summary and other highlights of the company**

	2015	2016	2017	2018	2019
SHAREHOLDERS' EQUITY AT THE END OF THE YEAR					
Share capital	2,197,182	2,197,670	2,202,426	2,260,952	2,347,978
Number of ordinary shares outstanding	2,196,901,280	2,197,251,242	2,201,414,815	2,259,941,584	2,346,975,060
Number of preferred shares (without right to vote) existing					
Maximum numbers of shares to be created					
■ through exercise of convertible bonds					
■ through exercise of subscription rights					
OPERATIONS AND RESULTS FOR THE YEAR (IN € THOUSANDS)					
Revenues (net of taxes)	2,329,573	2,202,634	2,674,167	2,164,192	2,232,950
Income before tax, employee profit sharing, and allocations to depreciation, amortization and provisions	174,395	155,048	828,924	222,378	105,405
Income tax*	-28,529	-35,476	-9.28	34,811	-72,531
Employee profit sharing due for the year	1,459	4,079	5,584	5,885	4,920
Income after tax, employee profit sharing, and allocations to depreciation, amortization and provisions	160,069	134,542	514,348	117,494	93,622
Earnings per share (in euros)	39,175	37,456	36,824	39,505	37,723
DIVIDENDS (IN EUROS)					
Earnings after tax and employee profit-sharing but before	0.09	0.08	0.38	0.08	0.04
Income after tax, employee profit sharing, and allocations to depreciation, amortization and provisions	0.07	0.06	0.23	0.05	0.04
Dividend per share	0.02	0.02	0.02	0.02	0.02
EMPLOYEES					
Average number of employees during the year	5,479	6,176	6,281	6,128	6,456
Total payroll for the year	234,919	243,598	260,054	263,818	281,825
Employee benefits (Social Security) and others	121,127	120.96	129,951	136,612	134,713

(*) The charge is signed positively and the revenues negatively

Notes

1 - Legal and financial framework and highlights of the year

1-1 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 local savings banks;
- Fédération du Crédit Mutuel du Sud-Ouest and the member Crédit Mutuel local savings banks;
- Fédération du Crédit Mutuel Massif Central and the member Crédit Mutuel local savings banks;
- Crédit Mutuel Arkéa.

These aggregate financial statements pertain to the banking institution called Crédit Mutuel Arkéa whose bank code is 15589

1-2 Highlights of the year

Crédit Mutuel Arkéa, a cooperative and regional bank and a major player in regional economic development, pursued its objectives by recording strong sales growth in 2019.

To support its development and strengthen its balance sheet structure, in 2019 Crédit Mutuel Arkéa issued more than €500 million in non-preferred senior debt and €805 million in Tier 2 subordinated debt. Crédit Mutuel Arkéa issued its first social bond in the second half of 2019. The funds raised will contribute to regional economic development, in line with Crédit Mutuel Arkéa's mission to support and finance the real economy.

The acquisition in the second half of 2019 of 80% of the capital of fintech Budget Insight, the French leader in data aggregation and payment initiation, is enabling Crédit Mutuel Arkéa to pursue its strategy of opening up to new financial services companies and strengthen its positioning as a collaborative bank dedicated to serving its partners and customers.

Against a backdrop of record low interest rates and to support Suravenir's development, in September 2019 Crédit Mutuel Arkéa decided to strengthen the capital of its Suravenir subsidiary by €540 million (including €340 million from the repayment of the shares and subordinated loans issued by the subsidiary).

Income for the year includes the capital gains on the disposal of Primonial and Leasecom.

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

The valuation and presentation methods used this year for the annual financial statements have not changed from the previous year.

General accounting conventions have been applied based on the principle of conservatism in accordance with the following basic assumptions:

- going concern;
- consistency of accounting methods from one year to the next;
- time-period concept

And in accordance with the general rules regarding the preparation and presentation of annual financial statements.

The company 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.

The basic method used to measure the accounting items is the historical cost method. The main methods used are as follows:

Evaluation 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). Accrued on interest on receivables is recognized in the accrued on interest 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

Securities portfolio transactions are accounted for in accordance with the provisions of Regulation ANC 2014-07.

Securities portfolio transactions

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 accrued on interest. 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 accrued on interest. 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. Accrued on interest 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.

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.

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.

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 Accrued on interest 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
Land	not depreciable
Building shell	Corporate buildings and investment properties: 50 years Agencies: 25 years
Roof and siding	25 years
Technical work packages	20 years
Fixtures	3 to 10 years
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

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.

Software intended for internal use is recognized in fixed assets if it is highly probable that the project will be a technical success and the entity expresses its desire to produce the software (General Chart of Accounts Art. 611-3).

Software created by the entity intended for commercial use and software intended for the entity's own purposes is recognized in fixed assets at production cost. Production cost includes only costs related to the detailed design of the application (organic analysis), programming, testing and test cases and drafting of technical documentation for internal or external use (General Chart of Accounts Art. 611-4).

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).

Goodwill

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 behaviour;
- the yield curve and a stochastic modelling 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)	12.31.2019	12.31.2018
Cash	141,598	131,971
Due from central banks	9,859,158	3,045,016
TOTAL	10,000,756	3,176,987

Note 2. Treasury bills and similar securities

(in € thousands)	12.31.2019			12.31.2018		
	Available-for-sale	Investment	Total	Available-for-sale	Investment	Total
Securities held (gross value)	3,772,186	0	3,772,186	4,378,697	0	4,378,697
Related receivables	5,515	0	5,515	6,738	0	6,738
GROSS TOTAL	3,777,701	0	3,777,701	4,385,435	0	4,385,435
Impairment	-302		-302	-876		-876
NET TOTAL	3,777,399	0	3,777,399	4,384,559	0	4,384,559
Unrealized capital gains and losses	58,503	0	58,503	61,048	-	61,048
Difference between acquisition price and redemption price	33,459	0	33,459	23,686	-	23,686

In 2019, 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)	12.31.2019			12.31.2018		
	Sight accounts	Term accounts	Total	Sight accounts	Term accounts	Total
Current accounts	158,247		158,247	814,318		814,318
Loans, securities received under repurchase agreements		26,387,236	26,387,236		24,054,478	24,054,478
Related receivables	282	75,860	76,142	355	64,355	64,710
TOTAL	158,529	26,463,096	26,621,625	814,673	24,118,833	24,933,506

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Subordinated assets

(in € thousands)	12.31.2019	12.31.2018
Due from credit institutions	840,173	840,370

Note 4. Transactions with customers - Assets

(in € thousands)	12.31.2019	12.31.2018
Commercial receivables	3,899	4,663
Related receivables	0	0
Loans and credit	35,890,669	33,429,800
Related receivables	51,590	25,020
Current accounts	483,203	446,098
Related receivables	6,861	7,292
Non-performing loans	608,344	617,496
Of which irrecoverable non-performing loans	477,746	483,851
Related receivables	109,115	102,249
Impairment	-431,227	-419,395
Of which impairment on irrecoverable non-performing loans	336,798	-323,579
TOTAL	36,722,454	34,213,223

Banque de France-eligible receivables on behalf of the Arkéa group totalled €2,171,860,000 in 2019.

Impairment and provisions for credit risk recorded for transactions with customers

(in € thousands)	12.31.2018	Allocations	Reversals	Other chg.	12.31.2019
Impairment deducted from assets	419,395	162,979	-157,183	6,036	431,227
Provisions recorded under liabilities	12,476	4,223	-5,678	0	11,021
in respect of signature commitments	6,005	2,886	-3,623	0	5,268
in respect of customer receivables	6,471	1,337	-2,055	0	5,753
TOTAL	431,871	167,202	-162,861	6,036	442,248

Note 5. Bonds and other fixed-income securities

(in € thousands)	12.31.2019				12.31.2018			
	Trading	Available-for-sale	Invest.	Total	Trading	Available-for-sale	Invest.	Total
Securities held (gross value)	-	6,709,797	-	6,709,797	-	6,996,442	-	6,996,442
Accrued interest	-	31,124	-	31,124	-	52,203	-	52,203
GROSS TOTAL	-	6,740,921	-	6,740,921	-	7,048,645	-	7,048,645
Impairment	-	-7,540	-	-7,540	-	-6,005	-	-6,005
NET TOTAL	-	6,733,381	-	6,733,381	-	7,042,640	-	7,042,640
Unrealized capital gains and losses	-	6,281	-	6,281	-	12,217	-	12,217
Difference between acquisition price and redemption price	-	42,100	-	42,100	-	61,697	-	61,697

En 2019, there were no transfers among the various categories of securities.

Note 6. Equity holdings, other long-term investments and shares in associates

(in € thousands)	12.31.2018	Increase	Decrease	Others	12.31.2019
Equity holdings					
Gross value	365,557	27,796	-64,511	21,265	350,107
Impairment	-8,316	-2,001			-10,317
NET VALUE	357,241	25,795	-64,511	21,265	339,790
Other long-term investments					
Gross value	78,814	9,394	-7,515	-1,131	79,562
Impairment	-1,288	-1,560			-2,848
NET VALUE	77,526	7,834	-7,515	-1,131	76,714
Associates					
Gross value	3,763,743	792,556	-56,700	-20,014	4,479,585
Allocated loss	312,391				312,391
Impairment	-35	-423	34		-424
NET VALUE	4,076,099	792,133	-56,666	-20,014	4,791,552

Equity holdings and shares in associates held at credit institutions amounted to €1,627,961,000.

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 12.31.2019.

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

List of subsidiaries and equity holdings

Company name and address	Share of capital held	Shareholders' equity (in € thousands)	Last year profit/loss (in € thousands)
DETAILED INFORMATION ON EACH SECURITY WHOSE GROSS VALUE EXCEEDS 1% OF CAPITAL			
1. SUBSIDIARIES (COMPANIES MORE THAN 50% HELD)			
SOCIETE CIVILE IMMOBILIERE INTERFEDERALE ⁽¹⁾ 1, rue Louis Lichou - 29480 LE RELECQ KERHUON/BREST	83.24%	171,304	5,420
CRÉDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANQUE 1, rue Dôme BP 102-67000 STRASBOURG	100.00%	268,566	33,627
ARKEA PUBLIC SECTOR SFH 232, rue Général Paulet - 29802 BREST CEDEX	100.00%	74,438	2,112
ARKEA PUBLIC SECTOR SCF 1, rue Louis Lichou - 29480 LE RELECQ-KERHUON/BREST	100.00%	100,103	340
ARKEA BANKING SERVICES Place de la Pyramide - Tour Ariane La Défense - 92800 PUTEAUX	100.00%	41,714	2,124
ARKEA BANQUE ENTREPRISES ET INSTITUTIONNELS 1, rue Louis Lichou - 29480 LE RELECQ-KERHUON/BREST	100.00%	1,199,437	88,710
ARKEA CRÉDIT BAIL 255, rue de Saint-Malo - 35000 RENNES	100.00%	31,952	-3,199
FINANCO 335, rue Antoine de Saint-Exupéry - 29490 GUIPAVAS	100.00%	120,913	15,212
ARKEA CAPITAL MANAGERS HOLDING SLP 1 RUE LOUIS LICHOU 29480 LE RELECQ-KERHUON	100.00%	40,502	-243
ARKEA CAPITAL PARTENAIRE S.L.P. 1, rue Louis Lichou - 29480 LE RELECQ KERHUON/BREST	100.00%	203,051	-2,252
ARKEA CAPITAL INVESTISSEMENT 1, rue Louis Lichou - 29480 LE RELECQ-KERHUON/BREST	99.99%	249,407	21,599
ARKEA FONCIÈRE 1, rue Louis Lichou - 29480 LE RELECQ KERHUON/BREST	98.08%	118,237	2,441
ARKEA BOURSE RETAIL 1, rue Louis Lichou - 29480 LE RELECQ-KERHUON/BREST	99.99%	398,576	14,642
NOUVELLE VAGUE 1 RUE LOUIS LICHOU 29480 LE RELECQ-KERHUON	100.00%	5,008	-10,058
SURAVENIR 232, rue Général Paulet - 29802 BREST CEDEX	100.00%	1,731,855	172,757
SURAVENIR ASSURANCES 2, rue Vasco de Gama - 44800 St HERBLAIN	100.00%	131,713	34,174
FEDERAL EQUIPEMENTS 1, rue Louis Lichou - 29480 LE RELECQ KERHUON/BREST	100.00%	132,867	-16
MONEXT Tour Ariane 5, Place de la Pyramide 92088 PARIS LA DÉFENSE - CEDEX	100.00%	81,826	7,766
LEETCHI SA 14, Boulevard Poissonnière - 75009 PARIS CEDEX	98.02%	2,523	-674
2. EQUITY HOLDINGS AND ASSOCIATES (10% TO 50% HELD)			
Vermeg N.V. ⁽²⁾ Strawinskylaan 411 - 1077XX AMSTERDAM, NETHERLANDS	19.50%	63,248	1,806
YOUNITED ⁽³⁾ 21 rue de Châteaudun - 75009 PARIS	22.28%	80,414	-13,105
CAISSE CENTRALE DU CRÉDIT MUTUEL 88-90, rue Cardinet - 75847 PARIS CEDEX 17	20.56%	590,350	14,796

(1) The securities of SCI Interfédérale are classified as property, plant and equipment.

(2) Data at 12.31.2018.

(3) Data at 12.31.2019.

Transactions with associates and equity holdings

(in € thousands)	EQUITY HOLDINGS AND ASSOCIATES		SUBSIDIARIES	
	12.31.2019	12.31.2018	12.31.2019	12.31.2018
DETAILED INFORMATION ON EACH SECURITY WHOSE GROSS VALUE EXCEEDS 1% OF CAPITAL				
ASSETS				
CAPITAL HELD	72,930	90,887	2,986,945	2,254,140
OTHER USES				
Receivables	717,877	735,395	17,537,460	14,442,903
Bonds and other fixed-income securities			1,467,839	108,746
TOTAL USES	790,807	826,282	21,992,244	16,805,789
LIABILITIES				
Debt	32,229	14,846	21,269,809	12,424,329
Debt securities			98,412	419,524
TOTAL SOURCES	32,229	14,846	21,368,221	12,843,853
COMMITMENTS GIVEN				
Financing commitments			604,671	209,000
Guarantee commitments			661,350	609,951
TOTAL COMMITMENTS GIVEN			1,266,021	818,951
COMMITMENTS RECEIVED				
Financing commitments				
Guarantee commitments			431,370	392,585
TOTAL COMMITMENTS RECEIVED			431,370	392,585

Au 12.31.2019, 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)	12.31.2018	Increase	Decrease	12.31.2019
INTANGIBLE ASSETS				
Gross amount	35,858	3,596	-2,064	37,390
Depreciation	-22,100	-897	-	-22,997
NET AMOUNT	13,758	2,699	-2,064	14,393
PROPERTY, PLANT AND EQUIPMENT				
Gross amount	514,179	19,159	-29,792	503,546
Depreciation	-301,653	-12,776	28,081	-286,348
Impairment	-	-	-	-
NET AMOUNT	212,526	6,383	-1,711	217,198

No impairment expense was recorded for intangible assets and property, plant and equipment in 2019.

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).

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Note 8. Other assets

(in € thousands)	12.31.2019	12.31.2018
Government	208,518	202,565
Home savings premium	25,329	26,377
Deferred tax assets	42,024	39,529
Securities transactions	-	1
Premiums paid on conditional instruments purchased	7,721	7,157
Guarantee deposits paid	738,329	429,193
Other misc. debtors	71,749	185,386
TOTAL	1,093,670	890,208

Note 9. Accruals - Assets

(in € thousands)	12.31.2019	12.31.2018
Uncleared transactions	272,901	226,031
Adjustment accounts	11,644	15,164
Share premiums negotiable debt securities and bond issues	35,738	17,507
Prepaid expenses	60,107	76,617
Accrued income	383,038	364,269
Miscellaneous accrual accounts	24,433	19,535
TOTAL	787,861	719,123

Note 10. Liabilities to credit institutions

(in € thousands)	12.31.2019			12.31.2018		
	Sight accounts	Term accounts	Total	Sight accounts	Term accounts	Total
Current accounts	8,383,850	0	8,383,850	7,456,356	0	7,456,355
Loans and securities sold under repurchase agreements	0	26,604,167	26,604,167	0	23,679,236	23,679,236
Securities sold under repurchase agreements	0	1,635,084	1,635,084	0	1,694,675	1,694,676
Related receivables	1,208	126,338	127,546	1,315	129,326	130,641
TOTAL	8,385,058	28,365,589	36,750,647	7,457,671	25,503,237	32,960,908

Note 11. Transactions with customers - Liabilities

(in € thousands)	12.31.2019			12.31.2018		
	Sight accounts	Term accounts	Total	Sight accounts	Term accounts	Total
Savings accounts governed by special regulations	14,189,829	5,505,300	19,695,129	13,128,587	5,434,575	18,563,162
Accrued interest on savings accounts	81,591	101,941	183,532	81,304	109,529	190,833
Current accounts	11,779,790	0	11,779,790	9,957,858	0	9,957,858
Term accounts and loans	550,000	3,571,941	4,121,941	50,000	3,758,777	3,808,777
Securities sold under repurchase agreements	0	0	0	0	0	0
Accrued interest	7,313	7,484	14,797	8,347	14,635	22,982
TOTAL	26,608,523	9,186,666	35,795,189	23,226,096	9,317,516	32,543,612

Note 12. Debt securities

(in € thousands)	12.31.2019			12.31.2018		
	Principal	Accrued interest	Total	Principal	Accrued interest	Total
Certificates of deposit	9,262	232	9,494	7,318	325	7,643
Interbank market securities and negotiable debt securities	2,923,097	3,313	2,926,410	2,580,410	7,843	2,588,253
Bond issues	5,520,341	48,047	5,568,388	2,989,901	28,676	3,018,577
TOTAL	8,452,700	51,592	8,504,292	5,577,629	36,844	5,614,473

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Bond issues

Issue date	Amount (in € thousands)	Type	Term (in years)	Interest rate
06.17.2005	100,000	International bonds	15	Indexed rate
11.25.2005	80,000	International bonds	15	Indexed rate
11.25.2005	50,000	International bonds	15	Indexed rate
02.16.2007	35,000	International bonds	15	Indexed rate
04.02.2007	50,000	International bonds	15	Indexed rate
06.04.2007	50,000	International bonds	15	Indexed rate
06.11.2007	100,000	International bonds	15	Indexed rate
11.05.2007	30,000	International bonds	14	Indexed rate
08.04.2010	11,000	International bonds	12	5%
03.15.2011	100,000	International bonds	10	5,000%
04.15.2011	50,000	International bonds	10	Indexed rate
08.12.2011	22,000	International bonds	18	E3M + 1.55%
10.31.2011	40,000	International bonds	20	E3M
03.02.2012	18,783	International bonds	8	4.5%
03.02.2012	105,411	International bonds	8	4,500%
01.26.2015	500,000	International bonds	8	1,000%
05.31.2017	500,000	International bonds	7	1,250%
12.21.2017	20,000	International bonds	10	6,000%
12.21.2017	74,806	International bonds	10	6,000%
12.21.2017	3,118	International bonds	10	6,000%
12.21.2017	18,447	International bonds	10	6,000%
03.08.2018	19,000	International bonds	12	1,850%
09.06.2018	5,000	International bonds	20	2,850%
09.10.2018	6,045	International bonds	10	7,000%
09.10.2018	191,993	International bonds	10	7,000%
09.21.2018	5,000	International bonds	20	2,060%
10.02.2018	5,000	International bonds	23	3,000%
10.05.2018	500,000	International bonds	5	0.9%
11.07.2018	300,000	International bonds	2	E3M + 0.3%
12.28.2018	12,000	International bonds	15	1,860%
01.17.2019	500,000	International bonds	6	1,380%
03.25.2019	10,000	International bonds	20	2,640%
03.27.2019	10,000	International bonds	15	1,910%
04.15.2019	500,000	International bonds	7	1,630%
05.23.2019	500,000	International bonds	10	1,130%
09.20.2019	150,613	International bonds	10	3,500%
09.20.2019	44,625	International bonds	10	0,000%
09.24.2019	10,000	International bonds	20	1,170%
10.03.2019	500,000	International bonds	9	0,380%
10.14.2019	25,000	International bonds	17	0,730%
10.29.2019	17,500	International bonds	2	E3M + 0.65%
11.26.2019	100,000	International bonds	2	E3M + 0.65%
12.03.2019	100,000	International bonds	2	E3M + 0.65%
12.12.2019	50,000	International bonds	2	E3M + 0.65%
	5,520,341			

Note 13. Other liabilities

(in € thousands)	12.31.2019	12.31.2018
Premiums received on conditional instruments sold	3,365	6,049
Guarantee deposits received on financial instruments	346,758	268,311
Government	67,690	86,170
Deferred tax liabilities	-	-
Compensation due to personnel	103,191	96,645
Payroll taxes	25,834	51,726
Outstanding payments on securities	100,033	75,007
Misc.	22,208	35,648
TOTAL	669,079	619,556

Note 14. Accruals - Liabilities

(in € thousands)	12.31.2019	12.31.2018
Blocked accounts for collection operations	357,785	361,309
Deferred income	369,823	319,061
Accrued expenses	261,327	225,578
Adjustment accounts	4,753	6,317
Miscellaneous accrual accounts	31,536	34,349
TOTAL	1,025,224	946,614

Note 15. Provisions

(in € thousands)	12.31.2018	Allocations	Reversals (used)	Reversals (unused)	Other changes	12.31.2019
Provisions for signature commitment risks	6,005	2,886	-	-3,622	-	5,269
Provisions for pension obligations	9,354	34,053	-	-97	-	43,310
Provisions for personnel expenses	1,056	216	-	-601	-	671
Provisions for lawsuits	490	-	-99	-140	-	251
Provisions for home savings accounts and plans	18,449	40,919	-	-	-	59,368
Other provisions	22,156	1,758	-5,616	-4,965	115	13,448
TOTAL	57,510	79,832	-5,715	-9,425	115	122,317
Net change	-	-	-	-	64,807	-

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 0.62%. 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 0.15% et 7.11% and a gross salary increase rate, excluding inflation, of between 2.55% et 2.57%. 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)	12.31.2019	12.31.2018
Net banking income	39,985	4,774
General operating expenses	29,481	-14,749
Cost of risk	-736	-851
Corporate income tax	77	14
TU P CEOI	-	-268
Special	-4,000	-
TOTAL	64,807	-11,080

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

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)	12.31.2019		12.31.2018	
	Encours	Provisions	Encours	Provisions
Home savings plans	5,325,274	-59,195	5,158,507	-18,123
Under 4 years old	298,467	-43	1,056,361	-8
Between 4 and 10 years old	3,157,073	-23,300	2,275,676	-2,833
Over 10 years old	1,869,734	-35,852	1,881,322	-15,282
Home savings accounts	711,247	-	686,309	-1
TOTAL	6,036,521	-59,195	5,844,816	-18,124

Loans granted under home savings accounts and plans: deposits and provisions

(in € thousands)	12.31.2019		12.31.2018	
	Encours	Provisions	Encours	Provisions
Home savings plans	2,633	-6	3,868	-13
Home savings accounts	21,862	-167	34,286	-312
TOTAL	24,495	-173	38,154	-325

Note 16. Subordinated debt

Subordinated debt representing at least 10% of total subordinated debt	Amount (in € thousands)	Currency	Interest rate	Due date	Conditions of subordination	Possibility of early repayment
Subordinated notes	500,000	EUR	3.25%	06.01.2026	Tier 2 Capital	No
Subordinated notes	500,000	EUR	3.50%	02.09.2029	Tier 2	Yes
Subordinated notes	500,000	EUR	1.88%	10.25.2029	Tier 2	Yes
Subordinated notes	25,000	EUR	3.81%	01.28.2031	Tier 2	Yes
Subordinated notes	750,000	EUR	3.38%	03.11.2031	Tier 2	Yes
Subordinated notes	30,000	EUR	3.40%	03.14.2031	Tier 2	Yes
Deeply subordinated notes	97,314	EUR	CMS 10 + 0.10	07.05.2057	Tier 1 Capital	Yes
Accrued interest	48,442					-
TOTAL	2,450,756					

Note 17. Shareholders' equity excluding FRBG

(in € thousands)	Start of year	Allocation prior year profit	Other changes during the year	Change during the year	End of year
Capital	2,260,952	-		87,026	2,347,978
Additional paid-in capital	5,438	-		-	5,438
Total reserves	2,741,661	76,420		-	2,818,081
Legal reserve	495,763	14,030		-	509,793
Optional and statutory reserves	2,186,858	62,390		-	2,249,248
Long-term capital gains reserves	-	-		-	-
Other reserves	59,040	-		-	59,040
Regulated provisions	4,527	2		-	4,529
Retained earnings	-	-		-	-
Deferred losses	13,772	1,157		-	14,929
Debtor carry forward	-	-		-	-
Profit/loss for the year	117,494	-117,084	-410	93,622	93,622
Interest paid on shares	-	39,505		-	-
TOTAL	5,143,844	-	-410	180,648	5,284,577

The capital consists of A shares for €27,932,000, B shares for €36,657,000, new B shares for €2,275,755,000 and C shares for €7,634,000.

Note 18. Transactions with network banks

(in € thousands)	12.31.2019	12.31.2018
Due from network banks	731,149	1,330,684
Sight accounts	73,409	728,558
Term accounts	657,740	602,126
Due to network banks	58,350	58,371
Sight accounts	58,350	58,371
Term accounts	-	-

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Note 19 Breakdown of certain assets/liabilities according to their residual maturity

(in € thousands)	T < 3 months	3M < T < 1 year	1 year < T < 5 years	T > 5 years	Accrued interest payable and receivable	Total
ASSETS						
Amounts due from credit institutions	3,580,512	6,187,827	6,761,920	10,015,224	76,142	26,621,625
Sight accounts	158,247	0	0	0	282	158,529
Term accounts	3,422,265	6,187,827	6,761,920	10,015,224	75,860	26,463,096
Amounts due from customers	1,853,382	2,804,622	11,894,556	20,134,552	35,342	36,722,454
Commercial receivables	3,899	0	0	0	0	3,899
other customer loans	1,346,292	2,804,622	11,894,556	20,134,552	28,481	36,208,503
overdrafts	503,191	0	0	0	6,861	510,052
Bonds and other fixed-income securities	352,789	1,160,012	3,130,608	2,058,848	31,124	6,733,381
LIABILITIES						
Liabilities to credit institutions	8,720,030	4,475,882	11,300,349	12,126,841	127,545	36,750,647
Sight accounts	8,383,851	0	0	0	1,207	8,385,058
Term accounts	336,179	4,475,882	11,300,349	12,126,841	126,338	28,365,589
Transactions with customers	28,885,372	2,811,049	2,067,964	1,832,475	198,329	35,795,189
savings accounts governed by special regulations	16,084,289	668,550	1,698,145	1,244,144	183,532	19,878,660
Sight accounts	14,189,829	0	0	0	81,591	14,271,420
Term accounts	1,894,460	668,550	1,698,145	1,244,144	101,941	5,607,240
other liabilities	12,801,083	2,142,499	369,819	588,331	14,797	15,916,529
Sight accounts	12,329,791	0	0	0	7,313	12,337,104
Term accounts	471,292	2,142,499	369,819	588,331	7,484	3,579,425
Debt securities	934,656	2,365,190	2,355,131	2,797,723	51,592	8,504,292
certificates of deposit	951	180	8,131	0	232	9,494
interbank market securities and negotiable debt securities	809,511	1,835,000	153,500	125,086	3,313	2,926,410
bond issues	124,194	530,010	2,193,500	2,672,637	48,047	5,568,388

Note 20. Assets and liabilities in foreign currencies

Assets and liabilities in foreign currencies at December 31, 2019 totalled €150,979,000 and €132,314,000, respectively.

Note 21. Banking activity commitments

(in € thousands)	12.31.2019	12.31.2018
COMMITMENTS GIVEN		
Financing commitments	4,120,701	3,855,353
to credit institutions	391,349	329,000
to customers	3,729,352	3,526,353
Guarantee commitments	2,366,899	2,328,326
to credit institutions	58,925	66,841
to customers	2,307,974	2,261,485
Securities commitments	461,390	455,898
other commitments given	461,390	455,898
COMMITMENTS RECEIVED		
Financing commitments	10,489,282	11,263,033
received from credit institutions	10,489,282	11,263,033
Guarantee commitments	1,073,245	1,040,619
received from credit institutions	1,073,245	1,040,619
Securities commitments	190,902	242,968
other commitments received	190,902	242,968

The financing commitments given include the €9.35 million cash advance made to the CRH to ensure its operation.

Breakdown of assets provided as security for liabilities

(in € thousands)	12.31.2019
Banque de France	11,683,153
Caisse des Dépôts et Consignations	1,001,270
European Investment Bank	648,276
Arkéa Home Loans SFH	9,556,759
Caisse de Refinancement de l'Habitat	260,602
Arkéa Public Sector SCF	66,644
TOTAL	23,216,704

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Note 22. Financial futures transactions

Nominal value of the contracts

By type

(in € thousands)	12.31.2019			12.31.2018		
	Hedging transactions	Other transactions	Total	Hedging transactions	Other transactions	TOTAL
FIRM TRANSACTIONS						
Transactions on organized markets	-	-	-	-	-	-
Other transactions	-	-	-	-	-	-
Over-the-counter transactions	23,539,902	-	23,539,902	23,419,875	-	23,419,875
CONDITIONAL TRANSACTIONS						
Interest rate floors/caps	-	-	-	-	-	-
Purchased	7,477,207	-	7,477,207	8,732,609	-	8,732,609
Sold	5,744,849	-	5,744,849	6,676,263	-	6,676,263
Interest rate, currency and other options	-	-	-	-	-	-
Purchased	358,123	-	358,123	489,604	-	489,604
Sold	358,123	-	358,123	489,593	-	489,593
TOTAL	81,016,960	-	81,016,960	69,547,426	-	69,547,426

By residual maturity

(in € thousands)	12.31.2019			TOTAL
	Less than 1 year	1 to 5 years	more than 5 years	
INTEREST RATE INSTRUMENTS				
Over-the-counter market				
Interest rate swaps	8,046,641	24,675,787	34,356,231	67,078,659
Interest rate floors/caps	1,737,523	7,404,019	4,080,514	13,222,056
Other options	576,080	140,166	-1	716,245
TOTAL	10,360,244	32,219,972	38,436,744	81,016,960

Fair value

(in € thousands)	12.31.2019	12.31.2018
Interest rate instruments	-76,376	131,409
Other options	-	-

Note 23 Interest, similar income and expense

(in € thousands)	12.31.2019		12.31.2018	
	Income	Expense	Income	Expense
Transactions with credit institutions (*)	756,107	-965,883	682,047	-829,304
Transactions with customers	698,601	-260,899	717,542	-269,358
Bonds and other fixed-income securities	18,733	-82,822	20,100	-65,004
Other transactions	7,832	-19	8,253	-563
TOTAL	1,481,273	-1,309,623	1,427,942	-1,164,229

(*) Of which expenses on transactions related to subordinated debt: €78,610,000 at 12.31.2019 and €67,099,000 at 12.31.2018

Note 24 Income on variable-income securities

(in € thousands)	12.31.2019	12.31.2018
Stocks and other variable-income securities	4,858	5,386
Equity holdings and other long-term investments	-	-
Shares in associates	231,987	212,490
TOTAL	236,845	217,876

Note 25. Fee and commission income/expense

(in € thousands)	12.31.2019		12.31.2018	
	Income	Expense	Income	Expense
Transactions with credit institutions	6,163	-566	5,265	-574
Transactions with customers	45,762	-248	38,809	-298
Securities transactions	894	-656	755	-672
Foreign exchange transactions	288	-	263	-17
Off-balance sheet transactions	12,339	-15,153	9,801	-16,680
Provision of financial services	443,743	-43,327	450,853	-40,359
TOTAL	509,189	-59,950	505,746	-58,600

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Note 26. Gains/(losses) on portfolio transactions

Trading books

(in € thousands)	12.31.2019	12.31.2018
Trading securities transactions	451	-
Foreign exchange transactions	1,211	3,023
Financial futures transactions	-702	-1,912
Interest rate	-702	-1,912
Misc.	-	-
TOTAL	960	1,111

Investment portfolios and similar securities

(in € thousands)	12.31.2019	12.31.2018
Available-for-sale securities transactions	-	-
Capital gains on disposals	44,658	51,189
Capital losses on disposals	-4,595	-13,465
Provisions for impairment	-14,679	-6,273
Reversals of impairment	11,216	15,356
TOTAL	36,600	46,807

Note 27. General operating expenses

(in € thousands)	12.31.2019	12.31.2018
Personnel expenses	-567,658	-530,198
Salaries and wages	-282,801	-264,863
Payroll taxes	-164,303	-151,166
of which pension expenses	-59,238	-43,915
Mandatory and optional employee profit-sharing	-74,952	-67,803
Related taxes other than on income	-45,602	-46,366
Other administrative expenses	-298,689	-283,874
Taxes other than on income	-33,099	-35,667
External services	-487,384	-457,019
Re-invoiced expenses	221,794	208,812
TOTAL	-866,347	-814,072

Breakdown of paid staff

	12.31.2019	12.31.2018
	Paid staff	Paid staff
Employees	2,880	2,862
Management and supervisors	3,576	3,456
TOTAL	6,456	6,318

The total compensation paid to members of the Board of Directors was €2,050,000.

The total compensation paid to the Chief Executive Officer and the Associate Executive Officers was €1,927,000.

Note 28. Cost of risk

(in € thousands)	12.31.2019	12.31.2018
Dotations	-103,448	-72,725
Reversals used	16,426	21,565
Reversals that became available	86,686	63,559
Recovery of written-off loans	1,808	2,022
Provisioned bad debt	-18,320	-21,565
Unprovisioned bad debt	-6,646	-2,255
Receivable	-1,343	-1,382
	-	-
Off-balance sheet risk	3,033	711
	-1,100	-300
Securities	1,725	835
Provisions for other risks and charges	-	-
	-	-
BALANCE	-21,179	-9,535

Note 29. Gains/(losses) on non-current assets

(in € thousands)	Provisions for impairment	Capital losses on disposals	Reversals of impairment	Capital gains on disposals	12.31.2019
Property, plant and equipment and intangible assets	-	-2,203	-	282	-1,921
Equity holdings and other long-term investments	-1,967	-30	19	73,493	71,515
Shares in associates	-	-	-	19,333	19,333
Investment securities	-	-	-	-	-
TOTAL	-1,967	-2,233	19	93,108	88,927

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Note 30 Income tax

(in € thousands)	12.31.2019	12.31.2018
Current tax expense excluding contribution of consolidated subsidiaries	-114,521	-133,736
Contribution of consolidated subsidiaries	184,556	167,960
Carry-back claim	-	-
Net deferred tax expense and misc.	2,496	587
TOTAL	72,531	34,811
Pre-tax income, non-recurring income and FRBG	39,212	145,932
EFFECTIVE TAX RATE	184.97%	23.85%

Tax expenses are borne by the consolidated companies as if there were no tax consolidation.

The effective tax rate at 12.31.2019 was as follows:

	12.31.2019	12.31.2018
Statutory tax rate (including contributions)	34.43%	34.43%
Permanent differences	-144.76%	-27.81%
Temporary differences	59.63%	-1.29%
Taxation at reduced rates	-12.03%	-5.64%
Impact of tax loss	-39.75%	-5.71%
Other	-82.50%	-17.82%
EFFECTIVE TAX RATE	-184.98%	-23.85%

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 Arkéa,
1, rue Louis Lichou
29480 Le Relecq-Kerhuon
BREST

Note 34. Events after the balance sheet date

On September 5, 2019, Crédit Mutuel Arkéa signed a memorandum of understanding with Caisse Fédérale de Crédit Mutuel and the Crédit Mutuel Massif Central Federation to define the terms of the separation of the Crédit Mutuel Massif Central federation.

The separation became effective on January 1, 2020.

As of January 1, 2020, pursuant to Regulation R. 511-3 of the French Monetary and Financial Code, Crédit Mutuel Arkéa's publishable aggregate financial statements therefore include:

- 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;

■ Crédit Mutuel Arkéa.

These aggregate financial statements pertain to the banking institution called Crédit Mutuel Arkéa whose bank code is 15589.

CMMC's contribution to the main balance sheet items of Crédit Mutuel Arkéa's aggregate financial statements is as follows:

- Customer loans: €1,454,870,000
- Due to customers: €1,179,696,000
- Contribution to shareholders' equity in Crédit Mutuel Arkéa's aggregate financial statements: €114,398,000.

4.

Risks

4.1 Risk factors	198	4.5 Structural interest rate and liquidity risks	229
4.2 Risk management function	212	4.6 Risks specific to the insurance business	232
4.3 Credit risk	214	4.7 Market risk	235
4.4 Operational Risk	222		

4.1 Risk factors

The Arkéa group is exposed to three main categories of risk, which are described in detail on the following pages⁽¹⁾:

- **Macroeconomic and regulatory environment risks:** these risks are likely to affect all banking institutions;
- **Risks related to the Arkéa group's business profile:** these include credit, market, interest rate, liquidity and operational risks. These risks could materialize in isolation at Arkéa within the banking or insurance business, or result from systemic causes as listed in the previous point;
- **Strategic risks:** these correspond to the risk of failure to implement the Group's major orientations in terms of business model, human resources management and competitive positioning. They also include the Arkéa group's plan to disaffiliate from the Crédit Mutuel group.

Information relating to Pillar 3 of Basel III is available on the Arkéa Group's website, under the heading "Pillar 3 Report", in the "Investors" section, under "Financial Information".

4.1.1 Risks related to the Arkéa group's macroeconomic and regulatory environment

4.1.1.1 Macroeconomic risks

The level of public and private debt is likely to constitute a systemic risk

The market environment is marked by the action taken by central banks in response to the 2009 crisis. The combined balance sheets of the main central banks have more than tripled since 2008, as a result of⁽²⁾ accommodative monetary policies (lowering key rates) and unconventional policies (notably the repurchase of securities by the US Federal Reserve and then the ECB). The fall in short and long-term rates was accompanied by an increase in the debt of public and private players. France's public debt reached €2,415 billion at the end of September 2019, *i.e.* 100% of GDP, compared with less than 70% in 2008⁽³⁾. The private debt of non-financial companies increased by 15 points over the same period, and household debt by 11 points⁽⁴⁾.

To date, the increase in debt has had limited effects on the solvency of public and private players. French banks posted very low risk-related costs and a downward trend in doubtful-loan rates,⁽⁵⁾ thanks to low interest rates, which helped to contain the cost of debt, and to⁽⁶⁾ progress in risk management. The average CET1 rose by two points between December 2014 and September 2019⁽⁷⁾, in response to the supervisor's increased requirements.

However, various authorities are calling for vigilance with regard to the risk associated with indebtedness. The IMF warns against the increase in public and private debt at the global level, which rose by 14.6% between April and November 2019⁽⁸⁾. In France, the HCSF⁽⁹⁾ points out that the share of loans with an effort rate of more than 33% of income has increased by 5 percentage points since 2015.

The level of indebtedness could constitute a systemic risk under the following assumptions:

- in the event of rising inflation and/or investors' perception of risk, leading to an increase in interest rates, as a result of central bank action or the law of supply and demand;
- if corporate or sovereign securities are downgraded by rating agencies, leading to an increase in the cost of financing, especially for companies moving into the speculative (*high-yield*) category;
- in the event of a fall in disposable income to cover interest, affecting households facing rising unemployment or companies suffering a fall in operating surpluses.

Interest rates are a risk if they rise rapidly or remain at a persistently low level.

Interest rates reflect the actions of central banks in pursuit of the objective of financial system stability⁽¹⁰⁾ and market equilibrium. In the major advanced economies, interest rates are at historically low levels. The yield on French 10-year Treasury bills is negative, as is the deposit rate offered to banks by the ECB, which stands at -0.5%. The guidelines communicated by the central banks do not suggest any increase in key rates. Against a backdrop of weak growth in the euro zone, the ECB plans to maintain an accommodating policy at the beginning of 2020. Rates will remain at their current level "or at lower levels⁽¹¹⁾" until the institution sees a sustainable return of inflation to its mandate target, *i.e.* a level slightly below 2%. The U.S. Federal Reserve also does not plan to raise policy rates in the absence of "persistent⁽¹²⁾" inflation.

(1) The proposed description of the risk factors complies with the Prospectus 3 regulation, applicable as of July 21, 2019, and the European Securities and Markets Authority's Guidance on Risk Factors under the said regulation. The objective of this regulation is to simplify the presentation of information for issuers while improving the usefulness of the document for investors.

(2) Source Yardeni Research, February 4, 2020, statistics on FED, ECB, BOJ, PBOC, from USD 6 trillion to USD 9,900 billion.

(3) Source: According to INSEE, measurement of Maastricht debt at the end of September 2019.

(4) Source: INSEE, Household debt rose from 48.0% in 2008 to 59.2% in 2018, non-financial corporate debt rose from 73.8% in 2008 to 88.9% in 2018.

(5) Source: According to ACPR: "The aggregate cost of risk will fall again in 2018 (-6.4%). As a percentage of total assets, it remains at 0.11%. This decline is accompanied by a historically low rate of doubtful loans at 2.8% compared with 3.1% a year earlier."

(6) France's public debt burden fell between 2008 and 2018 (from 2.5% of GDP to 1.8% of GDP).

(7) Source: EBA Risk dashboard, quarterly CET1 data.

(8) Source: IMF, Financial Stability Report, October 2019.

(9) HCSF: High Level Financial Stability Board, press release of December 12, 2019

(10) Source: European Central Bank the tasks: "The Eurosystem contributes to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system."

(11) Press release accompanying the ECB conference on December 12, 2019

(12) Press release accompanying the Fed conference on December 11, 2019

In the event that interest rates are maintained at a permanently low level, the risks involved would be:

- a decrease in the net interest margin of banks. The cost of refinancing and deposits could fall to a lesser extent than the rates on new loans granted, notably because of the weight of regulated savings on the liabilities side of the balance sheet. Banks could also be affected by an increase in early repayments and requests for loan renegotiations. The loss of profits would be amplified in the event of a flattening or even a lasting inversion of the yield curve. Given the weight of real estate loans on their balance sheets, banks are less profitable if long-term rates are less remunerative than the cost of refinancing on short or medium-term maturities;
- lower returns on assets on the life insurance balance sheet. Life insurers would then have to offer lower rates on their euro funds, at the risk of causing customer attrition;
- an incentive to excessive indebtedness on the part of private and public players, likely to worsen their solvency.

A rise in interest rates linked to a perception of increased risk or rising inflation could also lead to systemic effects:

- a downward effect on fixed-income investments (especially bonds) and most equities, linked to the use of higher discount rates in valuation models, and the rise in corporate debt;
- a gradual decline in the creditworthiness of borrowers as they mature for refinancing;
- a redemption of old life insurance policies by clients attracted by newly issued, more profitable products.

The impact of a change in interest rates would depend on its magnitude and pace. A rapid change would be an aggravating factor as it would leave institutions less time to adapt their asset/liability management.

Growth in Europe in 2020 could be lower than expected due to external events

The rate of growth of Gross Domestic Product has been positive on a full-year basis since 2014 in the Euro zone, *i.e.* 6 consecutive years at a moderate rate of 1.9%⁽¹⁾. The growth forecast for 2020 remains positive, at only 1.1% before a slight increase expected in 2021⁽²⁾. Growth could weaken if the following risks materialise:

- renewed US-China tensions over international trade could lead to a decline in trade. These tensions could arise in the event of non-compliance with the Phase 1 agreements⁽³⁾, on the purchase of US goods and commodities by China, or in the event of failure of the negotiations of the Phase 2 agreement, on Chinese subsidies in strategic sectors⁽⁴⁾;

- geopolitical areas of tension could become more acute, particularly in the Middle East. A possible conflict would be accompanied by a drop in trade and oil price inflation;
- a decline in Chinese economic growth, estimated at 6.1% in 2019, to a 27-year low, could spread to trading partners. China's economic growth is currently suffering from the transition to a domestic consumption model, over-indebtedness, and trade tensions with the United States. Also, since December 2019, a coronavirus epidemic has been affecting the local economy and its partners;
- the U.S. presidential elections in 2020 could see the emergence of a candidate who is not well liked by the financial markets, or create a climate of expectation for part of the year;
- a worsening of the social climate in Europe, following on from the "Yellow Vests" protest movement that appeared in France in October 2018, could harm consumption and weaken public policy;
- unforeseen consequences of Brexit could lead to reduced trade, adaptation costs and malfunctions within the European Union;
- renewed market volatility could affect the countries of Southern Europe, putting debt and the banking system at risk, particularly in Italy. These tensions could result from differences between the Italian government and the European Commission on compliance with budget deficit rules;
- the risk of terrorism could increase, undermining household confidence;
- natural disasters could result in significant damage to a geographical area and create a burden on certain sectors, particularly property and casualty insurance.

The resilience of growth in Europe in the event of a shock would depend on the following elements:

- the monetary policy of the European Central Bank, in the context of its new presidency. The ECB's intervention in the past has included lowering the key interest rate in negative territory and unconventional actions⁽⁵⁾. The ECB is carrying out a strategic review of its policy in 2020⁽⁶⁾;
- European countries' fiscal flexibility⁽⁷⁾ constrained by their debt ratio and by the application of the Stability and Growth Pact⁽⁸⁾;
- Europe's ability to position itself in growth sectors, like the American giants known by the acronym GAFAM⁽⁹⁾;
- Efforts made since 2009 to improve the regulation, solvency and transparency of the banking sector.

(1) Geometric mean based on IMF data, including a forecast of 1.2% in 2019, updated in November.

(2) Source: ECB, conference of December 12, 2019.

(3) Agreements of January 15, 2020

(4) Phase 2 agreements include Heavy industries, new technologies, etc.

(5) Non-conventional actions include share buybacks and money creation.

(6) Source: ECB launches review of its monetary policy strategy, BCE, 23 janvier 2020

(7) Fiscal stimulus includes boosting activity through public investment and tax cuts.

(8) The SGP is the instrument that the euro area countries have adopted to coordinate their national budgetary policies and avoid the emergence of excessive budget deficits. It requires euro area countries to have budgets close to balance or in surplus (3% deficit rule).

(9) GAFAM refers to Google, Apple, Facebook, Amazon, Microsoft. These five companies have a total market capitalisation of approximately USD 4600 billion in December 2019.

An increase in risk premiums could cause the valuation of listed and unlisted assets to fall.

The risk premium represents the excess return required by an investor to hold a risky asset. An increase in risk premiums could lead to a decline in bond and equity assets, affecting in particular the assets of financial institutions and the wealth of households. The triggers for such a decline would be:

- increased market volatility, leading investors to be more demanding in terms of profitability;
- a feeling of mistrust on the part of investors, judging the valuation levels of certain asset classes to be excessive in relation to expected results.

THE CURRENT CORONAVIRUS EPIDEMIC COULD HAVE A LASTING IMPACT ON THE GROUP'S FINANCIAL SITUATION.

The Coronavirus epidemic began in December 2019 in China and gradually spread to other parts of the world, with very significant health impacts for all the countries concerned. This health situation has very significant economic consequences, which are reflected in shocks to both the supply and demand for goods and services, both for the regions affected as a priority, but also at the global level. These economic consequences could in turn have a negative impact on the level of financial markets, international trade, the value of raw materials and the profitability of companies.

Description of the specific risks related to the development of the epidemic and the expected or observed impacts on the various components of the Group's activity

From the very beginning of the epidemic in France, the Group has endeavored to identify the specific risks associated with its development and to identify the consequences as it evolves. These specific risks are summarized below:

■ Business model risk:

The Group's business model consist of supporting and financing the real economy. The implementation of this business model is based on a certain number of projective hypotheses whose validity could be called into question by the socio-economic consequences of the epidemic and in particular by the anticipated sharp contraction of activity in France and Europe. Similarly, the competitive landscape could be negatively impacted by the consequences of the epidemic, with players pursuing an aggressive policy of winning or retaining customers in an unfavorable economic climate.

■ Liquidity risk:

In the context of a sharp decline in economic activity for certain business lines of the economy, some customers may be led to increase the use of their overdraft authorizations or make significant withdrawals from their deposit accounts, thus creating pressure on the Group's liquidity. However, the impacts observed are limited for the time being, with significant liquidity reserves and a certain stability in the balance of deposits.

In addition, the support measures envisaged for customers (extension of maturities) could have an additional unfavorable impact on the Group's cash position.

Finally, uncertainty about the evolution of the epidemic could lead to a lack of confidence in the markets, which could in turn cause specific refinancing difficulties for the Arkéa group. Thus, without this constituting a major alert, some requests for repayment of short-term refinancing media were noted in March.

■ Operational Risk:

The confinement of a large portion of the Group's employees to their homes as part of the measures decided by the government to curb the spread of the epidemic could lead first and foremost to difficulties in carrying on business and increased risks of treatment errors or delays, hence the need to pay close attention to maintaining surveillance and control of the most critical operations in order to limit these risks. In addition, in the event of an incident, there may be a risk of slower resolution.

The current environment may lead to increased exposure to cyber risk and external fraud risk.

In this context, particular attention is paid to keeping the monitoring arrangements operational and to strengthening the monitoring of external access to the information system, taking into account the significant expansion of remote working.

Containment implementations may impact the ability of ATMs and vending machines to meet customer demands, which could lead to an increased risk of lower commissions. However, after a peak in withdrawal requests in the first week of March, the situation seems to be stabilizing at a low level, which seems to minimize this risk. Furthermore, in the event of a pandemic, there is an additional difficulty in maintaining full service.

■ Specific credit risk:

The socio-economic impacts of the epidemic could lead to a large number of failures on the part of the counterparties with which the Group is in contact, particularly for certain sectors of activity that are particularly affected by the development of the epidemic and the associated restrictions on movement (tourism, air transport, etc.). These failures could have a significant negative impact on the cost of risk, results and financial position of the Group. A significant number of requests from clients have already been recorded.

■ Specific market risk:

The high volatility of the financial markets due to the uncertainties regarding the development of the epidemic and the impact of this development on economic activity could have a significant financial impact on the Group's cash management activity, both on the Group's income and on its shareholders' equity.

■ Specific risks related to life insurance:

A deterioration in the market situation related to the impacts of the epidemic, in particular a fall in interest rates, an increase in bond defaults or a decline in equity and real estate assets could have a significant adverse impact on the results of the Group's life insurance business. A significant increase in mortality or morbidity could also have an impact on Suravenir's earnings on its pension business.

■ **Risks related to the shareholdings:**

The socio-economic impacts of the epidemic could have consequences on the Group's shareholdings. In the case of unlisted investments or investments that are part of the group's private equity activity, a specific valuation risk could emerge due to the socio-economic impacts of the epidemic on the business, cash flow and credit quality of these investments.

Description of the specific measures implemented by the Group to manage the specific risks induced by the development of the epidemic.

The health situation in France and Belgium, the Group's main markets, and its impact on the economic and social situation led the Group to take specific measures as soon as possible.

- Triggering of the emergency and business continuity plan, identifying essential services and implementing business continuity mechanisms in a general context of population containment.
- Triggering of reinforced monitoring systems for the main risks identified:
 - On credit risk, implementation of reinforced monitoring of business sectors identified as particularly impacted and implementation of reporting to the supervisor, both for banking clients and for clients in the private equity portfolio;
 - With regard to liquidity, increased vigilance in relation to requests for repayment of short-term refinancing instruments;
 - On market risk, updating of stress scenarios (equities, spreads, etc.) with the latest market assumptions.

At the time of writing, the impact of this epidemic on the Group's results remains difficult to quantify

4.1.1.2 Regulatory Risks

The Arkéa group is subject to significant regulations in the countries in which it operates. The regulatory risk relates to the effects on the Arkéa group of standards that are currently being implemented or will be implemented in the future. The main outlook is detailed in the outlook section of this document. Regulatory measures could affect the Arkéa group in the following ways:

A regulatory change could reduce the Group's surplus capital.

The capital surplus (or capital requirement, if negative) is the difference between the capital ratio observed in the institution and the capital requirement defined by the supervisor. At December 31, 2019, the Arkéa group had a CET1 ratio more than 5 points above the regulatory requirement.

The applicable capital requirement could possibly be increased by the supervisor. To date, there are no plans to change the Pillar 1 requirement, which is common to all banks. However, the institution could possibly be subject to an increase in the requirement under Pillar 2, which is specific to the institution and defined within the framework of an annual dialogue with the European Central Bank, ⁽¹⁾ depending on governance, business model, solvency and liquidity criteria. In addition, the regulator could raise the level of the cushions required to be met outside periods of stress ⁽²⁾. On April 3, 2019, the HCSF published its decision to raise the counter-cyclical capital cushion rate to 0.5%, effective April 2, 2020.

In addition, the measurement of the capital ratio could change if there is a change in the method of calculating available capital or if there is a change in the asset weighting method.

Regulatory developments could lead to a deterioration in the cost structure and threaten the profitability of the institution.

Provision charges on sound or doubtful loans could increase in the event of an imposed change in the methods used to calculate risk parameters. An increase in the corporate tax rate or other tax constraints (transaction tax) could reduce net income. An increase in the cost of refinancing and deposits, in particular through the remuneration of regulated savings, could reduce the net interest margin.

4.

(1) Review conducted as part of the SREP exercise: Supervisory Review and Evaluation Process
(2) As defined in ssm Icaap, November 2018

4.1.2 Risks related to operations

4.1.2.1 Credit risk

Credit risk is the risk incurred in the event of default by a counterparty or counterparties considered as a group of customers, as defined by regulation. Credit risk includes:

- customer credit risk, relating to loans granted by the Group to individual and SME counterparties, large groups, central and public administrations and credit institutions. The default of a counterparty results in its inability to honour its commitments in accordance with the agreed terms;
- counterparty risk, relating to the repayment of debt securities (in particular bonds) or the payment of flows under performance swap contracts ("derivative" contracts). For corporate debt securities in the investment portfolio, credit risk includes the risk of issuer default but not the spread risk, which is classified as market risk.

The Arkéa group grants loans to a diversified customer base. These receivables are recorded as assets on the balance sheet and are subject to a provision, which is deducted from this asset. Since the implementation of IFRS 9 accounting standards in January 2018, the provisioning includes expected losses, as soon as they are granted. The provisioning models are based on historical default rates, historical recovery rates in the event of default, as well as corrective factors to incorporate a forward-looking dimension, linked to positioning in the economic cycle (an approach known as "forward-looking"). Charges to provisions, recorded in the cost of risk in the income statement, have a direct impact on the Group's solvency. Credit risk would materialise through a deterioration in the credit quality of counterparties across the entire portfolio (systemic risk), across a particular sector or product (e.g. Breton real estate), or across a category of borrowers (e.g. individuals, businesses). Credit risk could increase under the following conditions:

- in the event of an inadequate provisioning policy;
- in the event of an increase in the claims experience or a change in economic conditions leading to a change in the forward-looking assumptions of the provisioning;
- in the event of contagion, linked to the existing interconnection between establishments, which would make the Arkéa group vulnerable to the proven or presumed insolvency of another financial institution.

4.1.2.2 Operational Risk

Operational risk is ⁽¹⁾ the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes, in particular, risks related to events with a low probability of occurrence but with a high impact: internal and external fraud risks, information technology risks, legal risk, compliance risk, including money laundering and terrorist financing risk, and model risks.

The main Basel categories represented, by amount, are external fraud (34%), process management (29%) and business practices (18%).

4.1.2.2.1 Fraud risk (including information and communication technology risks)

The risk of fraud can be broken down into internal and external fraud. As the Arkéa group does not include proprietary trading activities, it limits the risk of internal fraud linked to rogue trading. Over the past year, the increase in the financial impact of operational risk mainly concerned the "external fraud" category, following in particular an increase in phishing attacks by e-mail and an increase in electronic payment fraud.

Given the digitalisation of banking services, exposure to the risk of external fraud is strongly linked to the exposure to cyber risk. The development of information and communication technologies is characterised by an increase in electronic transactions, recourse to external service providers, and an increase in the number of applications, software and interconnections. The risk of cyber security is a growing concern ⁽²⁾. The main risks to which the Arkéa group is exposed relate to a breakdown or failure of its systems that could lead to a business interruption (in particular by blocking payment or securities functions), a failure of its service providers, or a cyber attack that could take various forms.

As examples, the main cyber risks identified could lead to the following impacts:

- the carrying out of fraudulent operations following an intrusion into the IT, such as Swift access usurpation;
- a theft or a data leak;
- a breach of data integrity can lead to a business interruption, the time it takes to rebuild;
- an attack leading to a major unavailability of the IT such as a DDoS attack, an attack targeting one or more data centers.

4.1.2.2.2 Non-compliance risk (including money laundering)

The risk of non-compliance is defined as the risk of legal, administrative or disciplinary sanctions, significant financial loss or damage to reputation, arising from failure to comply with provisions specific to banking and financial activities, whether they are of a legislative or regulatory nature, national or European directly applicable, or whether they concern professional and ethical standards, or instructions from actual managers taken in particular in application of the guidelines of the supervisory body.

The ever-increasing regulatory pressure means that banks face a growing risk of sanctions or damage to their reputation, requiring increased vigilance.

Through its distribution networks and subsidiaries, the Arkéa group covers all businesses in the banking and financial sector. As a manufacturer and distributor, the Arkéa group is thus able to offer its customers, whether they are individuals, professionals, businesses or public authorities, a complete range of banking, financial, wealth management and insurance products and services.

(1) Definition of the Basel III regulations and the decree of November 3, 2014.

(2) Excerpt from ACPR's IT Risk Supervision Strategy (October 2019): "IT risk in financial sector institutions is becoming a major concern for supervisory authorities, particularly because of the increasing complexity of technical environments, but also because of the rise in cyber threats. The ACPR is structuring its action by developing its action strategy in this area."

Given the multiplicity of activities carried out, the range of compliance risks to be taken into consideration is even wider.

Within the Group, non-compliance risks can arise in 4 main areas:

- financial security;
- deontology and professional ethics;
- protection of the interests of the clients;
- fiscal transparency.

In addition to these major areas, the protection of personal data should be added.

4.1.2.2.3 Legal risk

Legal risk is the risk of any dispute with a counterparty resulting from any imprecision, deficiency or insufficiency that may be attributable to the reporting company in respect of its operations. Legal risk is included in operational risks and would materialize, among other things, in the event of exposure to fines, penalties and damages for events that could result in the Arkéa group being held liable in connection with its operations.

Provisions have been set aside to cover current legal risks that could have a negative impact on the Arkéa group's assets and liabilities, in accordance with the best estimate made by senior management on the basis of the information available to it.

4.1.2.3 Interest rate and liquidity risks (bank)

4.1.2.3.1 Interest rate risk

Interest rate risk is the risk, present or future, to which the bank's equity and profits are exposed as a result of unfavourable movements in interest rates. It may result from a difference in maturity between fixed-rate assets and liabilities, a difference in the reference index (base risk) or the exercise of options (such as caps and floors).

Approximately one-third of the revenue generated by the Arkéa group consists of a net interest margin, equal to the difference between the revenue generated by receivables granted to customers (recorded as an asset on the balance sheet) and the cost of refinancing (recorded as a liability).

In the event of an increase in interest rates, the institution could experience an increase in its refinancing costs, which would not be fully covered by its assets, which are partly made up of long-term assets, notably housing loans. In the event of a fall in interest rates, the institution could experience a deterioration in its net interest margin.

Interest rate risk could materialize:

- in the event of a change in key rates through central bank action;
- in the event of a change in long-term rates resulting from market equilibrium.

4.1.2.3.2 Liquidity risk

Liquidity risk is the risk that the reporting company will not be able to meet its commitments or will not be able to unwind or offset a position due to market conditions or idiosyncratic factors within a specified period of time and at a reasonable cost. Liquidity risk may materialize:

- for external causes such as the closure of refinancing markets, changes in key interest rates;
- for reasons specific to the Arkéa group, in the event of a deterioration in the real or perceived quality of the group, in particular if the credit rating was downgraded by a rating agency, or if the remuneration of the securities issued by the group was not deemed attractive by the market.

4.1.2.4 Interest rate and liquidity risks (insurance)

4.1.2.4.1 Interest rate risk

A change in interest rates has a direct impact on the valuation and profitability of the bond portfolio, whether the capital managed for own account or euro-denominated funds. Fixed-rate bonds expose Suravenir to a risk of changes in asset value; variable-rate bonds expose it to a risk of fluctuations in income.

A sustained low interest rate environment could exert downward pressure on the level of margin taken by Suravenir, affecting its profitability and ultimately its solvency. Life insurance contracts in euros commit the company to serve a minimum rate. When market rates fall, the return on the portfolio may become insufficient to meet this commitment. In this case, French regulations require insurance companies to set aside a specific provision (provision for financial contingencies). Suravenir has not allocated this provision for the 2019 financial year.

A rise in interest rates would lead to a decrease in the value of fixed-rate bonds held in the portfolio. Depending on the IFRS accounting classification of these securities, this devaluation would impact shareholders' equity or income. A significant and lasting rise in interest rates could lead to an increase in policyholder redemptions from euro-denominated funds, due to a loss of competitiveness of the contracts compared to other investments. In this case, in order to adjust the assets under management, the Company could be forced to sell assets. In the event that it has to sell fixed-rate assets, it could be required to bear capital losses.

4.1.2.4.2 Liquidity risk

Liquidity risk would arise in the life insurance business in the following cases:

- in the event of large cash outflows which may be linked to massive redemptions from euro funds (linked to a sharp rise in interest rates or to a reputational risk);
- in the event of massive outflows from unit-linked contracts with an illiquid underlying in the event of a major crisis.

4.1.2.5 Risks specific to the life insurance business

An underwriting risk covers all the risks inherent in the distribution business. It includes the risks of mass surrender, mortality, disability/invalidity, longevity and disaster.

Market risk includes in particular interest rate risk related to asset/liability management (see dedicated paragraph) and equity risk related to investments included in assets.

4.1.2.6 Risks specific to the non-life insurance business

Underwriting risk is the main risk carried in non-life insurance. It materialises in the event of underpricing of contracts and/or the occurrence of extreme or exceptional events (e.g. natural disasters, etc.). The non-life insurance activity is also exposed to the risk of underfunding, which is closely linked to the underwriting risk.

The risk of a rise in interest rates is likely to impact the value of assets.

The risk of default by one (or more) counterparty (or counterparties) arises from financial investments and the assignment of technical commitments to reinsurers.

4.1.2.7 Market risks

Market risk results from unfavorable changes in market parameters (spread, interest rates, exchange rates, commodities, etc.), which adversely affect the value of financial instruments recorded on the balance sheet, particularly bonds and equities.

Proprietary exposure to optional risks is not material. The Group's exposure to currency risk and commodity risk is low. Interest rate risk is a market risk that is dealt with separately in this document.

The market risk could affect Arkéa:

- in the event of rising inflation;
- in the event of investor mistrust of the valuation levels observed in the market;
- in the event of increased market volatility.

The Group has very limited direct exposure to currency and commodity price risk.

4.1.2.8 Climatic risks

Climate risks are of two kinds:

- the physical risks, described as:
 - severe, when they are caused by extreme meteorological phenomena (storms, cold or heat waves, floods, etc.);
 - chronic, when they have an impact on the climate system (rising sea levels, changes in weather patterns, rising average temperatures, etc.);
- transition risks: these are the risks associated with a transition to a decarbonised and climate-resilient economy. This category includes regulatory, legal, technological, market and reputational risks.

As part of its strategic plan launched in 2016, the Arkéa group has placed CSR at the heart of its approach and increasingly integrates extra-financial data known as ESG (Environment, Social and Governance) into its businesses. To this end, a reflection on climate risks has been launched based on the recommendations of the TCFD for the implementation of ⁽¹⁾ its climate strategy.

In order to detect the climate risks to which the Group is exposed, the TCFD reference framework and definitions have been adopted.

Climate change risk is a direct source of risk for the Arkéa group. Indeed, it is exposed to physical risk for its real estate assets and for its property and casualty insurance business. The two categories of climate risk (physical risk and transition risk including regulatory and legal risks, technological, market and reputation risks) apply indirectly via the activities supported (including insurance) or financed.

In terms of mapping, the first stage consisted of an inventory of risk exposures. To this end, preliminary work focused on mapping the climate risks of loan portfolios. In order to be integrated more comprehensively into each risk family as a vulnerability or mitigation factor, development lines were defined for each department concerned. The aim is to integrate climate risk management into existing processes. Crédit Mutuel Arkéa's risk department has taken on this task in 2019, in conjunction with dedicated CSR teams and the risk department.

In addition, the Risk Committee, an offshoot of the Executive Committee, is regularly informed of the progress of the mission. Members have been made aware of the challenges of climate change. Monitoring indicators and associated objectives are submitted to them.

4.1.3 Risks related to the bank's strategy

4.1.3.1 Business model risk

The strategic plan, entitled Arkéa 2020, aims to reinforce the Group's original vocation, namely to support and finance the real economy, while promoting the Group's openness and agility in the face of changes in its environment.

The Arkéa group's business model has historically been based on mutual and cooperative retail banking in France. The group also has a life insurance business under the Suravenir brand, and a non-life insurance business under the Suravenir Assurances brand, providing revenue diversification. In 2019, the revenues generated will be ⁽²⁾ divided between retail banking and online banking (44%), insurance and asset management (25%), corporate/institutional banking and real estate (16%) and BtoB & specialised services (15%). This model has successfully weathered the recent economic crises (subprime crisis in 2009, eurozone crisis in 2011). The Arkéa group conducts most of its business in France. It would therefore be impacted in the event of a crisis specifically affecting this geography, particularly in the event of a drop in solvency, a decline in credit activity or changes in the legal framework. Outstanding housing loans represent 47% of the portfolio. The Group would be affected in the event of a deterioration in solvency and a loss in value of mortgaged assets. In addition, the insurance business could be made less profitable by the persistence of low interest rates.

(1) TCFD: Task force on Climate-related Financial disclosures: the TCFD is a working group that emerged from the G20 Stability Council and issued recommendations on climate-related financial disclosures. These recommendations, although non-binding, now constitute a market standard.

(2) Net Banking Income, including gains or losses on disposal/dilution of associates and joint ventures accounted for by the equity method.

4.1.3.2 Competitive Risk

The Arkéa group is subject to competition from established banking and insurance players, given the mature and concentrated nature of the financial industry. The group is likely to face competition from larger players on a national scale, and claims to be able to respond to them by the quality of its service, which is recognised in its area of presence. The group is also subject to competition from new comers, operating in a potentially less heavily regulated environment. These players are likely to propose a targeted offer by taking advantage of innovative technology. Innovations in the financial sector, including new technologies and the development of online banking, are likely to represent a threat, but also represent a growth driver for the group.

A strengthening of the competitive environment would be likely to affect the group with the following two consequences:

- an impact on volumes: a strategy of conquest by competitors could reduce the Arkéa group's market share and thus affect the level of revenues generated;
- an impact on prices: competitors could lead to lower pricing levels and margins, thanks to a more advantageous cost structure.

4.1.3.3 Human Resources Management Risk

The financial services industry relies primarily on the quality of its teams. Human capital is therefore an integral part of Arkéa's culture, from product design to customer service. The risk related to human resources management could relate to the level of attrition and the availability of resources to meet recruitment needs.

4.1.3.4 Risk relating to the disaffiliation of the Arkéa group from the Crédit Mutuel

A cooperative banking group independent from the rest of Crédit Mutuel

The Board of Directors of Crédit Mutuel Arkéa, which met on January 17, 2018, mandated its managers to take any action that would enable Crédit Mutuel Arkéa to become a cooperative banking group independent of the rest of 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 banks and federations of Bretagne, Sud-Ouest and Massif Central were invited to vote in an orientation vote during the first half of 2018. At the end of the consultation process initiated by the local banks of the Arkéa group and the meetings of the federations' Boards of Directors, the Arkéa group has officialized the results of the votes of the 307 local banks that took part in the vote. 94.5% of these local banks voted in favour of the proposed independence of the Arkéa group, which will thus become a cooperative and territorial group, independent from the rest of Crédit Mutuel. This vote acknowledges the Arkéa group's desire to withdraw from the Crédit Mutuel group and makes it possible to initiate the project aimed at defining the terms and conditions of its disaffiliation within the framework of the General Decision (DCG) n°1-2019, relating to the disaffiliation of the Crédit Mutuel branches at their request.

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.

The operational implementation of disaffiliation

The Arkéa group has begun the operational implementation of its disaffiliation. The Board of Directors of Crédit Mutuel Arkéa, on June 29, 2018, approved the target organisation plan for the future independent group and called on the local banks to give their opinion on the implementation of this plan. Work to define the detailed technical details of the project has been underway for several months and discussions are currently underway with the supervisory authorities.

Disaffiliation operations will then be initiated in conjunction with the CNCM, within the limits of the powers attributed to it by law.

On February 18, 2019, the Board of Directors of CNCM recognised the possibility of leaving the Crédit Mutuel group by adopting DCG n°1-2019, relating to the disaffiliation of the Crédit Mutuel branches at their request. In this context, the Arkéa group wishes to withdraw from the Crédit Mutuel.

In accordance with the DCG, the main stages of disaffiliation are as follows:

- The Boards of Directors of the local banks of the Arkéa group wishing to disaffiliate from the Crédit Mutuel group will have to adopt a notification file of the disaffiliation project. The Boards of Directors of the local banks will be consulted after the conclusion of the ongoing discussions with the ECB and the ACPR on the basis of a consultation file;
- each Federation must then notify the CNCM of the planned disaffiliation of each local bank;
- once authorised by the Board of Directors of the CNCM within two months of receipt of the proposed disaffiliation, each Federation may organise consultation with the members of each local banks at an Extraordinary General Meeting. The disaffiliation project must be adopted by a two-thirds majority of the members present or represented;
- in the event of approval of the disaffiliation project by the members, the Board of Directors of the CNCM shall rule on the request for disaffiliation within two months of receipt of the complete file transmitted by the federations. In particular, a memorandum of understanding between the outgoing mutuals and the CNCM setting out the commitments of the mutuals and the practical terms and conditions of their disaffiliation must be concluded.

The Arkéa group's target scheme

Under the proposed target scheme, 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 cooperative bank.

In particular, Arkéa will be governed by Act 47-1775 of September 10, 1947 on the status of cooperation (the "1947 Act") and Article L.512-1 of the CMF.

The local banks would take the form of Local Cooperative Societies ("LCs") and would no longer be credit institutions. The local banks will retain their status as cooperative companies with variable capital, and will continue to form among themselves the Arkéa cooperative union, pursuant to the 1947 Law. The purpose of the new LCs will be refocused on their primary "raison d'être": to develop membership and facilitate access to banking, financial and insurance services. They will be responsible for supporting and promoting membership in the context of their regional expansion.

To this end, all the regulated financial activities of the local banks will be transferred to Arkéa, which will accordingly open local branches within the LCs. In addition, under this new organization, all banking and investment services will then be carried out by Arkéa's local branch, which will be opened on the same premises as those of LC.

Each LC will also be able to advise its local Arkéa branch to provide banking, financial and insurance services tailored to its members.

In accordance with the 1947 Law, each member will continue to participate in the social life of the LC according to the principle of "one person, one vote" and to stand for election to the Board of Directors of its LC. LC will continue to hold the A shares issued by Arkéa. In other words, Arkéa's governance will be based on the involvement and participation of each LC playing its role as shareholder.

In addition, a cooperation pact between all LCs and Arkéa will be concluded for a period of 99 years with a view to implementing solidarity, mutual aid and support mechanisms to help LC fulfil its primary mission, namely to promote access for all to banking, financial and insurance services.

Regional federations will ensure the proper functioning and good governance of the LCs.

A share issuance scheme is currently under discussion with the ACPR and the ECB. In this respect, it is specified that the work in progress favours a scheme in which Arkéa's shares would be issued by Arkéa itself. In any event, the proposed plan will be submitted to the authorities in advance.

Risks relating to the complexity of the context and risks linked to the disaffiliation of the Arkéa group from the Crédit Mutuel

Crédit Mutuel Arkéa considers that the factors described below could affect the implementation of the Arkéa group's disaffiliation from the Crédit Mutuel group. They are linked to events that may or may not occur. Their probability of occurrence and their extent in the event of occurrence are assessed by Crédit Mutuel Arkéa for each risk factor.

The disaffiliation project as envisaged by Crédit Mutuel Arkéa is unprecedented and complex to carry out. Investors' attention is drawn to the complexity of the situation linked to the Arkéa group's plan to disaffiliate from the Crédit Mutuel and to the uncertainties and risks involved. This complexity relates in particular, but not exclusively, to the accounting and prudential consolidation mechanisms which will have to be implemented and which are intended to determine the scope of supervision of the Arkéa group by the supervisory authorities once it is no longer part of the Crédit Mutuel.

Because of its novel and complex nature, the disaffiliation project presupposes, for its implementation, that conditions are met, in particular with regard to the various stages described in the paragraph on the operational implementation of disaffiliation.

Prior to any investment decision, potential investors must conduct an in-depth analysis of the disaffiliation project, the target organization of the Arkéa group as described above and the related uncertainties and risks, as described below. In particular, investors should carefully review all the information included in this document and, in particular, when making their investment decision, should consider the risk factors related to the change in the organization of the main players in the shares and the risks related to the disaffiliation of the Arkéa group from the Crédit Mutuel listed in this document.

The implementation of the Arkéa group's disaffiliation will not alter its nature as a cooperative and territorial group. However, its disaffiliation from the Crédit Mutuel group has consequences which

may be difficult for the investor to grasp but which must be understood and analysed before any investment decision is taken. Because of its unprecedented nature, Crédit Mutuel Arkéa cannot guarantee that the project will be carried through to completion, that it will not have to undergo major changes compared with what was initially planned or that new difficulties will not arise during its implementation.

Risks related to the local banks

Uncertainties regarding the shares issued by the local banks before the Arkéa group's disaffiliation from the Crédit Mutuel

The analysis carried out by Crédit Mutuel Arkéa of the implementation of the disaffiliation of the Arkéa group from the Crédit Mutuel group has confirmed that, in the planned target scheme, the A, B and C shares issued by the local banks to date will not be affected.

Indeed, the cases of early redemption based on a legal basis applicable to A, B and C shares result from (i) the Law of 1947 and (ii) Regulation (EU) no.575/2013 of June 26, 2013 as amended in view of the capital adequacy of the shares. These texts do not include any case of early redemption relating to the loss of the local banks' banking license or change of purpose as long as the cooperative status remains.

Similarly, the contractual terms and conditions of the A, B and C shares do not include any case of early redemption relating to the loss of approval of the local banks that have become LC.

The risk is therefore low, in the target scheme provided for, that the shares issued by the local banks prior to the disaffiliation of the Arkéa group from the Crédit Mutuel will be affected.

Uncertainties regarding the implementation of a new share issue scheme following the disaffiliation of the Arkéa group from the Crédit Mutuel group

The disaffiliation of the local banks from Crédit Mutuel will entail 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, in the future, B shares by way of a public offer.

To date, these B shares are a key source of financing for Crédit Mutuel Arkéa. A share issue plan is currently under discussion with the ACPR and the ECB. In this respect, it is specified that the work in progress favours a scheme in which Arkéa's shares would be issued by Arkéa itself. In any event, the proposed plan will be submitted to the authorities for prior approval.

It is therefore possible that the Arkéa group will not obtain the agreement of the authorities, which could prevent the disaffiliation project from being carried out according to the planned target scheme.

Risks related to the fate of the local banks that voted against the disaffiliation project

In the context of the DCG, the operational implementation of the disaffiliation of the Arkéa group remains subject to the approval and vote of the Boards of Directors of the local banks, as the disaffiliation of Crédit Mutuel Arkéa (the Arkéa group's inter-federal bank) does not automatically result in the disaffiliation of the local banks that are shareholders in the Arkéa group.

Local banks that vote against the disaffiliation from the Crédit Mutuel, or do not wish to take part in the vote, may not be part of this new organisation.

Even if 94,5% of the local banks that voted in 2018 did so in favour of independence, these results do not in any way prejudice the results of the future vote of the local banks on the operational implementation of this disaffiliation from the Crédit Mutuel.

Each local bank will be called upon to decide on the implementation phase of the Arkéa group's disaffiliation in order to approve the disaffiliation project, the terms and conditions of disaffiliation and the filing of a disaffiliation request by the Federation concerned, in accordance with the DCG.

Local banks that choose to vote against disaffiliation may join another federal or inter-federal mutual in order to benefit from a new collective agreement. This new affiliation will not constitute a case of early redemption of the A, B and C shares held by the members. These local banks will be reimbursed for the A shares they hold in the share capital of Crédit Mutuel Arkéa.

It is possible that some local banks may *ultimately* choose to vote against the disaffiliation from the Crédit Mutuel group. However, the financial consequences for the Arkéa group will depend on the number and characteristics (membership shares, reserves, loans, deposits) of the local banks that choose to vote against the disaffiliation. On the basis of the orientation vote in April 2018, the impact of this exit on the Arkéa group would be low.

Risks related to the final vote of the members

The local banks that 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 vote of the members, which, in accordance with Article 2.3 of the DCG, may not take place less than two months after the CNCM's authorization to convene the Extraordinary General Meeting of the local banks concerned, shall relate to the express approval of the disaffiliation project, the disaffiliation procedures set out in the notification file previously approved by the Boards of Directors of these local banks and the consequences, in particular the financial consequences, for these local banks and their members, in accordance with Appendix 2 of the DCG.

In accordance with Appendix 2 of the DCG, a presentation document summarizing the main points of the notification file as well as the amendments to the Articles of Association shall be notified to the members at least fifteen (15) days prior to each extraordinary general meeting. The members will thus be able to decide on the basis of clear, precise and exhaustive information on the proposed disaffiliation and its consequences for their local bank, its members, customers, creditors, employees and the entire Crédit Mutuel group, in accordance with the DCG.

The Extraordinary General Meeting of each local bank concerned must decide in favour of the request for disaffiliation by a two-thirds majority of the members present or represented, in accordance with Article 2.4 of the DCG.

In the event of disapproval by an Extraordinary General Meeting, the Federation concerned may not forward a new request for disaffiliation from the local bank concerned before a period of three (3) years, in accordance with Article 2.3 of the DCG.

The results of the orientation vote on the Arkéa group's proposed independence in no way prejudices the results of the future vote of the local banks on the operational implementation of this disaffiliation from the Crédit Mutuel group.

It is possible that the Extraordinary General Meetings of some local banks may not adopt the disaffiliation project and do not approve the amendment of their Articles of Association relating thereto. However,

the financial consequences for the Arkéa group will depend on the number and characteristics (shares, reserves, loans, deposits) of the local banks that choose to vote against the proposed disaffiliation and the amendment of their articles of association. On the basis of the orientation vote in April 2018, the impact of this exit on the Arkéa group would be low.

Risks related to the Arkéa group

Following the disaffiliation of the Arkéa group from the Crédit Mutuel, of which CNCM is the central body, Arkéa (currently Crédit Mutuel Arkéa) will still be authorised as a cooperative bank and supervised directly by the ACPR and the ECB.

Risks related to the agreement of the supervisory authorities

In accordance with the provisions of the Monetary and Financial Code (the "CMF"), in conjunction with the disaffiliation of Crédit Mutuel Arkéa from the Crédit Mutuel, CNCM, as the central body, will have to notify ACPR of the disaffiliation of Crédit Mutuel Arkéa.

The ACPR and the ECB will have to review the banking licence of Crédit Mutuel Arkéa and the local banks attached to it.

At this stage, extensive and documented work is underway with these authorities to obtain their agreement. No assurance can be given as to whether their agreement will be obtained or as to the timing and modalities of obtaining their agreement. The change in Crédit Mutuel Arkéa's corporate name will require the prior approval of these authorities.

It is therefore possible that the Arkéa group will not obtain the agreement of the ACPR and the ECB, which could prevent the disaffiliation project from going ahead as planned.

Risks related to prudential calculations

Furthermore, the disaffiliation of the Arkéa group from the Crédit Mutuel could lead to a change in the internal model for calculating weighted risks leading to an increase in capital requirements, or even a switch to a standard model.

As of December 31, 2019, credit risk is determined for €104.5 billion of net risk exposures, of which:

- €67.3 billion of risk exposures are assessed using an internal ratings-based approach;
- €37.2 billion of risk exposures are already assessed using a standard approach.

As a result, the disaffiliation from the Crédit Mutuel could lead to a review of the weighted risk assessment method for the €67.3 billion of credit risk exposures currently assessed using an internal rating approach, without calling into question the financial solidity of the Arkéa group.

Risks related to the practical arrangements for disaffiliation set by DCG

DCG provides that the notification file must mention "the commitments proposed by the fund to compensate all past and future costs incurred by the Crédit Mutuel group entities as a result of the planned disaffiliation". In addition, the application for disaffiliation, which will be sent to CNCM by the federations after the vote of the members of the local banks concerned who are affiliated to them, must include the draft protocol of agreement setting out the commitments of the local banks and the practical arrangements for disaffiliation.

Within this framework, the local banks will make a financial proposal to the Board of Directors of the CNCM on the basis of objective and legally founded elements.

Lastly, the DCG provides that the Board of Directors of the CNCM must adopt the final conditions of disaffiliation, "taking into account, in particular, on the effective date of disaffiliation of the fund concerned, the amount of the indemnity to be paid to the Caisse Centrale de Crédit Mutuel and the memorandum of understanding setting out the commitments of the fund and the practical arrangements for disaffiliation". DCG does not specify either the methods of calculation of this compensation or its amount, which may in fine be significant, which Crédit Mutuel Arkéa could then contest.

Furthermore, in accordance with Article 2.4 of the DCG, in the event of a change in the legal or factual circumstances between the authorization given to the federations to organize the vote of the members and the vote of approval of each Extraordinary General Meeting, or after the latter vote, the Board of Directors of the CNCM may ask the local banks and the federations concerned for any useful additional information in order to "assess at short notice whether the essential conditions for disaffiliation are still met and the consequences of such a change for the Crédit Mutuel in the event of disaffiliation being carried out" and "decide whether the request for disaffiliation should be granted".

It is therefore possible that Crédit Mutuel Arkéa may not agree with CNCM on the practical arrangements for disaffiliation set by DCG, which could prevent the disaffiliation project from being carried out.

Risks related to the commercial stakes of disaffiliation

The disaffiliation of the Arkéa group from the Crédit Mutuel has a number of consequences, in particular the commercial implications of Crédit Mutuel Arkéa's adoption of a name and trademarks that do not use the term "Crédit Mutuel".

Furthermore, the possibility of opening a large number of local banks in the territory of the Bretagne and Sud-Ouest federations could increase competition with the Arkéa group in these two territories.

In any event, competition in the banking sector in France is strong. The Arkéa group considers that the intensification of competition in the context of its disaffiliation project will not affect its development capacities.

The preparatory work leading to the adoption of a new brand is nearing completion in order to initiate a new commercial and industrial dynamic.

It is therefore possible that the disaffiliation of Crédit Mutuel Arkéa from the Crédit Mutuel could have commercial impacts on the Arkéa group. However, the work in progress makes it possible to determine that the consequences of the occurrence of this risk are small.

Risks related to the governance of Crédit Mutuel Arkéa

The CNCM thus amended its Articles of Association at an Extraordinary General Meeting on May 16, 2018 (the "Articles of Association").

A new Article 29 relating to the sanctions that may be pronounced by the CNCM has been incorporated into the Articles of Association. This new Article 29 is accompanied by a disciplinary regulation which would have the same legal value as the Statutes.

The regulatory measures referred to in the powers of the Board of Directors refer to the creation of a new Article 33 of the Articles of Association, entitled "Withdrawal of confidence or approval as a regulatory measure", allowing the removal of the heads of the regional groups outside of any sanction procedure.

It is possible that these provisions of the Articles of Association will be implemented by the CNCM, as the potential negative impact on the Arkéa group can be assessed as significant.

Risks related to potential litigation

Following the implementation of the disaffiliation of the Arkéa group from the Crédit Mutuel group, there is a risk of a legal challenge to the disaffiliation of the Arkéa group, in particular in the context of the application of the DCG.

In addition, the operational implementation of the disaffiliation of the Arkéa group could give rise to various claims or give rise to litigation against the Arkéa group by members, customers or counterparties of the Crédit Mutuel group.

Any litigation or recourse that might be potentially exercised could have a potentially significant negative impact on the Arkéa group.

Risks related to the loss of inter-federal solidarity

As from the effective date of disaffiliation, Crédit Mutuel Arkéa will no longer benefit from the national inter-federal solidarity mechanism in the event of the Arkéa group's independence from Crédit Mutuel as a whole being put into effect.

However, it is specified that Crédit Mutuel Arkéa has its own solidarity mechanism which would intervene in the first instance.

A cooperation pact between all LCs and Arkéa will thus be concluded for a period of 99 years with a view to implementing solidarity, mutual aid and support mechanisms to help LCs fulfil their primary mission, namely to promote access to banking, financial and insurance services for all.

For more information on the solidarity mechanism, investors may refer to the section 1.6 on solidarity relations in this Universal Registration Document.

The exit of Crédit Mutuel Arkéa from the national inter-federal solidarity mechanism could lead to the lowering of certain financial ratings of the Arkéa group. However, it should be noted that the Fitch Ratings agency already gives a rating to the Arkéa group independently of the Crédit Mutuel, without taking account of this national inter-federal solidarity mechanism.

At this stage, there is no certainty as to how this situation could evolve and/or when it could end, or what impact it could have on the B Shares.

4.1.4 Risk summary

4.1.4.1 Risk Matrix

Risks are classified by major category. Within each category, the risk factors are ranked in order of importance, including the risk related to the disaffiliation of the Arkéa group from the Crédit Mutuel.

- 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 an occurrence was assessed according to the impact of a stress scenario, based on historical risk data (e.g. credit risk) and on realistic scenarios for risk items that have not materialised significantly in the past. The magnitude in case of occurrence reflects the impact of the identified risk on liquidity and solvency indicators, should it materialize.

- the magnitude in case of occurrence is considered "low" if the risk does not have a significant impact on the liquidity and solvency ratios;
- the magnitude in case of occurrence is considered "average" if the risk significantly affected the annual result and ratios, but did not compromise the announced remuneration of the various investment vehicles (shares, debt securities);
- it is considered "high" if the risk would be such as to jeopardise the remuneration of the various investment vehicles.

The probability of occurrence and the estimated magnitude of the negative impact in the event of occurrence are described in the dedicated paragraphs.

Macroeconomic risks are not mentioned in this matrix because they are taken into account in other types of risk measured elsewhere in this matrix (credit, interest rate, market), for which they play an inducing role.

4. RISKS

Risk factors

Arkéa group risk matrix

Risk categories and factors	Probability of occurrence	X 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			
Fraud risk (including information and communication technology)	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	Medium	Medium	Medium
Non-life insurance	Low	Medium	Low
Market risk			
Risk on equities and other variable income securities	Medium	Low	Low
Currency risk	Medium	Low	Low
Strategic risk			
Risk related to the disaffiliation project	Medium	Low	Low

legend

Low	Low
Medium	Medium
High	High

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 a stage deemed "Medium".

In addition to the risks related to the business, the orientation vote of the Arkéa group's local banks in the spring of 2018 confirmed the

Arkéa group's desire to withdraw from the Crédit Mutuel and made it possible to launch a project aimed at defining the terms and conditions of its disaffiliation. This point is included in the strategic risk.

4.1.4.2 Definition of risks

Risk typology	Definition of risk
Credit risk	Risk incurred in the event of default by a counterparty or counterparties considered as a group of customers, as defined by regulation. The default of a counterparty results in its inability to honour its commitments in accordance with the agreed terms.
Customer credit risk	Risk relating to loans granted by the group to individual and SME counterparties, large groups, central and public administrations, credit institutions.
Credit risk on market counterparties	Risk relating to the repayment of debt securities (in particular bonds) or the payment of flows under performance swap contracts ("derivative" contracts)
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, staff and systems or from external events, including legal risk. Operational risk includes, but is not limited to, risks related to events with low probability of occurrence but high impact, internal and external fraud risks, and model risks.
Fraud risk (including information and communication technology risks)	<ul style="list-style-type: none"> ■ Internal risk including: <ul style="list-style-type: none"> - Rogue trading (exercise of an activity that does not comply with the traders' mission and is not sufficiently monitored in terms of limits, voluntary changes in valuation parameters, concealment of position); - Back-office fraud: fraud of the repetitive type or fraud of the big bang type. ■ External risk including: intrusion into the IT, breach of data integrity, data theft, etc.
Risk of non-compliance	Risk of legal, administrative or disciplinary sanctions, significant financial loss or damage to reputation resulting from failure to comply with provisions specific to banking and financial activities, whether of a legislative or regulatory nature, national or European, directly applicable, or relating to professional and ethical standards, or instructions from actual managers taken in particular in application of the guidelines of the supervisory body.
Legal risk	Risk of any dispute with a counterparty resulting from any inaccuracy, deficiency or insufficiency that may be attributable to the reporting company in respect of its operations.
Interest rate and liquidity risk	See below
Interest rate risk	Actual or prospective risk to an institution's revenues and economic value resulting from adverse movements in interest rates affecting interest-sensitive instruments, including mismatch risk, basis risk and option risk ⁽¹⁾ .
Liquidity risk	Risk for the reporting company of not being able to meet its commitments or not being able to unwind or offset a position due to market conditions or idiosyncratic factors, within a given period of time and at a reasonable cost ⁽²⁾ .
Insurance Risk	Risk relating to life and non-life insurance activities
Life insurance risk	Risk related to the exercise of a life insurance activity, including in particular: <ul style="list-style-type: none"> ■ Underwriting risk, covering the risks inherent in the distribution business: mass surrender risk, mortality risk, incapacity/disability, longevity, disaster. ■ Market risk, including in particular interest rate risk related to asset/liability management and equity risk related to investments in assets.
Non-life insurance risk	Risks likely to affect the capital, including underwriting risk and market risk (interest rate, share, real estate, spread).
Market risk	Risk corresponding to fluctuations in the prices of financial instruments that make up a portfolio of assets or possibly a liability. The various risk factors linked to the market are interest rates, exchange rates, share prices and commodity prices. (Interest rate risk is a market risk treated separately in this nomenclature).
Equity and other variable income securities risk	Risk of a decline in the value of securities held as assets on the balance sheet.
Currency risk	Risk related to the variation of the rate of a currency against another reference currency.
Disaffiliation Project Risk	Risk inherent in the plan to disaffiliate from the Crédit Mutuel.

(1) Source: Guidance on the Management of Interest Rate Risk in Non-trading Book Activities, EBA/GL/2018/02, July 19, 2018.

(2) Order of November 3, 2014 on the internal control of banking, payment services and investment services companies subject to the supervision of the Autorité de contrôle prudentiel et de résolution (French Prudential Control and Resolution Authority).

4.2 Risk management function

4.2.1 Introduction to the Arkéa group's risk appetite

Risk appetite is the level and type of risk that 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 shareholders' equity and the comparative levels of its return on equity and solvency ratios, the Arkéa group's risk appetite is moderate overall and over the long term.

Priority is given to reasoned profitability and risk, which reinforces the capital of confidence necessary to sustain the commercial relationship with customers. It is a unique feature of the Arkéa group's cooperative model, where the shareholder-member is also a customer and gives priority to the quality of a lasting relationship with his or her bank over the return offered by the share capital he or she holds. The criterion of return on equity is part of an overall assessment over the medium or long term, without immediacy.

In line with the above-mentioned link between risk and profitability, Arkéa's risk appetite policy aims to situate risk at a level compatible with its overall performance objectives while ensuring that it can always be controlled through its organization and know-how. Risk levels and risk control are criteria that are the subject of very close attention and are particularly selective in terms of the direction of development.

4.2.2 Arkéa's risk management function

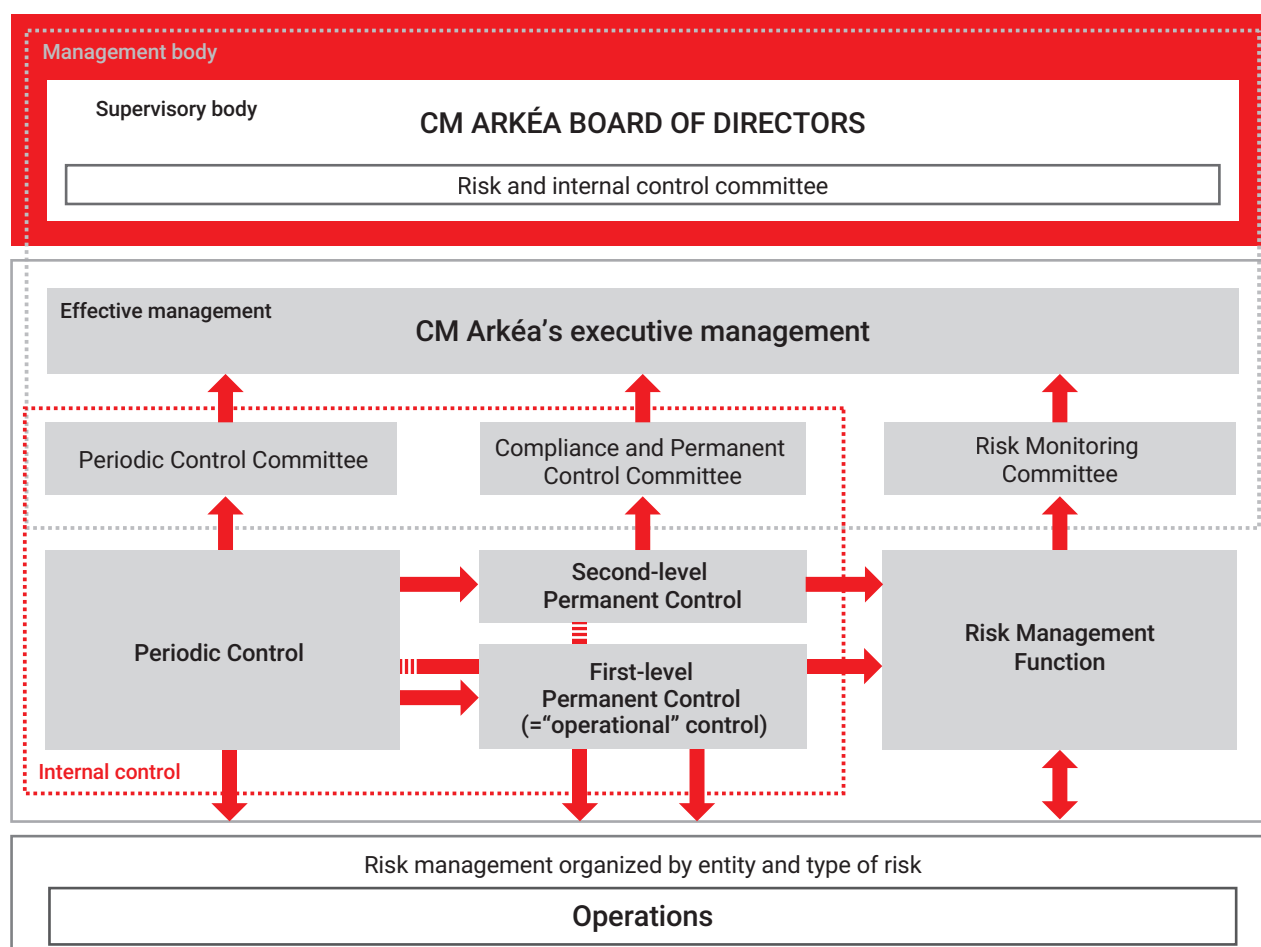
The "risk management function" has the general mission, in accordance with regulatory requirements (see Administrative Order of November 3, 2014), to ensure the implementation of Arkéa's risk measurement and monitoring systems.

Its organization covers all risks of all Group entities. It provides an overall view, on a consolidated basis, of all the risks associated with the Group's banking and non-banking activities on a cross-functional and forward-looking basis.

The purpose of the "risk management function" is to ensure that the level of risks incurred is compatible with the guidelines set by the Arkéa group's supervisory body, which has set the following priority objectives in this area:

- operate within limits consistent with its strategy and overall performance objective, financial capabilities and regulatory risk requirements;
- provide quality, relevant, controlled information to the supervisory body and to the actual managers of the group as well as to the supervisory authorities, each group entity being responsible for managing its risks.

The "risk management function" is part of the overall risk and internal control governance framework shown below:



Responsibility within the Arkéa group is assigned to the Arkéa Group Head of Risk Manager, who is independent from the business lines and reports to the Associate Chief Executive Officer in charge of the Development Support Division and to effective management of Crédit Mutuel Arkéa. Ultimate responsibility for risk management at the operational level remains with the actual managers of each entity, whether or not its activities are outsourced.

The head of the Group's "risk management function" is responsible for ensuring that the function operates properly, and that the Group's effective management and supervisory body are properly informed and monitoring and/or participating in the application of Group procedures.

It is involved both upstream and downstream of the operational risk management of the entities and provides consolidated risk monitoring at Group level. The results are communicated, using appropriate media and frequencies, to the Group Risk Monitoring Committee and the Group's Executive Management, as well as to the Risk and Internal Control Committee and the Board of Directors of Crédit Mutuel Arkéa. The head of the group's "risk management function" relies for this purpose on the network of correspondents appointed in each group entity (see below) and on a consolidated information system.

The "risk management function" is organized functionally, complementing the hierarchical organization. Each institution in the Group, whether a bank or not, appoints a manager for the "risk management function" for its perimeter, with one manager for each type of risk.

Functional links are provided at three levels:

- between the head of the "risk management function" of the Group and the head of the "risk management function" of each entity;
- between the head of each entity's "risk management function" and the designated risk managers for each type of risk within that entity;
- between the head of the group's "risk management function" and the group's risk managers.

Crédit Mutuel Arkéa's consolidated view of risks is assured:

- by governance of the "risk management function", homogeneous and based on the same model whatever the group entity and whatever the risk;
- and through common methods, procedures and tools allowing both "local" management by entity and global management at the group level.

This organization of the "risk management function" and the resources at its disposal contribute to the compliance of the Arkéa group's risk exposure with the risk appetite framework and risk policy defined by its supervisory body. In this respect, all the documents forming the "Risk Management System" constitute the reference framework for the Group's system of limits. First validated by the Risk Monitoring Committee and then by the group's Executive Committee, this document is then presented to the Risk and Internal Control Committee and submitted to the Board of Directors of Crédit Mutuel Arkéa for adoption.

4.3 Credit risk

Credit risk is the risk incurred in the event of default by a counterparty or counterparties considered as a group of customers, as defined by regulation.

For credit risk, the calculation of weighted risk is organized according to two distinct approaches: the IRB method and the standard method. At 12.31.2019, exposure at the time of default amounted to €104.5 billion, of which €67.3 billion under the IRB approach and €37.2 billion under the standard approach. The weighted credit risk was €35 billion.

It should also be noted that the Arkéa Group implemented the new default for IRB entities in October 2019. An add-on has been requested by the ECB on weighted risk. Its amount was €500 million as at 12.31.2019.

4.3.1 Credit risk

4.3.1.1 Selection, limit and monitoring procedures

All risk selection, limit and monitoring procedures are part of a regulatory framework. In particular, it complies with the Administrative Order of November 3, 2014 on the internal control of companies in the banking, payment services and investment services sector, which are subject to the control of the Autorité de Contrôle Prudentiel et de Résolution (Prudential Control and Resolution Authority).

4.3.1.2 Risk selection system

In accordance with regulations, internal ratings are central to the credit granting process and are used to determine both the decision limits and the commitment limit for each group entity.

The granting of credit is governed by procedures specific to each distributing entity within the group, within the framework of the system of limits defined by the Board of Directors of Crédit Mutuel Arkéa. Requests for financing exceeding the decision limits specific to each network or subsidiary are submitted to the Group Credit Committee. Beyond the decision limits of this Committee, a request for exemption is submitted to the Board of Directors of Crédit Mutuel Arkéa.

The credit granting procedures of the group's entities are based on detailed analyses of the quality of borrowers and their ability to meet the repayments of the loans requested.

Whatever the typology of the borrowing client (individual, company, institutional), these analyses include, depending on the case, the following elements:

- external data (entry in the national register of incidents involving the repayment of loans to individuals, banking ban, Banque de France rating, outstandings reported to the Banque de France's risk centralisation department, unpaid debts, existence of collective procedures, K-BIS, etc.);
- personal data describing the financial situation (account operation, accounting documents, etc.);
- qualitative contextual elements (matrimonial regime, legal form, sectors of activity, etc.).

4.3.1.2.1 Customer credit monitoring

In accordance with regulations, Crédit Mutuel Arkéa ensures strict independence between the units responsible for initiating operations and the units responsible for validating or monitoring them.

The tools set up by the group allow the rapid detection of risky situations (unpaid, irregular, downgrading of ratings, etc.).

The risk management structures of the Group's distribution entities ensure that the managers take proper charge of risky files, both in terms of diagnosing the client's situation and rapidly implementing the necessary measures, and in terms of monitoring the regularisation of the customer's situation.

At the second level, the overall monitoring of risks is carried out by the Risk Department of Crédit Mutuel Arkéa (monitoring of major risks, detection of downgraded commitments, analysis of the main doubtful and disputed cases).

4.3.1.2.2 Reporting

A dashboard of customer credit risks, drawn up monthly, is sent to the members of the Executive Committee of Crédit Mutuel Arkéa. The main indicators are calculated by market and by group entity.

A summary of customer credit risk exposure and an update on compliance with commitment limits are provided at each meeting of the Board of Directors of Crédit Mutuel Arkéa.

Finally, the Group's credit risk situation is also presented to the Group Risk Oversight Committee, which meets quarterly. It is also included in the quarterly group risk scorecard, which is sent and presented to the Crédit Mutuel Arkéa Executive Committee and then to the Group Risk and Internal Control Committee.

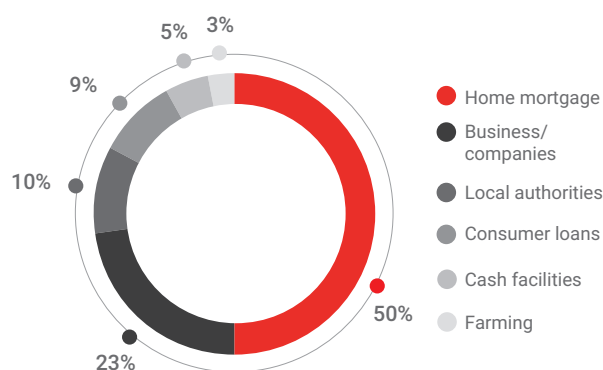
4.3.1.3 Analysis of outstandings

4.3.1.3.1 Outstanding customer loans

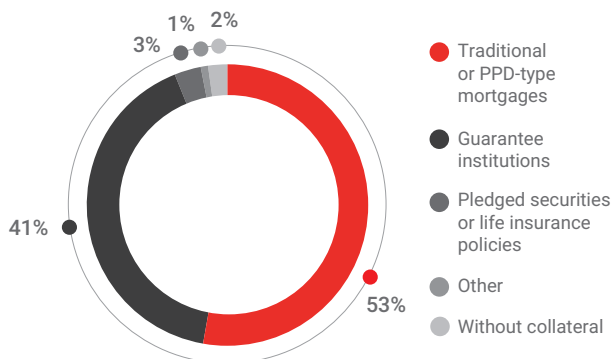
At December 31, 2019, Crédit Mutuel Arkéa's on and off-balance sheet outstandings amounted to €76.8 billion. On-balance sheet loans (including capital and related receivables) amounted to €63.5 billion, up 11.4%.

These mainly concern moderate-risk sectors where the unit amounts of loans granted are generally limited. Home loans account for nearly half of outstandings. The bank's strong regional roots is also conducive to proximity and familiarity with borrowers.

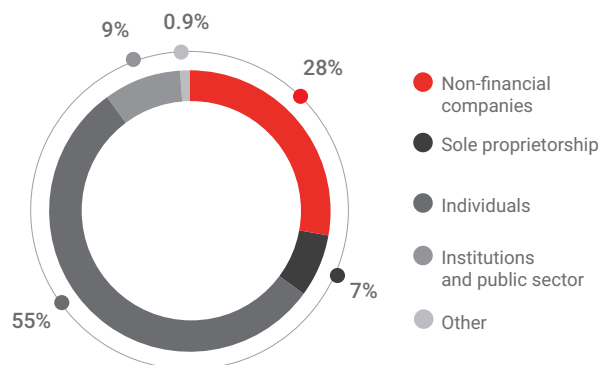
Breakdown of outstanding balance sheet



Breakdown of home mortgage outstandings by type of collateral



Outstanding balance sheet amounts by type of borrower



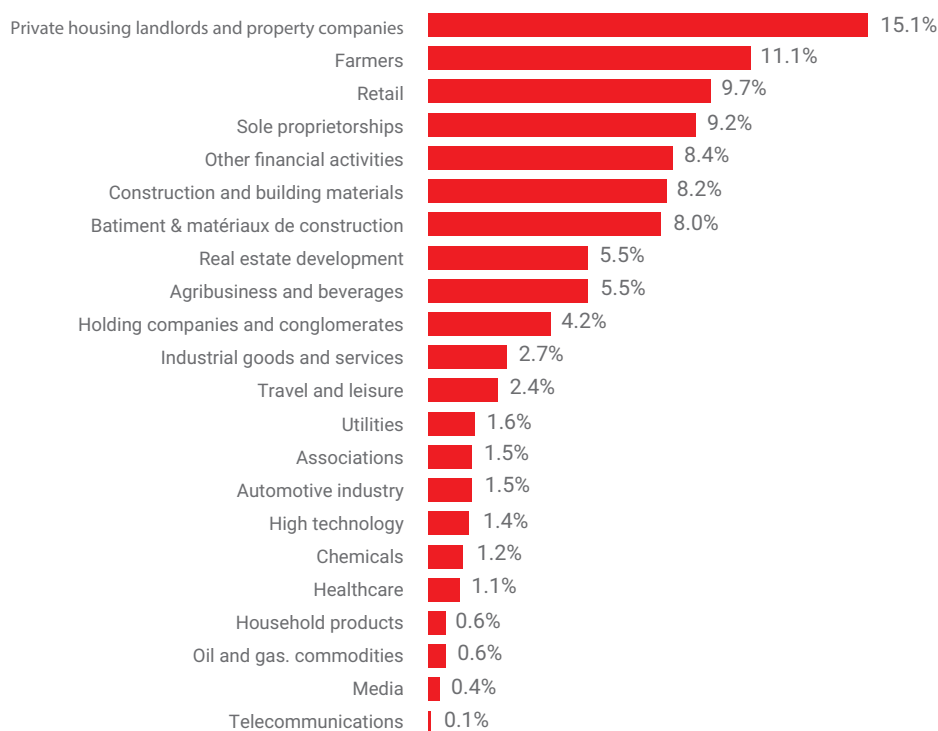
4.3.1.3.2 Dispersion of customer loans outstanding

The dispersion of the customer loan portfolio is satisfactory from a risk point of view, whether or not it is examined:

- by type of borrower
- by business segment

Outstandings to individuals account for more than half of balance sheet outstandings.

Sectoral breakdown of gross exposure (on- and off-balance sheet outstanding) of professionals and companies



The gross exposure (balance sheet and off-balance sheet outstandings) of professionals and businesses amounted to €27.7 billion (or 36% of customer commitments). The sectors best represented are real estate, agriculture, distribution and sole proprietorships.

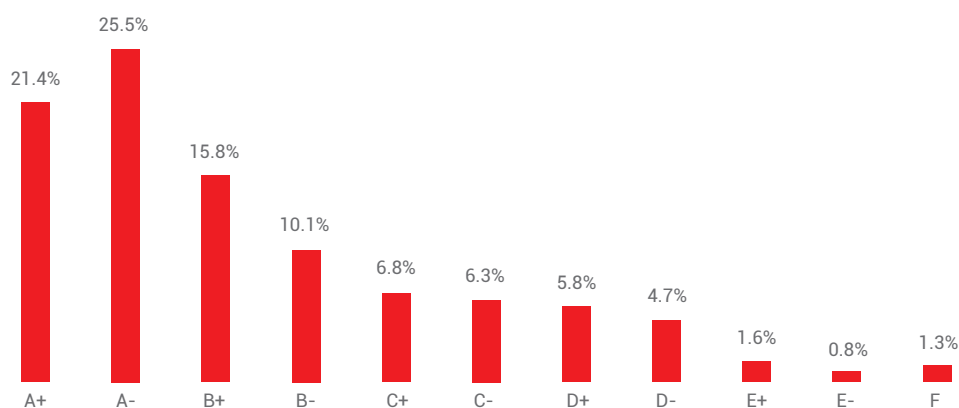
4.3.1.3.3 Portfolio credit risk quality

The risk quality of the customer loan portfolio is assessed through the internal rating of customers.

A client's internal rating at a given point in time is an assessment of the risk that the client will not meet its repayment commitments within the next 12 months. Updated daily to reflect potential risk events, it is expressed on an 11-point scale, ranging from the highest rating of A+ (lowest risk) to the lowest rating of F (highest risk). The internal E- and F ratings include doubtful and disputed loans, while the nine other ratings include sound loans.

Healthy outstandings totalled 97.9% of total outstandings. Doubtful and disputed outstandings (ratings E- and F) represent 2.1% (capital outstanding exclusively).

Breakdown of balance sheet outstandings by rating level at the end of 2019



Presentation of doubtful and disputed receivables (CDL)

MARKETS	2018		2019	
	Amount (€m)	%	Amount (€m)	%
Individuals	634.4	43.5%	624.3	42.7%
Non-financial companies	626.0	43.0%	642.8	44.0%
Sole proprietorships	197.0	13.5%	194.9	13.3%
TOTAL	1,457.4	100.0%	1,462.1	100.0%

* including farmers

Outstanding doubtful and disputed receivables (principal and interest) of the group amounted to €1,462.1 million at the end of 2019 compared to €1,457.4 million at the end of 2018, representing an increase of 0.3% over the year. The rate of doubtful and disputed receivables (including interest) on the total outstanding amount is down to 2.3% compared to 2.6% at the end of 2018.

4.3.1.3.4 Outstanding restructured loans

Restructured credits, within the meaning of European regulations (EBA ITS), are contracts that have been the subject of "concessions to debtors who have or will have difficulty in honouring their debts". These concessions may correspond in particular to changes in the residual term of the contract or debt refinancing, excluding commercial renegotiations.

Default downgrading is stricter on restructured loans, which are automatically downgraded to doubtful debt as soon as they are more than 30 days past due or when a new restructuring is implemented.

For debtors already in default at the time of identification of the restructuring, the default is maintained for a minimum period of one year.

According to these definitions, restructured loans represent €521 million (in capital), i.e. 0.8% of the Arkéa group's total

outstanding loans. €403 million are downgraded to doubtful or disputed loans, while €118 million are recorded under sound loans.

4.3.1.4 Provisioning and cost of risk

4.3.1.4.1 Provisioning

The provisioning of risk on customer loans concerns, on the one hand, doubtful and disputed loans (internal notes E- or F) and, on the other hand, sound loans.

For doubtful loans, the provision is applied automatically or on the basis of an expert assessment. Financo has the particularity of having a statistical provisioning system for all its doubtful or disputed loans to individuals.

In the current economic climate, Crédit Mutuel Arkéa remained prudent in its approach to customer credit risk in 2019. The provision rate for doubtful and disputed loans (capital + interest) reached 56.7% at the end of December 2019 compared with 57.1% in December 2018. This rate is 69.4% for companies, 57.5% for sole proprietorships and 43.4% for individuals.

With regard to sound receivables, a new regulatory accounting standard for financial instruments came into force on January 1, 2018 (IFRS 9 - International Financial Reporting Standards). Since its implementation, an allowance for credit risk is made as soon as the loan is granted. The provisioning of each contract is also calculated

4. RISKS

Credit risk

according to an estimate of the "expected" loss, determined on the basis of risk parameters whose calculation methods and values are specific to the Crédit Mutuel Arkéa group. The balance sheet provisioning rate for sound receivables on customer loans is 0.44% compared with 0.46% at 12.31.2018 *pro forma*, representing a total of €268.3 millions

4.3.1.4.2 Cost of risk

The cost of customer credit risk corresponds to the net charge to provisions and losses not covered by provisions, less recoveries on amortized loans. Including provisions on performing loans, it amounts to €96.8 million in 2019 compared with €57.5 million in 2018. It comprises a cost of risk of €74.4 million on downgraded loans and €22.4 million on sound loans.

The cost of risk on doubtful or disputed loans is mainly located in the corporate market and remains low overall, even though it increased between 12.31.2018 and 12.31.2019 (+€39.3 million). It should be noted, however, that the 2018 cost of risk was particularly low. Compared to the balance sheet outstanding customer commitments, the total 2019 cost of risk remained moderate at 0.15%.

4.3.1.4.3 Taking into account the cost of risk in pricing

The cost of credit risk is taken into account in setting the financial terms granted to the customer according to a commonly accepted approach, in the spirit of Basel III regulations. The average or statistically "expected" cost of risk is incorporated into the cost of credit and contributes directly to the reference pricing, while the cost of exceptional or "unexpected" risk is, in principle, covered by capital.

4.3.2 Credit risk on market counterparties

4.3.2.1 Group-wide limit device

The Arkéa group has a system of unit limits per type of counterparty (or group of "related customers" within the meaning of Article 4-1-39 of EU Regulation 575/2013, known as "CRR") which applies separately to proprietary and third-party activities (assets representing euro-denominated life insurance funds).

Unit limits are reviewed at least once a year by the Board of Directors of Crédit Mutuel Arkéa. They are set according to the internal rating of the counterparties, classified into four categories:

- sovereigns (States), public sector, supranational and secured debt;
- public authorities;
- banking, insurance and securitisation (senior and subordinated debt);
- companies.

For proprietary market activities, individual limits are set, in terms of amount and duration, mainly by reference to the Arkéa group's shareholders' equity and results as well as the "fundamentals" of the counterparty (shareholders' equity, debt and ratings).

Requests for limits for a given counterparty are examined by the Arkéa Group's Counterparty Committee, which bases its decision on the reasoned opinions of the Arkéa Group's Risk Management Department, which is responsible for second-level analysis, monitoring and control. First-level control is performed by the structures carrying and/or managing the counterparties' outstandings.

Any financial market transaction involving a credit risk must relate to an issuer or security listed by the Group Counterparty Committee.

In the event of a request for a waiver of the limit between two revisions, the decision is the responsibility of the Board of Directors of Crédit Mutuel Arkéa.

4.3.2.2 Reporting

The Group Counterparty Committee regularly reviews the credit risk situation related to market transactions.

A quarterly risk scorecard is prepared and communicated to the members of Arkéa's Executive Committee. It includes an update on compliance with credit risk limits on market counterparties.

An update on compliance with credit limits is provided at each meeting of the Board of Directors of Crédit Mutuel Arkéa.

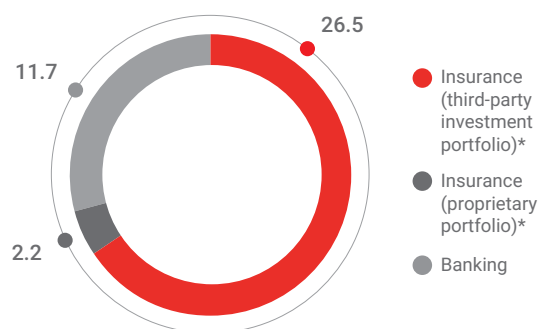
4.3.2.3 Analysis of credit risk on market counterparties

4.3.2.3.1 For the entire scope

€40.47 billion (unless otherwise stated, the amounts below are expressed at redemption value) as of December 31, 2019, broken down as follows:

Breakdown by structure

in billions of euros



* Insurance (Third party account): assets representing funds in euros.

The Group is directly exposed to credit risk only on the proprietary portfolios of the insurance (€2.2 billion) and banking (€11.7 billion) businesses. For the latter, exposure to credit risk results mainly from the replacement of excess cash.

The credit risk attached to Suravenir's €26.5 billion of third-party investments is borne mainly by policyholders via the return they receive on euro-denominated funds.

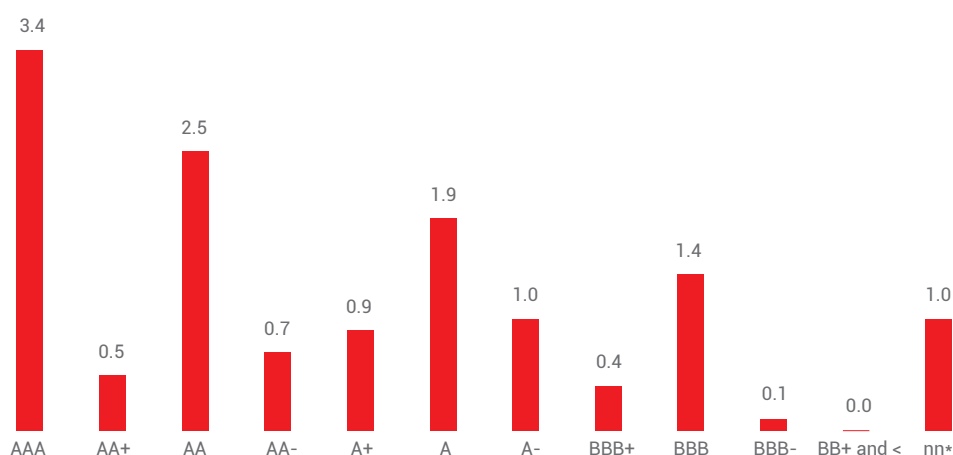
As part of its analysis of counterparty risk, the Arkéa group relies on its own internal rating system as well as on ratings from rating agencies.

4.3.2.3.2 For the scope of proprietary portfolio (insurance and banking)

13.9 billion of investments in the bank and insurance proprietary portfolio mainly concern issuers with the best external ratings: 79% have external ratings of between AAA and A-.

Breakdown by external rating proprietary account

in billions of euros

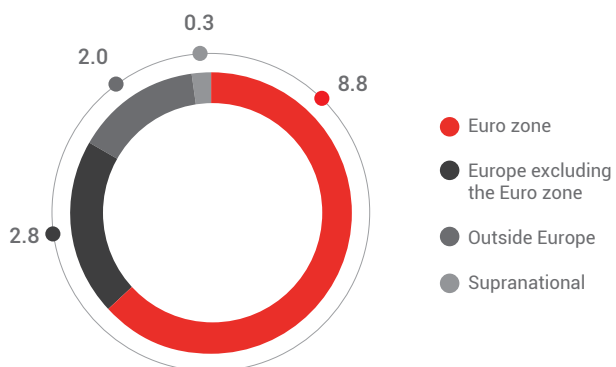


*nn: issuers not monitored by the benchmark rating agencies (S&P, Moody's and Fitch).

84% of investments in this scope concern European issuers, 35% of which are French issuers.

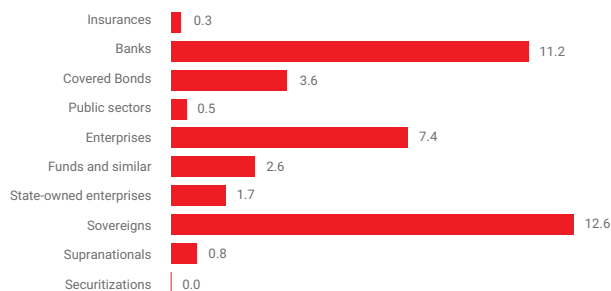
Breakdown by geographical area proprietary account

in billions of euros



Breakdown by issuer category proprietary account

in billions of euros



From a sectoral point of view, investments in own bank and insurance accounts are mainly made with two main types of issuers:

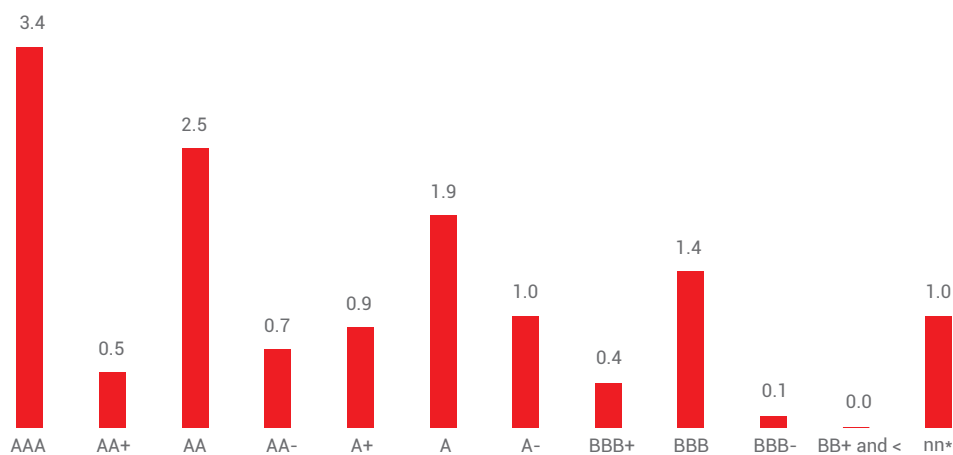
- the banking sector (banks and covered bonds) for 50%;
- sovereigns, supranational, public authorities and the public sector for 35%.

4.3.2.3.3 For the scope of Suravenir's third party portfolio

The third party portfolio of the insurer Suravenir (€26.5 billion) is mainly invested in issuers with the best external ratings: for 64% of them, external ratings are in fact between AAA and A-.

Breakdown by external rating - Suravenir - investment portfolio

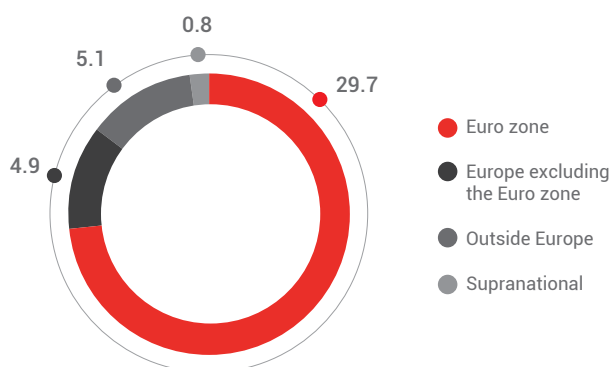
in billions of euros



*nn: issuers not monitored by the benchmark rating agencies (S&P, Moody's and Fitch).

Geographically, third-party portfolios are mainly invested in European issuers (87%), 61% of which are French issuers.

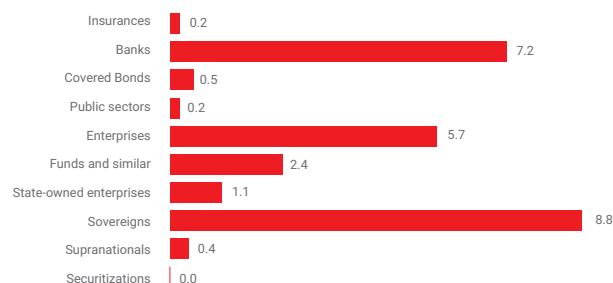
Breakdown by geographical area - Suravenir - investment portfolio in billions of euros



From an industry standpoint, Suravenir's third party portfolio are mainly present on two main types of issuers:

- the banking sector (banks and covered bonds) for 29%;
- sovereigns, supranational, public authorities and the public sector for 40%.

Breakdown by issuer category Suravenir third-party investment portfolio



4.3.2.4 Focus on exposure to securitisations held within the banking scope of consolidation

Exposure to securitizations has been significantly reduced over the past year, as this portfolio is managed on a sunset basis. There has been no further investment since 2008. Overall, outstanding amounts on these assets amounted to €0.9 million at December 31, 2009.2019. Only one CDO with non-guaranteed capital remains, held for an amount of €0.9 million, which has been fully provisioned since 2009.

4.4 Operational Risk

4.4.1 The “operational risk” management function

4.4.1.1 Organization

The Arkéa group has chosen to apply its operational risk management system to all its components, including those not directly subject to Basel III regulations (life insurance and property and casualty insurance subsidiaries, etc.).

The general framework for controlling operational risk is based on the functional coordination provided by the Operational Risk and IT Risk Department, part of Arkéa’s Risk Management Department.

This department, comprising two departments (Operational Risk Department and IT Risk Department) defines Group policies in terms of risk management, consolidates the results and monitors the evolution of operational and IT risks for the entire Group. In order to carry out this mission, it relies, in its capacity as functional head of the “operational risk” management function, on:

- the operational risk correspondents who report to each subsidiary’s management, and who act as relays for the operational risk department for the application of the operational risk control policy within each structure;
- the Information Systems Security Managers in the subsidiaries, in charge of implementing the Group’s Information systems security policy;
- a team, located within it, dedicated to the management and monitoring of the operational and IT risks of the Crédit Mutuel Arkéa (central departments, local banks and central services of the Crédit Mutuel federations).

Operational risk management is governed by formalized procedures relating to:

- updating the mapping of operational risks, including their self-assessment;
- the collection of claims;
- modelling operational risk as part of the calculation of the capital requirement.

In addition, and in order to cover the main areas of operational risk, cross-functional systems are defined by the Operational Risk and IT Risk Department and deployed across all entities. They relate in particular to:

- the security of the IT;
- implementation of contingency and business continuity plans;
- management external fraud prevention efforts.

4.4.1.2 Reporting

Quarterly reporting is prepared by Arkéa’s Risk Management Department and communicated in various formats:

- to the Group Risk Committee;
- to the Group Executive Committee;
- to the Arkéa Group Risk and Internal Control Committee;
- to the Board of Directors of Crédit Mutuel Arkéa.

This reporting covers four main themes:

- the observed loss rate;
- the results of the testing of emergency and business continuity plans (BCPs);
- risk self-assessment, resulting from the mapping of operational risks;
- computer risk.

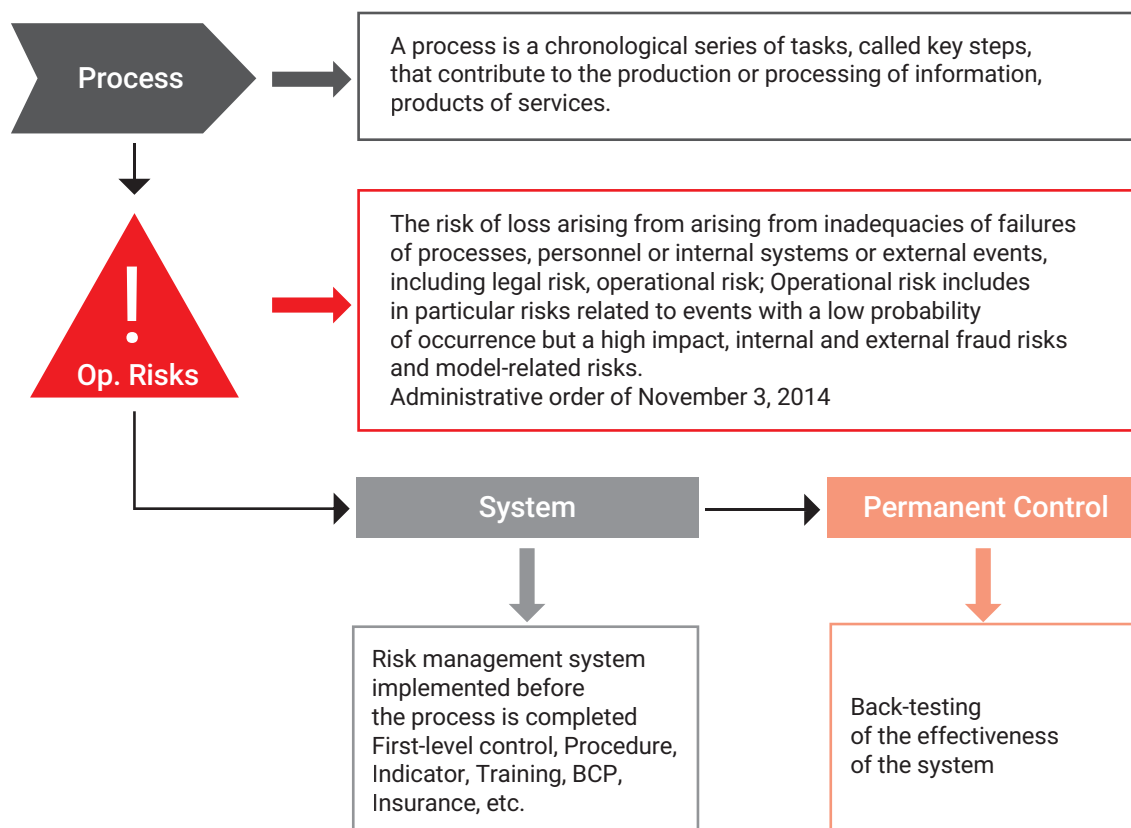
4.4.2 Measurement of operational risks

The Arkéa group’s operational risk measurement is mainly based on a two-pronged approach:

- a self-assessment of risk, carried out by the operational risk correspondents within the Group’s structures, with the help of the expertise of the operational staff of these structures;
- a declaration of any incident following the occurrence of a proven operational risk, in a dedicated tool based on process and risk mapping.

The self-assessment of operational risk is based on an internal approach known as “PRDC” for “Process-Risk-Control System-Permanent second-level control”. This approach has led to the construction of the PRDC reference framework, whose objectives, presented in stages, are as follows:

- processes: definition and description of the processes, in the form of a flow chart for the most important ones;
- risks: identification, assessment and prioritisation of operational risks;
- systems: identification and evaluation of inherent risk management systems (means to reduce risks or their impact) classified according to their nature (procedures, first-level operational control, tools, training, alerts, insurance, BCP);
- permanent second-level controls: verification and assessment of the relevance and effectiveness of the risk management systems attached to the processes.



4.

Considering each unitary risk at the crossroads of the process and risk references and considering the effects of the control system in force on this risk, a self-assessment of the risk is made on a scale of 8 levels of frequency and 10 levels of severity.

This approach covers all of Arkéa's activities. Given the level of computerization of processes, the effectiveness of risk management systems relating to the information system is examined with particular attention.

4.4.3 Modelling of operational risks

4.4.3.1 Organization

Since January 1, 2010, the Group has been authorised to use its Advanced Measurement Approach for the calculation of regulatory capital requirements for operational risk for a large majority of its companies.

The Arkéa group participates in the projects undertaken at the national level by the entire Crédit Mutuel group. Within this framework, dedicated resources are allocated to the annual review of risk mapping and expert opinion models, as well as to statistical modelling and the calculation of regulatory capital requirements. This enables us to maintain in-house the level of expertise and responsiveness required to model operational risks and to quantify their capital requirement.

In addition, the Arkéa group feeds the calculation of the capital requirement carried out at the level of Crédit Mutuel as a whole with risk indicators for so-called "severity" risks and with claims distribution for so-called "frequency" risks.

4.4.3.2 Quantification

For the quantification of operational risk, two modelling approaches have been adopted:

- for so-called "frequency" risks that may have been recorded in the loss history and whose severity anticipated by the experts is not such as to result in a significant unexpected loss, the "Loss Distribution Approach" (LDA) technique is used.
- for other so-called "serious" risks, the analysis carried out by the group's experts leads to the implementation of scenarios requiring the provision of risk indicators. These indicators are used in conditional probability models based on each scenario.

The approach is supplemented by taking into account the correlations between the different risks in order to arrive at the capital requirement and the application of the insurance deduction.

The overall capital requirement is then distributed among the various entities of Crédit Mutuel as a whole. For the Arkéa group, the regulatory capital requirement for operational risk is €188 million at the end of 2019.

4.4.3.3 Insurance

In 2012, Crédit Mutuel as a whole obtained authorisation from the Autorité de contrôle prudentiel et de résolution (ACPR) to implement the benefit of the deduction of insurance taken out to cover its operational risks.

Insurance is thus fully integrated into the risk management process:

- the assessment of operational risks leads to the production of scenarios for severity risks;
- asymmetries between insurance cover and product scenarios are analysed;

- insurance programmes can thus be better adapted to the risk profile determined (scope covered, full cover).

The insurance coverages retained to date in the deduction process are those relative to:

- damage to movable and immovable property (multi-risk);
- to fraud ("global bank" insurance);
- to professional civil liability (PCR);
- to cyber risks.

Arkéa's insurance programs comply with Basel III eligibility criteria (rating, initial term, residual term, notice of termination, etc.).

4.4.4 Business Continuity

The purpose of the Emergency and Business Continuity Plan (BCP), according to the terminology set out in the Administrative Order of November 3, 2014, is to take rapid action in the event of a crisis situation in order to minimize the impact of a major incident on Arkéa's activities and on its customers. The activities concerned are essential or significant services or operations as defined by regulations.

This device is triggered when an incident causes the cessation of an essential activity, the foreseeable or certain duration of which exceeds the maximum permissible interruption of that activity.

In line with Arkéa's crisis management procedure, the Group's 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" deals with the organisational aspects, in the event of a disaster, by defining the roles and responsibilities of the actors of the different crisis units:

- the decision-making crisis unit (manager: the Arkéa group's Chief Executive Officer);
- the operational crisis unit (manager: Head of the Arkéa Group Risk);
- the crisis recovery unit (responsible: person in charge of restoring the failing resource).

Each business and support function "Emergency and Business Continuity Plan" is placed under the responsibility of the Head of the entity or business concerned. The latter designates a BPC manager who is responsible for the implementation and operational maintenance of the entity's BPC.

The overall consistency of all BPCs is ensured by the Operational Risk Department within Arkéa's Risk Management Department. In this capacity, the head of the Group BPC is the head of the Operational Risk Department.

A business continuity plan is built to respond to five crisis scenarios:

- scenario 1: unavailability of premises (destroyed, unusable or inaccessible premises);
- scenario 2: unavailability of IT (including the impacts of cyber risk: central system, server, network or software incident);

- scenario 3: staff unavailability (staff unable to work anywhere, including at home);

- scenario 4: energy and telecommunications unavailability (failure of power supply or telecommunication means);

- scenario 5: unavailability of key suppliers (suppliers – external and internal – essential to the key activities).

Each scenario has three phases:

- 1 - Emergency measures;
- 2 - The workaround solutions;
- 3 - The return to normal.

The BPC starts from the moment when operations are entrusted to the operational crisis cell by decision of the decision-making crisis cell. It shall end when the return to normal is observed by the same decision-making crisis unit.

4.4.5 Legal risk

Legal risks are included in operational risks and concern, among other things, exposure to fines, penalties and damages for events that could give rise to the Group's liability in the context of its activities.

The Group's Legal Department is part of the Business Development Support division, which reports to the Associate Chief Executive Officer, who is also a member of the Executive Committee.

The Arkéa group is subject to all regulations governing, in particular, the activities of companies in the banking, insurance and financial services sector. In an environment marked by the multiplication of regulations that increase the constraints on the conduct of business and therefore legal risks, the legal function has a global vision and the capacity to intervene in a vast field of expertise.

To this end, the Group Legal Department relies on a centralized team of nearly 50 lawyers in addition to the community of lawyers operating in the subsidiaries. In the interests of efficiency, the litigation activity of the networks has been centralised to ensure that cases are handled in a uniform and optimal manner. At the same time, the Legal Department increased its staff and continued to refine its policy for managing outside legal counsel.

Since 2017, the implementation of the new organisation of the legal department has enabled it to:

- fully play its role as guarantor of group legal certainty;
- leading a legal coordination committee with all of the group's legal managers in order to encourage cross-functional collaboration and networking;

Provisions have been set aside for legal risks outstanding at December 31, 2019 that could have a negative impact on the Group's assets and liabilities, in accordance with the best estimate made by Management on the basis of the information available to it.

Only 4 files have claims in excess of €1 million for a total of €25 million. €850,000 has been set aside for them. The most important request includes 2 files for which no provision has been made, since the merits of the requests have not been established, as confirmed by a decision obtained on November 6, 2018.

In light of these factors, no litigation is likely to have a material adverse effect on the financial position of the Arkéa group.

In addition, the CNCM Board of Directors meeting held on April 20, 2018 proposed a new draft of the CNCM's Articles of Association that would allow the CNCM to remove the main leaders of the regional groups. The CNCM thus amended its Articles of Association at an Extraordinary General Meeting on May 16, 2018 (the "Articles of Association").

A new Article 29 relating to the sanctions that may be pronounced by the CNCM has been incorporated into the Articles of Association. This new Article 29 is accompanied by a disciplinary regulation which would have the same legal value as the Statutes.

The regulatory measures referred to in the powers of the Board of Directors refer to the creation of a new Article 33 of the Articles of Association, entitled "Withdrawal of confidence or approval as a regulatory measure", allowing the removal of the heads of the regional groups outside of any sanction procedure.

4.4.6 Non-compliance risk including money laundering and terrorist financing risk

4.4.6.1 An organisation under the aegis of the Compliance and Permanent Control Department (CPCD)

In order to maintain the confidence of its customers and stakeholders in its products and businesses, the Group is constantly working to protect the interests of its customers while preserving its integrity and reputation.

The Group's compliance teams work on a daily basis to enable the Group to control its risks and thus adapt to changes in the economy and society with complete peace of mind.

In order to ensure a **common vision** and synergy of practices within the Group, the CPCD relies on the Group Compliance Charter and drives the Group Compliance Policy. It assists the entities on a day-to-day basis in implementing the compliance systems it draws up. Within each entity, a compliance officer reporting functionally to the Group Compliance Manager advises the operational teams closest to the business lines.

This organization is fully in line with the group's collaborative and agile spirit. Each employee is an active participant in the process and contributes through his or her actions to the development of a common compliance culture and the control of the risk of non-compliance.

Compliance ensures that regulations are complied with, informs stakeholders of risk issues, monitors compliance with good professional practices, the transparency of information and the consistency of the systems with the Group's strategy.

The CPCD carries out a regulatory **watch** on:

- developments in the prudential framework laid down by the Order of November 3, 2014 on the internal control of banking, payment services and investment services companies subject to ACPR supervision;
- changes in the framework set by the AMF General Regulation or the Monetary and Financial Code;
- generally speaking, any regulatory developments that may impact compliance mechanisms (financial security, including the fight against money laundering and terrorist financing, protection of clients' interests, tax transparency, professional ethics, anti-corruption, etc.). It also participates in market meetings.

The compliance mechanism, described below, is deployed around 4 major axes:

- financial security including AML/FT and the preservation of market integrity;
- deontology and professional ethics;
- customer protection including the protection of personal data;
- fiscal transparency.

Training also plays a key role in managing the risks of non-compliance.

The CPCD conducts training activities for the group's entities:

- compliance training for new compliance managers and their teams when they take up their positions;
- raising the awareness of exposed employees on themes of particular interest to the group;
- raising the awareness of secondary level managers with a view to providing them with a knowledge base on the major themes of compliance (fight against corruption and influence peddling, conflicts of interest, deontology and professional ethics);
- awareness of compliance issues among governing bodies;
- accompaniment of compliance managers in the application of the framework devices;
- plenary meetings of compliance managers to share information on changes to the framework, tools, or regulatory developments ().

In each entity, the compliance officer is responsible for training the relevant staff in compliance control tools and procedures.

Employees of the local banks in contact with customers are trained each year according to a schedule of regulatory training courses that changes in line with regulatory developments. In 2019, they were trained in ethics and rules of good conduct in financial matters, obligations related to banking inclusion, AML/FT and customer complaint handling procedures, which are recurrent training topics.

Employees in the central services most at risk are also trained on specific topics according to their activity.

In the area of investment services, in order to reduce the risk of non-compliance with regard to the sale of financial instruments in the group's banking networks, employees subject to a certified examination of their knowledge and not benefiting from the grandfathering clause (Article 313-7-1 of the AMF General Regulations) passed an external or internal examination.

4.4.6.2 The compliance framework devices carried by the CPCD

The CPCD draws up the Group's framework systems, which the Group's entities are responsible for applying according to the specific nature of their business.

4.4.6.2.1 Financial Security

Anti-money laundering and terrorist financing (AML/FT)

Confronted in recent years with an increase in the level of risk linked to terrorist financing and the growing need to combat the underground economy and tax fraud in order to preserve the financial equilibrium of states, European and French regulators have once again this year strengthened the regulatory arsenal in the area of AML/FT.

The bulk of the sanctions issued by the Autorité de contrôle prudentiel et de résolution in recent years relate to shortcomings identified in the area of AML/FT. The amount of the fines imposed by the Enforcement Committee is constantly increasing, reaching several tens of millions of euros.

In addition to the financial damage caused to the sanctioned institution, these sanctions, whose grievances are made public by the regulators, are likely to damage the image of the institution concerned.

In accordance with regulatory requirements, the AML/FT system was adapted in 2019 to take account of regulatory developments. Work was carried out on transaction monitoring tools and on Know Your Customer (KYC) due diligence at the start of the relationship and throughout the business relationship.

In 2019, the bulk of the work has focused on:

- updating of the classification of money laundering and terrorist financing risks, based on the five regulatory axes and, more specifically, the enrichment of the risk factors used to calculate the level of intrinsic risk for customers;
- updating the AML/FT country classification that applies to all Arkéa group entities in the context of its international activities. This update is notably the result of an analysis of the publications of the FATF and of the French and European authorities regarding countries that are fiscally non-cooperative or that impede the AML/FT or countries subject to international sanctions;
- the arrangements for customers residing in a high-risk country of ML/FT;
- the improvement of the operations monitoring system, in line with the risk classification;
- the implementation of the annual training plan in AML/FT for exposed personnel and the piloting of personnel;
- the annual meeting of reporting subsidiaries, the half-yearly plenaries of Arkéa's AML/FT experts led by the Compliance and Permanent Control Department;
- the quality of the customer knowledge files and its management.

As in previous years, the procedural body was also updated to reflect changes in regulations, guidelines and sanctions issued by the ACPR, as well as the publications of the TRACFIN financial intelligence unit.

Investment Services

In order to protect the interests of clients and the integrity of the markets, in 2019 the Group continued its actions and made changes to the provisions of the Market Abuse Regulation (MAR) and the Markets in Financial Instruments Regulation ("MiFID 2").

The Group ensures that its activities comply with the rules defined in:

- circulation of confidential and privileged information and prevention of insider trading;
- intervention on financial instruments;
- post-trade transparency;
- prevention and detection of market abuse;
- detecting and managing conflict of interest situations.

A tool to monitor transactions in order to detect market abuse completes the procedural body.

4.4.6.2.2 Deontology and professional ethics

Each Group entity draws up and updates its reference texts on ethics and professional conduct based on the Group's framework, internal regulations and code of conduct and professional ethics.

Right to professional alerts

In addition to the usual channels for reporting malfunctions, consisting of the chain of command, internal control and staff representative institutions (Article 36 of the Order of November 3, 2014 on internal control), the Group has the following provisions, in accordance with Article 37 of the Order of November 3, 2014 on internal control and Law no.2016-1691 of December 9, 2016 on transparency, the fight against corruption and the modernization of economic life ("Sapin 2" Law), a group framework system for "professional alerts – *whistle-blowing*". All of the requirements of the Sapin 2 Law relating to the internal alert system have been recalled in the recast group framework system "Fight against corruption and influence peddling".

Each employee has the option of reporting internally to the persons designated by Arkéa, *i.e.* the compliance officers, when he or she believes that there are good reasons to consider that an instruction received, an operation under review, or more generally a particular situation does not comply with the rules governing the conduct of the Group's business.

The procedure governing this warning system, which is accessible to all group employees, reminds them that the person who sounds the alarm is protected by a special protection system.

Arkéa's operating procedure, the corporate framework procedure and the form for reporting a work-related alert are available to Arkéa employees on the corporate intranet via a portal that provides access to the internal work-related alert system and to the alert system for serious risks of serious violations of human rights and fundamental freedoms, human health and safety and the CSR environment.

The *modus operandi* provides for the modalities of reporting:

- malfunctions in the implementation of compliance obligations;
- serious facts covered by the definition of whistle-blower (crime or misdemeanour...);
- conduct or situations contrary to the company's Code of Conduct (likely to constitute bribery or trading in influence);
- banking and financial failures to comply with European regulations, the Monetary and Financial Code or the AMF General Regulation, reported directly to the AMF, the ACPR.

Anti-corruption and influence peddling

Since 2017, Arkéa has been implementing a group-wide "Fight against corruption and influence peddling" framework that incorporates the new anti-corruption measures introduced by Act no.2016-1691 of December 9, 2016 on transparency, the fight against corruption and the modernisation of economic life ("Sapin 2" law) and the provisions of Decree n° 2017-564 of April 19, 2017 relating to the procedures for collecting alerts issued by whistle-blowers within legal entities of public or private law or State administrations.

The device:

- defines key concepts (active and passive corruption, influence peddling, fraud, collusion);
- details the preventive measures put in place in accordance with the Sapin 2 law, namely:
 - a code of conduct,
 - a warning device,
 - risk mapping,
 - procedures for assessing the situation of customers, suppliers, intermediaries, etc.,
 - accounting control procedures,
 - a training system,
 - a disciplinary regime,
 - an internal control and evaluation system for the measures implemented;
- explains the penalties incurred: disciplinary or financial penalties that may be imposed by the French Anti-Corruption Agency (AFA), criminal penalties.

This system was overhauled in 2019 in order to take into account the recommendations of the AFA published after the initial framework system was drawn up.

The Compliance Officer has been appointed as Anti-Bribery Compliance Officer.

Supervision of "Interest Representatives".

Pursuant to the provisions on transparency in public life, a procedure applicable to credit institution 15589 defines the status of interest representatives, whose main or regular activity is to influence public decisions. Credit institution 15589, which has been listed on the www.hatvp.fr directory since 2017, filed its report on March 30, 2019 in accordance with regulatory requirements.

Conflict of Interest

The Arkéa group has a dedicated policy that sets out the principles for detecting, preventing, managing and recording conflict of interest situations.

Section 2.6 of this Universal Registration Document (UDD), sets out in detail the contents of the arrangements put in place within the group.

4.4.6.2.3 Protection of customers' interests

Devices dedicated to customer protection

The Compliance and Permanent Control Department ensures compliance with customer protection rules within the Group. It draws up framework procedures designed to ensure that the client's interests are respected, from the design of products and sales tools, to the choice of partners, through the marketing of products or services (advertising, precontractual information, duty to advise), to the conclusion of the contract and the handling of complaints.

These framework procedures are regularly updated to take into account regulatory changes and/or internal developments.

In 2019, the following devices have evolved:

- the system for dealing with financially fragile people, which has been overhauled to take into account the banks' commitment to cap incident costs;
- the framework for handling customer complaints, updated in accordance with the General Regulations on the Protection of Personal Data;
- the framework mechanism relating to the right to the account, to take into account in particular the sectoral application principles relating to the AML/FT obligations as well as those applicable in terms of fiscal transparency.
- The framework system for prior approval of the compliance of new products and projects, to integrate the ABB guidelines on outsourcing and BCBS 239 on data quality and associated risks.

Beyond the review of the procedural body, Arkéa, which places the customer at the heart of its concerns, also continued its actions to protect the interests of its customers.

In this respect, it is worth noting the proactive approach towards financially fragile clients, which since 2018 has resulted in:

- The creation of the Banking Inclusion Coordination Committee (BICC), a true governance body responsible for steering the system within the group and overseeing work to improve the assistance provided to financially fragile customers,
- Strong promotion of the specific dedicated offer in the local caisse networks;
- A strong mobilization of employees and managers around this priority issue,
- Commitment on incident costs beyond regulatory requirements. Thus, in addition to capping incident costs at €25 per month for all customers in a situation of financial fragility, the Crédit Mutuel de Bretagne and Crédit Mutuel Sud-Ouest networks offer, since January 1, 2019, free access to all incident costs for beneficiaries of the specific offer, Budg'Equilibre.

The Group also continued its actions in favor of continuous process improvement through the quarterly committee for the qualitative analysis of Arkéa's customer complaints and the community of practices for handling complaints, which, as every year, brought together the Group's entities that handle complaints to share best practices.

Protection of personal data

After a phase of developing procedures covering the processing and follow-up of requests and raising employee awareness, particularly of individual rights and the risks of non-compliance with regulatory requirements on the protection of personal data, in 2019, the Personal Data Protection Department continued its efforts to coordinate the compliance of Group entities with the GDPR by:

- to steer the operational implementation of the framework by the entities;
- follow the action plan of the entities monitored;
- ensuring staff awareness of personal data protection and the obligation of training for all new recruits;
- to animate the network of personal data protection referents of the group;
- follow-up on individual rights applications;
- tracking data disclosures;
- manage the complaints received by the CNIL;
- establish a cross-cutting control framework;
- ensure the related regulatory watch.

4.4.6.2.4 Fiscal Transparency

Arkéa has set up a framework for managing the regulatory obligations applying to financial institutions concerning the automatic exchange of information relating to financial accounts. It covers the provisions relating to the American law known as FATCA,

as well as the international tax transparency standard known as OECD/CRS.

This framework, which is managed by the Compliance and Permanent Control Department, must be applied by the relevant Group entities subject to these obligations.

FATCA

Once a year, the list of clients concerned as well as the administrative and financial information expected is communicated to the French tax authorities, which will forward it to its American counterpart. The reporting was transmitted in June 2019.

OECD/CRS

Once a year, the list of clients concerned, as well as the expected administrative and financial information, is communicated to the French tax authorities, which will forward it to its counterparts in the jurisdictions that have signed the agreement. In 2019, the reporting was transmitted in June 2019.

Amending Finance Act 2017

In 2019, Arkéa implemented the provisions laid down by decree n°2018-5 and specified by BOI-INT-AEA-20-25-20181107 providing in particular for an initial communication in March 2020 to the General Directorate of Public Finance of situations where Arkéa has not received complete information within thirty days of receipt of the second request by the account holder.

Qualified Intermediary

In 2019, the Internal Revenue Service (IRS) accepted without reservation the renewal of Arkéa's status.

4.5 Structural interest rate and liquidity risks

4.5.1 Organization

The objective of ALM management function is to manage the Group's major financial balances over a medium- to long-term horizon. In addition to allocating equity capital, its missions consist in measuring, monitoring and recommending actions to optimize liquidity and interest rate risk (exchange rate risk being marginal).

It is carried out both by a dedicated and centralised structure - the ALM Department of Crédit Mutuel Arkéa, which reports to the Financial Steering Department, which steers the balance sheets of Crédit Mutuel Arkéa as a group and of the Crédit Mutuel Arkéa institution - and by the financial departments of the subsidiaries, which carry out their activities within the framework of the standards set by the group.

The main indicators on the banking sector are produced by Crédit Mutuel Arkéa's ALM Department. The risks of the insurance subsidiaries are monitored at their level, under the supervision of the Group ALM and Capital Management Committee.

Steering is carried out according to a three-tier organisation:

- the principles and limits for managing the group's balance sheet are set annually by the Board of Directors of Crédit Mutuel Arkéa, on the recommendation of the group's ALM and Capital Management Committee. Subsidiary limits are adopted by their supervisory bodies within the framework defined at group level;
- the ALM and Capital Management Committee carries out the strategic steering and controls the exposure of the Group and its components. Chaired by the Group's Chief Executive Officer, it met seven times in 2019;
- the Operational ALM Committees of the Group and subsidiaries are responsible for the day-to-day management of the balance sheet of the entity concerned, by delegation and within the framework of the guidelines defined by the Group's ALM and Capital Management Committee. The Group's Operational ALM Committee meets on a monthly basis.

Financial market transactions are carried solely by Crédit Mutuel Arkéa, which enables it to control and optimise the management of the group's liquidity and interest rate risks. Hedging decisions taken by the banking entities are thus committed exclusively to Crédit Mutuel Arkéa.

The reporting data relating to the main indicators of the balance sheet management policy are included in the management charts for the Executive Management of the Arkéa group, the Risk and Internal Control Committee and the Board of Directors of Crédit Mutuel Arkéa. The Board of Directors and Executive Management of the Arkéa group are informed of any overshoot of a group limit and must be corrected immediately (unless there is a specific decision to do so, with reasons, and a timetable for the return to the limit if necessary).

4.5.2 Interest rate risk on the banking and insurance portfolio

Interest rate risk is the risk, present or future, to which the bank's equity and profits are exposed as a result of unfavourable movements in interest rates. It may result from a difference in maturity between fixed-rate assets and liabilities, a difference in the reference index (base risk) or the exercise of options (such as caps and floors or early repayment of loans).

4.5.2.1 Banking portfolio

4.5.2.1.1 Assessment and monitoring

Interest rate risk is measured and monitored at the consolidated banking scope and at each of its component entities. All balance sheet and off-balance sheet items, notably financial instruments (swaps, etc.) and deferred transactions, are included in the measurement of this risk.

Three main indicators, calculated at least quarterly, make it possible to measure interest rate risk on a static basis:

- the sensitivity of the net present value (NPV) is an indicator provided for in CRD 4. Expressed as a percentage of shareholders' equity, it measures the change in the present value of the balance sheet for a change in rates of +/-200 bp, excluding shareholders' equity, equity holdings and fixed assets. The CRD 4 directive sets a 20% exposure threshold. Since June 2019, it has been supplemented by the European Banking Authority's guidelines, which specify the framework for monitoring interest rate risk, notably with a threshold of 15% of Tier 1 capital exposure to several interest rate shocks (including shocks of +/-200 bp).

At the end of 2019, the sensitivity level of the Group's NPV is -2.2% of Tier 1 capital for a 200 bp decrease in interest rates and -6.3% for a 200 bp increase in interest rates.

In accordance with EBA guidelines, the Arkéa group also performs NPV sensitivity calculations according to alternative shock scenarios reflecting in particular non-parallel shifts in the yield curve (pentification and depentification). The impact of these non-parallel scenarios is less than shocks of +/-200 bp;

- interest rate impasses consist of projecting outstandings at known rates based on their contractual characteristics (maturity date and type of amortization) or on a model of their flow.

Flow modelling is necessary when the amortization profile is not known (products with no contractual maturity such as current accounts, passbooks or equity) or when implicit options are embedded in customer products (early repayments on loans, etc.). With the exception of reserves that are disposed of by agreement, the modelling is essentially based on the analysis of past customer behavior. In the context of early repayments, it takes into account a possible correlation between market rates and early repayment rates.

The group's rate impasses are produced according to different rate scenarios, either on a going concern basis or under stress.

At the end of 2019, exposure to interest rate risk is limited: the maximum transformation position resulting from the structural impasse in the central scenario represents 0.3% of the bank's balance sheet;

- the interest margin sensitivity expresses the gain or cost of a change in interest rates on the Group's margin. It can be expressed as a percentage of NBI, depending on different rate variations. It is calculated based on indicators of interest rate impasses and the impact of optional risks (measuring the effect of activating caps and floors on the interest margin) and projected over 5 years.

At the end of 2019, the sensitivity of the interest margin remains under control. The maximum annual impact for a 100 bp rise in interest rates is 0.9% of NBI, and 1.2% of NBI for a 100 bp fall in interest rates. These levels are in line with Group policy.

Other static indicators are produced in order to monitor the basic risk and the risk related to the activation of explicit options on customer loans (capped interest rate).

In addition, dynamic indicators are also produced to determine the impact of future production on the interest margin in the Group's central economic scenario and under different stressed rate environments.

4.5.2.1.2 Management

Crédit Mutuel Arkéa acts as a central rate unit for the banking scope. The interest-rate position of the banking entities is fully backed by the central interest-rate unit, which manages the group's level of hedging on the markets within the framework of the level of exposure defined by the group's Operational ALM Committee (in line with the group's central economic scenario) in accordance with the standards set by the ALM and Capital Management Committee and the Board of Directors.

When the risk arises from a difference in interest rates (between fixed-rate assets and variable-rate liabilities, for example), hedging is mainly provided by macro-hedging swaps. In the case of an explicit optional risk, hedging must take the form of an option; the hedging of capped variable-rate loans is thus ensured by interest rate caps.

Macro-hedging transactions are generally justified in relation to Fair Value Hedge under IFRS on the basis of loan and deposit portfolios. Accounting documentation and effectiveness tests are produced at the inception of the hedge and updated regularly to ensure the quality of the hedge and limit the impact on the Group's IFRS earnings.

In the current context of low interest rates, the Group maintains a prudent policy and a strong level of interest rate hedging on its balance sheet. It thus remains minimally exposed to interest rate risk in order to protect its margins, which is corroborated by the level of the structural impasse and the interest margin sensitivity indicator.

4.5.2.2 Insurance portfolio

A change in interest rates has a direct impact on the valuation and profitability of the bond portfolio, whether the capital managed for the proprietary or euro-denominated funds. Fixed-rate bonds expose Suravenir to a risk of changes in asset value; variable-rate bonds expose it to a risk of fluctuations in income.

4.5.2.2.1 Downside rate risk

A sustained low interest rate environment could exert downward pressure on Suravenir's margin, affect its profitability and ultimately its solvency. Euro-denominated life insurance policies commit the company to serve a guaranteed minimum rate. When market rates fall, the return on the portfolio may become insufficient to meet this commitment. In this case, French regulations require insurance

companies to set aside a specific provision (provision for financial contingencies). Suravenir has not allocated this provision for the 2019 financial year. At the end of 2019, the future risk relates to an average guaranteed rate of 0.17%, which is much lower than the actuarial rate of return on the average purchase of Suravenir's fixed-rate bond portfolio.

4.5.2.2.2 Upside rate risk

A rise in interest rates has several consequences for the assets held: firstly, a fall in the value of the fixed-rate bonds held in the portfolio. Depending on the IFRS accounting classification of these securities, this devaluation has an impact on shareholders' equity or income. At the end of 2019, a 100 basis point increase in interest rates would impact Suravenir's net income negatively by €20.0 million and its shareholders' equity negatively by €147 million.

The second risk related to a significant and lasting rise in interest rates is an increase in surrenders by policyholders on euro funds, due to a loss of competitiveness of contracts compared to other investments. In this case, in order to adjust the assets under management, the company may be forced to sell assets. In the event that it has to sell fixed-rate assets, it may have to bear capital losses. In order to protect itself from such a risk, Suravenir has in its portfolio a significant volume of variable-rate bonds as well as hedging options (cap/cap-spread/adjusted cap duration). These financial instruments enable Suravenir's euro-denominated fund returns to converge more quickly with the returns offered by other savings products, thereby limiting the risk of outflows. At December 31, 2019, the proportion of the bond portfolio protected against a rise in interest rates was 32% of general assets.

4.5.3 Liquidity risk

Liquidity risk is the risk that the reporting firm will not be able to meet its commitments or will not be able to unwind or offset a position due to its situation or the market situation within a specified period of time and at a reasonable cost. It arises from a maturity mismatch between jobs and resources.

It may result in an additional charge in the event of a rise in liquidity spreads; in its most extreme form, it could result in the institution's inability to honour its commitments.

The Group has historically been vigilant and prudent in the face of this risk.

4.5.3.1 Bank portfolio

4.5.3.1.1 Assessment and monitoring

Liquidity risk is measured and monitored at the consolidated banking scope and at each of its component entities. They are mainly based on three elements:

- liquidity gaps;
- liquidity ratios (regulatory and non-regulatory);
- refinancing volumes and liquid assets (particularly short-term).

Liquidity gaps, calculated at least quarterly, include all balance sheet items (all financial and non-financial assets and liabilities) and off-balance sheet items affecting the Group's liquidity (overdraft authorisations, etc.). They are established on the basis of static scenarios (with no assumption of new production), and supplemented by dynamic scenarios in order to estimate refinancing requirements for the various maturities, liquidity reserves and the survival horizon in the event of financial market tensions.

Static gaps are produced according to a central scenario and a crisis scenario. The latter is characterised, in particular, by hypotheses of leakage of commercial resources, drawdowns of certain off-balance sheet liquidity agreements or differentiated liquidity levels of financial securities held according to their nature. These assumptions are consistent with the principles and rules adopted by the European Union on the Liquidity Coverage Ratio (LCR).

Based on the stress scenario, the Group has set itself a minimum loan-to-value matching rule for the next five years, with a level of between 100% and 80% depending on maturities. This target has been maintained throughout 2019.

Several ratios are particularly monitored:

- the LCR is a liquidity ratio provided for by the CRD 4 and CRR texts (transposing the so-called "Basel III" proposals into European standards). It measures the ratio between liquid assets and net cash outflows at 30 days under a stress scenario. The minimum required level has been set at 100% since 2018. The group met the minimum regulatory requirement throughout 2019 with significant room for manoeuvre. At the end of 2019, the LCR ratio stood at 146%;
- the NSFR (Net Stable Funding Ratio) is also a liquidity ratio provided for in CRD 4 and CRR. It verifies the coverage of stable uses by stable resources. The minimum level required is 100%. This ratio is currently being rolled out at the European Union level, with a regulatory requirement expected from June 2021. Simulations carried out at the end of 2019 show a ratio higher than 108%;
- the loan-to-deposit ratio measures the proportion of loans financed by bank deposits and, consequently, dependence on financial markets. The gross loan/deposit ratio reaches 102% at the end of 2019.

Limits on short-term refinancing volumes (overnight and less than three month limits) and on annual medium/long-term refinancing volumes are defined in order to limit the impact of non-renewal of these lines in the event of market tensions. These limits were respected throughout 2019.

In addition, the Group has developed additional indicators to ensure that it is able to withstand severe financial market and customer stress. The qualitative assessment of these indicators shows a low and controlled risk thanks to a high level of coverage and the holding of significant liquidity reserves representing almost twice the requirements of the LCR.

4.5.3.1.2 Refinancing program

Crédit Mutuel Arkéa acts as a central refinancing body on behalf of all the group's banking entities. It thus manages a portfolio of resources that it makes available to the banking entities.

The Group's refinancing program is drawn up annually and updated quarterly based on observed and forecast changes in business activity. It aims to comply with the various limits set by the Board of Directors, in particular the minimum matching rule in a crisis scenario, and takes into account:

- maturity concentration risk;
- the level of collateral available for emissions from secured vehicles. A limit on the mobilization of assets has been adopted in

order to preserve the emission capacities of these vehicles and protect the quality of the group's senior signature;

- the need to promote the Group's signature on the markets in order to maintain a regular presence with investors;
- capital and senior debt requirements as part of solvency ratios.

The implementation of the refinancing programme also takes into account investor appetite and preferential issuance periods. In 2019, the Group borrowed €4.3 billion with maturities of more than one year.

Crédit Mutuel Arkéa has developed a policy of diversifying its refinancing channels and has:

- a short-term refinancing program (€2.6 billion of NeuCP's outstandings);
- unsecured medium-to-long-term refinancing programs, mainly through its EMTN program (€3.7 billion of senior preferred debt outstanding, €1 billion of senior non-preferred debt outstanding and €2.4 billion of subordinated debt outstanding);
- long-term refinancing programs secured through two refinancing vehicles: a home finance company (Société de Financement de l'Habitat, with €6.1 billion of outstanding market debt secured by housing loans) and a mortgage-backed lending company (Société de Crédit Foncier, with €1.8 billion of outstanding market debt secured by exposures to public entities);
- unsecured interbank loans or secured by the mobilisation of its receivables from Caisse de Refinancement de l'Habitat (€0.3 billion), the European Investment Bank (€0.6 billion) or Caisse des Dépôts et Consignations (€1 billion).

Particular attention is paid to the terms and conditions of debt issuance contracts. In addition to the usual clauses, these contracts may include an early redemption option at the Group's discretion. Conversely, they do not include an early redemption option at the option of the counterparties.

The Group therefore has control over the maturity of these contracts and can, for certain securities, redeem them early.

At the same time, the Group is careful to limit its dependence on the financial markets. The increase in its outstanding bank deposits – with its individual, business and institutional customers – thus amounted to nearly €7 billion in 2019.

4.5.3.1.3 Emergency funding 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: projected cash flow, market situation and the Arkéa group's refinancing. A crisis treasury Committee, which meets at least once a week with the heads of the main structures concerned (trading room, middle and back office), manages the crisis and decides on the transactions to be carried out with the Central Bank and on the markets; it can also propose commercial actions to the Executive Committee. The main axiom, in connection with the survival time indicator, is to finance the forecast cash requirements by mobilising the liquidity reserves (in particular from the Central Bank).

4. RISKS

Risks specific to the insurance business

The Group has significant liquidity reserves to protect itself against market closures. These are set up to comply with the various limits set by the Board of Directors, including the survival period limit.

Binding rules have been laid down to ensure that cushions are available quickly in the event of a crisis:

- securities held by Crédit Mutuel Arkéa with a maturity of more than 6 months must be highly liquid (*i.e.* eligible for the LCR numerator) and/or eligible with the European Central Bank, and integrated into the so-called "3G" asset pool (*i.e.* global collateral management);
- the availability of eligible securities from the Central Bank must be tested annually to ensure that there are no difficulties in implementing the system within a limited timeframe;
- 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 2019, the liquidity reserves - including available cash - are abundant, representing almost double the requirements under the LCR.

4.5.3.2 Insurance portfolio

Liquidity risk arises when the company is forced to sell assets following a wave of massive buybacks. This risk is assessed by studying liquidity gaps that compare asset flows (coupons/redemptions, etc.) with liability outflows in the central scenario and the stressed scenario (tripling of buybacks/deterioration in asset valuation).

In the event of a cash shortfall, Suravenir may repurchase securities, in particular those eligible for ECB refinancing, at their market value adjusted by a haircut, in order to obtain additional liquidity. At December 31, 2019, studies show that in the deterministic stress scenario, Suravenir could face a tripling of redemptions without encountering liquidity problems.

4.6 Risks specific to the insurance business

4.6.1 The technical risks of life insurance

Suravenir is exposed to underwriting risk in its life insurance and pension business.

Underwriting risk is the risk of loss or adverse change in the value of insurance liabilities. This situation results from an increase in the loss ratio 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, implemented by the company's departments.

The breakdown of the various technical reserves set aside to cover these risks, as provided for by the French Insurance Code according to the nature of the products and therefore the Group's commitments, is specified in Note 21c to the consolidated financial statements at December 31, 2019 (Chapter 3.5 of the Universal Registration Document).

The main underwriting risks relating to Suravenir's activities are described below.

4.6.1.1 Surrender and arbitrage risks

Surrender risk (lapse risk) is the risk of loss or adverse change in the value of insurance liabilities resulting from an upward or downward change in surrender rates for life insurance contracts or prepayment rates for loan insurance. This risk also exists in the event of arbitrage by policyholders between unit-linked and euro-denominated products.

This risk is the main underwriting risk in life insurance.

4.6.1.2 Biometric risks

The main biometric risks applicable to the insurance contracts marketed by Suravenir are:

- mortality risk: mortality risk is defined as the risk of loss or unfavourable change in the value of insurance liabilities resulting from an increase in mortality on the borrower insurance business and the individual provident business;
- risk of disability/invalidity: the risk of disability/invalidity corresponds to a loss or an unfavourable change in the value of insurance liabilities resulting from an increase in the claims experience relating to accidents and illnesses leading to temporary or permanent disability subject to compensation. These risks are mainly related to the borrowers' insurance business but also to the individual provident business;
- longevity risk: longevity risk is the risk of loss or adverse change in the value of insurance liabilities resulting from an increase in human duration on the business of life insurance contracts in the portfolio.

4.6.1.3 Risks of unfavourable changes in the insurer's expenses

Suravenir's overhead amounts are taken into account in the pricing of insurance contracts. Thus, an unfavorable change in the costs that Suravenir will have to incur in the future for the acquisition and management of insurance contracts may lead to an underestimation of the amount of premiums paid by policyholders.

4.6.1.4 Disaster risk

Disaster risk is defined as the risk of loss or adverse change in the value of insurance liabilities attributable to a sudden event that directly causes serious harm to policyholders and whose origin may be a natural phenomenon, human intervention or a combination of both within the scope of the creditor insurance business, the individual protection business and the minimum guarantees of certain life insurance contracts.

4.6.1.5 Risk control and monitoring systems

Underwriting risk is identified, analysed and measured in particular through the following processes:

- pricing analysis via the profitability study for new products/partnerships or any modification of the existing offer, prior to their launch;
- exposure analyses to ensure that risk exposure remains within the risk limits defined by Suravenir's management bodies;
- the development of the reinsurance plan to limit certain exposures to protect solvency and reduce the volatility of financial results;
- review of technical provisions;
- monitoring of pricing derogations.

It should be noted that, in accordance with IFRS 4, Suravenir conducted a liability adequacy test (LAT) on December 31, 2019, which revealed that the insurance liabilities measured under French accounting standards were higher than the fair value of these liabilities, taking into account the surrender option embedded in the contracts.

4.6.1.6 Reporting

A quarterly reporting of underwriting risks is established by Suravenir and communicated:

- to the Suravenir Risks Committee;
- to the Audit Committee and Supervisory Board of Suravenir;
- to the Arkéa Group Risk Supervisory Committee.

4.6.2 The technical risks of non-life insurance

Suravenir Assurances is exposed to underwriting and provisioning risks through its property and personal insurance business, particularly in the fields of health, motor and home insurance.

The underwriting risk relates to guarantees granted for which the pricing would prove insufficient to cover the insurance commitments. Within this risk, a distinction is made between underpricing risk, disaster risk and anti-selection risk.

The provisioning risk is related to a shortfall in the technical reserves on the liabilities side of the balance sheet.

The monitoring and management of these risks are implemented within Suravenir Assurances on the basis of an underwriting and provisioning risk management policy.

4.6.2.1 Underwriting risk in property and casualty insurance

The underwriting risk in property and casualty insurance is the risk that the profitability of insurance products may be adversely affected by inadequate acceptance rules, pricing and/or reinsurance coverage of the guarantees offered to policyholders.

The underwriting risk is composed of three subtypes of risks:

- The risk of underpricing resulting from the mismatch between the pricing of guarantees and the profitability objectives of the portfolio. This risk is linked to the design of new products, changes in the offer and/or pricing;
- The risk of anti-selection, which leads to the over-underwriting of an undesirable risk through inadequate underwriting.

These risks are managed and controlled through regular monitoring of the technical indicators of the portfolios. This monitoring includes the analysis of:

- monthly and cumulative subscriptions by product and distributor,
- the segmentation of the portfolio by product and its evolution,
- the evolution of C/P (Claims/Premiums) rates by product and by distributor,
- the average premium, average costs and claim frequency per coverage,
- the evolution of the portfolio in terms of claims experience, net subscriptions and transformation rates on the most discriminating criteria of the tariff.

The monitoring and analysis of this data allows for the definition and implementation of appropriate policies:

- modification of the underwriting policy in terms of pricing, selection, product development and guarantees offered,
- targeting of actions by geographical area and by distributor;
- The risk of disasters resulting from the occurrence of extreme or exceptional events. The coverage of these potential losses remains the main objective of reinsurance coverage (see "The reinsurance mechanism").

In the event of the occurrence of an exceptional climatic event whose statistical probability of occurrence is once every two hundred years (a storm whose cost of compensation to policyholders is approximately €140 million), the reinsurance program is structured so that the remaining expense for Suravenir Assurances is limited to €7.5 million, in accordance with the risk appetite framework defined by the Board of Directors of Suravenir Assurances.

The overall underwriting policy is also the subject of an independent opinion issued by the Actuarial function. This opinion is formalised in an annual Actuarial Report and presented to the Board of Directors of Suravenir Assurances.

4.6.2.2 Provisioning risk

Provisioning risk is the risk of loss or adverse change in the value of insurance liabilities due to inadequate reserving assumptions.

This risk is intrinsically linked to the underwriting risk, as the monitoring of reserves must be carried out in a manner consistent with the management of risks and claims related to the guarantees marketed.

The management and control of provisioning risk is notably carried out by the following studies:

- bonus/malus tracking: surplus/shortfall in reserves for claims payable for a fiscal year;
- analysis and comparison of the C/P (Claims/Premiums) ratio by product;
- monitoring the distortion between provisions under French accounting standards and those under Solvency 2.

In addition, as part of its regulatory tasks, the Actuarial function, on the basis of an independent recalculation, ensures the appropriateness of the methodologies, underlying models and assumptions used for the calculation of technical provisions under Solvency 2. Its conclusions are formalised in the Actuarial Report.

4.6.3 The reinsurance mechanism

The reinsurance mechanism makes it possible to limit the insurer's risk exposure by transferring part of the insurer's risk to one or more reinsurers.

The insurer establishes a reinsurance policy based on a process that effectively calibrates the level of risk transferred to reinsurers consistent with risk appetite and monitors the level of counterparty risk of reinsurers.

The reinsurance policy aims to control the two main reinsurance risks:

- the inadequacy of the reinsurance program in relation to the Group's risk strategy. Deterministic and stochastic actuarial analyses as well as stress tests are carried out in order to structure reinsurance programs as effectively as possible;
- the default of a reinsurer who would not be able to cover its share of the claims. The reduction of this risk is based on:
 - a diversification of reinsurers,
 - the selection of reinsurers on the basis of financial strength criteria,
 - the requirement to pledge securities as collateral for the provisions transferred,
 - setting limits on the maximum level of risk that can be ceded to a single reinsurer.

Beyond the selection process, sensitivity analyses are conducted. In addition, reinsurers' ratings are monitored to ensure the financial soundness of counterparties.

The adequacy of the reinsurance arrangements is also the subject of an independent opinion issued by the Actuarial function in an Actuarial Report.

4.7 Market risk

Market risk or price risk arises from adverse changes in market parameters that impact the value of financial instruments recorded on the balance sheet. The Arkéa group is mainly exposed to first-order spread, interest rate and currency rate risks. Proprietary exposure to optional risks is insignificant.

From a management standpoint, the market risks of the banking scope discussed in this paragraph arise either from the portfolios of financial instruments managed by the Financial Markets Department of the Arkéa group or from the portfolio of Arkéa Direct Bank. The latter, which results from the acquisition of the Belgian online bank Keytrade in June 2016, was immediately placed in extinctive management. The exposure to market risks of the group's other banking subsidiaries remains insignificant due to the quasi-systematic centralization of their cash investments with the Arkéa group.

Interest rate risk is essentially managed globally at the level of a central interest rate unit, whose risk limits and management principles are defined by the Group's Balance Sheet Management function. The actual management of this central interest rate unit is the responsibility of the Financial Markets Division.

At the end of 2019, the market risk exposure of balance sheet investments amounted to €9 billion. This amount is down from the previous year (€1.7 billion). It breaks down as follows:

Exposure of banking scope to market risks at December 31, 2019 - in € millions

TOTAL INVESTMENTS	8,966
Crédit Mutuel Arkéa LCR portfolio	6,837
Other investments	2,129
Crédit Mutuel Arkéa	1,580
Treasury investments with initial maturities of less than two years	1,569
Securities held in connection with the origination activity	10
Investment portfolio being wound down	1
Arkéa Direct Bank (Keytrade portfolio being wound down)	540
Other entities	10

The value of investments in the balance sheet is exposed to the risk of changes in issuer spreads due to the presence of long-term positions (the proportion of securities with a residual maturity of more than five years is 12% compared to 14% at the end of 2018). This risk is more particularly concentrated in the Arkéa group's LCR portfolio.

Changes in the value of Crédit Mutuel Arkéa's investments due to interest rates are transferred, via internal swaps, to the central interest rate unit whose objective is to manage the overall interest rate risk within 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 fully retained. Arkéa Direct Bank's interest rate risk is managed directly by matching assets recorded at fair value with liabilities recorded at amortized cost.

In 2019, the sensitivity of investments to spread and interest rate risks improved overall due to the decline in the portfolio's residual maturity.

Derivatives traded with network customers in connection with the provision of investment services represent a notional amount of €9.5 billion at 12.31.2019. Their reversal in the market means that the activity's market risks are neutralized, with the exception of the CVA-DVA and FVA risks described in point 4.7.1.3 Sensitivity analyses.

From a regulatory point of view, the Arkéa group's market risk is limited to the interest rate risk on the trading portfolio ⁽¹⁾, the CVA risk and the currency risk. The trading portfolio is insignificant since it is limited to the group's debt management operations. There were no transactions in the trading portfolio at December 31, 2019. With regard to currency risk, it should be noted that the Arkéa group is not subject to the calculation of capital requirements, as mentioned in section 4.7.3 Currency risk.

The exposures mentioned above relate to notes 2, 3, 4, 7 and 18 to the consolidated financial statements of the Arkéa group.

4.7.1 Risk organization and monitoring

4.7.1.1 Organization

The Arkéa group's market transactions are traded by a trading room attached to the Financial Markets Department. This room is organized around three departments (treasury ⁽²⁾, refinancing-exchange, derivatives solutions – structuring, and corporate and institutional sales).

The Back Offices Department (Financial Department) is responsible for the recording and settlement of transactions.

Within the Risk Division, the Middle Office Department is responsible for the valuation of positions, the evaluation of management results and market risks, and the Market Risk Department is responsible for calculating capital requirements.

Each of the phases of transaction processing is continuously monitored in accordance with the regulations.

4.7.1.2 Monitoring

The Board of Directors of Crédit Mutuel Arkéa, on the proposal of the Executive Committee and after meeting with the Group Risk Committee, sets the overall framework for capital market operations on an annual basis. The detailed system of limits is then decided by the Group Executive Committee, after review by the Risk Committee.

This framework consists of management limits or thresholds that cover positions, sensitivities, losses, capital requirements and additional value adjustments.

(1) The trading portfolio consists of positions held for the purpose of short-term disposal.

(2) Includes the monitoring of Crédit Mutuel Arkéa's extinctive management portfolio.

In 2019, the limits for the various portfolios were adjusted mainly to keep pace with business activity.

The set of limits is supplemented by a procedure for approving new products, which takes the form of a list of instruments authorised for trading.

4.7.1.2.1 Reporting to General Management

The Risk Department informs the operational departments on a daily basis of the level of indicators subject to limits. If limits are exceeded, a procedure is activated to inform the actual managers. The Risk Department also prepares consolidated market risk reports for them on a regular basis.

4.7.1.2.2 Reporting to the supervisory body

Communication on the risks associated with market activities is made at each meeting of the Board of Directors of Crédit Mutuel Arkéa. It includes a presentation of exposures, results and risk indicators as well as an update on compliance with the limits decided by the Board.

The consolidated risk position, which includes market risk, is also regularly presented to the Arkéa Group's Risk and Internal Control Committee.

4.7.1.3 Sensitivity analyses

The valuations used as a reference for sensitivity analyses are obtained according to a hierarchy of methods. When the asset is quoted in an active market, fair value is determined on the basis of its quoted market price. In the absence of a quoted market price, the price is determined by applying market valuation techniques using market data that are generally observable. Valuations based on models may be adjusted to take into account liquidity risk.

In addition, the valuation of derivative instruments gives rise to two adjustments. Pursuant to IFRS 13, the first adjustment is intended to incorporate the market value of the counterparty risk. The adjustment takes into account the bilateral nature of this risk, *i.e.* on the one hand, the counterparty risk (*Credit Valuation Adjustment - CVA*) and, on the other hand, the Arkéa group's own credit risk (*Debit Valuation Adjustment - DVA*).

The second adjustment aims to incorporate the financing cost of derivatives that are not subject to margin calls, *i.e.* those negotiated with customers (*Funding Valuation Adjustment - FVA*).

In total, net income of €4.7 million was recognized for fiscal year 2019, ⁽¹⁾ for a total amount of CVA net of DVA + FVA of -€18.5 million at December 31, 2019.

4.7.1.3.1 Value at Risk

Market risk in the trading portfolio is measured in VaR.

The method used is based on a full revaluation of the positions based on a history with a depth of 250 business days.

The model is calibrated with a confidence interval of 99% and a horizon of 10 working days. It has not been audited by the statutory auditors nor has it been subject to approval by the Autorité de contrôle prudentiel et de résolution for the calculation of the capital requirement. The amount obtained is therefore provided for information purposes only.

During the 2019 financial year, VaR was a maximum of -€0.09 million.

As at 12.31.2019, the VaR amount is nil due to the absence of positions in the trading portfolio.

4.7.1.3.2 Potential loss

Changes in the value of the Arkéa group's portfolios recorded at fair value are subject to sensitivity limits.

These daily measures of the sensitivity of the portfolios to normative and small changes in spreads and interest rates are supplemented monthly by a potential loss calculation.

The objective is to assess the impact on the income statement and on capital and reserves of tensions that may arise in the markets under reasonably possible conditions, based on a full revaluation of positions.

The choice of risk factors results from a detailed analysis of the composition of the portfolio, as a financial instrument can be sensitive to several factors.

The potential loss is estimated using a VaR-type model based on historical data for the last three rolling years.

Two approaches coexist:

- spread, equity and currency risks: the scenarios applied correspond to relative or absolute variations observed over a one-month time horizon, with a 99% probability, over rolling periods within a three-year history;
- interest rate risk: the potential loss retained is the historical daily 99% VaR, extrapolated to one month.

(1) VAT-VAP: +€0.5M, VAT-VAP: +€4.2M.

The overall potential loss is the sum of the impacts of the shocks obtained for each of the risks.

The model used to calculate the potential loss has three main simplifications:

- the scenarios applied to the positions are based exclusively on historical observations (stationarity hypothesis);
- due to the difficulty of obtaining individualized historical data outside of interest rates, the volatility of the risk factors in the

portfolio is estimated from proxies, which are as granular as possible;

- the addition of the stress test results for each of the risk factors leads to a conservative overall amount.

The estimate of the potential loss at December 31, 2019 shows, on the one hand, that adverse market movements would affect shareholders' equity almost exclusively (99% of total impairment losses) and, on the other hand, that the portfolio is mainly exposed to spread risk (87% of the total).

Maximum potential loss at 99% at December 31, 2019 - (one-month horizon)

Risk	Scenario	Exposure (€m)	Potential loss (€m)	Of which impact on net income (€m)	Of which impact on equity (€m)
TOTAL			-29,2	-0,2	-29,0
INTEREST RATE	SCENARIO APPLIED BASED ON OBSERVED HISTORICAL DATA	8,955	-3.5	0.0	-3.5
CURRENCY +/-4% ⁽¹⁾		4.4	-0.2	-0.2	0.0
	TOTAL	9,125	-25.5	0.0	-25.5
	+10bp on supranational	427	-0.8	0.0	-0.8
	+10bp on German sovereign	265	-0.6	0.0	-0.6
	+10bp on Finnish sovereign	82	-0.0	0.0	0.0
	+20 bp on Irish sovereign	50	-0.1	0.0	-0.1
	+15 bp on Austrian sovereign	83	-0.5	0.0	-0.5
	+20 bp on French sovereign	1,231	-6.2	0.0	-6.2
Spread	+10 bp on Dutch sovereign	224	-0.3	0.0	-0.3
	+15 bp on Belgian sovereign	52	-0.3	0.0	-0.3
	+25 bp on Spanish sovereign	476	-0.5	0.0	-0.5
	+25 bp on Portuguese sovereign	551	-0.6	0.0	-0.6
	+90 bp on Italian sovereign	601	-2.6	0.0	-2.6
	+10 bp on covered bonds	2,915	-6.5	0.0	-6.5
	+25 bp on European financials	1,285	-3.1	0.0	-3.1
	+10 bp on US financials	12	-0.0	0.0	0.0
	+20 bp on corporates	871	-3.5	0.0	-3.5

(1) In relative value.

4.7.1.3.3 Stress scenarios

The scope of the stress tests is identical to that of the potential loss. The shocks applied correspond, for each of the risk factors retained, to the worst variations observed over a one-year period in a reference history whose depth varies from 9 to 14 years depending on the data available.

It should be clarified that the simplifications mentioned for potential loss also apply to crisis scenarios.

The results obtained shall be subject to ex-post control.

4. RISKS

Market risk

Stress scenario at December 31, 2019 - (one year horizon)

Risk	Scenario	Exposure (€m)	Potential loss (€m)	Of which impact on net income (€m)	Of which impact on equity (€m)
TOTAL			-202.1	-1.0	-201.1
INTEREST RATE	SHOCKS DIFFERENTIATED ACCORDING TO MATURITY	8,955	-29.4	0.0	-29.4
CURRENCY -24%		4.4	-1.0	-1.0	0.0
	TOTAL	9,125	-171.7	0.0	-171.7
	Medium/long-term	5,152	-147.6	0.0	-147.6
	+70 bp on supranational	158	-5.9	0.0	-5.9
	+40 bp on German sovereign	74	-2.2	0.0	-2.2
	+40 bp on Finnish sovereign	8	-0.0	0.0	0.0
	+40 bp on Dutch sovereign	95	-0.8	0.0	-0.8
	+115 bp on Austrian sovereign	80	-3.1	0.0	-3.1
Spread	+130 bp on French sovereign	996	-41.0	0.0	-41.0
	+215 bp on Belgian sovereign	42	-3.7	0.0	-3.7
	+70 bp on covered bonds	2,639	-58.4	0.0	-58.4
	+190 bp on European financials	665	-17.2	0.0	-17.2
	+540 bp on US financials	6	-0.7	0.0	-0.7
	+100 bp on corporates	389	-14.5	0.0	-14.5
	Short-term	3,973	-24.1	0.0	-24.1
	+125 bp on short-term securities	3,973	-24.1	0.0	-24.1

4.7.2 Equity and other variable-income securities risk and fixed-income securities risk

Equity risk arises in the event of an adverse change in the equity markets, leading to a fall in the portfolio's valuation.

Certain 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 Group's portfolio of equities and other variable income securities amounts to €24.3 billion as at December 31, 2019 in the IFRS accounts.

From an accounting point of view (see Notes 28a and 28b to the consolidated financial statements), the risk on equities and other variable-income securities covers two very distinct perimeters, based on four categories:

4.7.2.1 The banking scope

Assets at fair value by OCI (Other comprehensive income)

Shares and other variable income securities at fair value per OCI represent €99 million. They concern securities held by Arkéa with a long-term perspective. They are mainly comprised of listed securities and investments in unlisted companies.

Assets at fair value through profit or loss

Shares and other variable income securities at fair value through profit or loss represent €475 million. They relate to securities held for the development capital business in unlisted companies.

4.7.2.2 The insurance scope

Available-for-sale assets

Shares and other variable-income securities available for sale represent €780 million. They represent the securities held by

Suravenir on a long-term basis as part of its portfolio management, mainly equities and mutual funds (private equity, real estate, fixed income).

Assets at fair value option

Shares and other variable-income securities at fair value on option represent €22,922 million. They are held by Suravenir under unit-linked contracts in the insurance business to be consistent with the treatment applied to liabilities.

4.7.2.3 Long-term investment securities

In addition, the Group holds a portfolio of fixed assets with a fair value of €977 million at December 31, 2019. These securities are held for the medium and long term to derive a capital gain or with the intention of fostering the development of lasting economic relationships or exercising influence over the issuing companies.

4.7.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in currency rates.

The probability of occurrence of currency risk is considered low in view of the low exposure and existing hedges. In the event of occurrence, the impact would also be low.

The Group's currency position remains insignificant due to a cumulative exposure limit set at €9 million equivalents. As it is permanently below 2% of the group's own funds, it does not give rise to a regulatory capital requirement in accordance with Article 351 of Regulation (EU) no.575/2013.

The Financial Markets Department hedges currency risk either on its own initiative or at the request of the entities concerned.

The sensitivity analysis of the currency position is included in section 4.7.1.3 Sensitivity analyses.

5.

Statement of non-financial performance

5.1	Arkéa's business model	240	5.4	Supporting clients and territories in societal, social and environmental transitions	249
5.2	Arkéa's corporate social responsibility	240	5.4.1	Customer relations and satisfaction	249
5.2.1	Responsible development is at the heart of the Group's strategy	240	5.4.2	Supporting regional development	250
5.2.2	Structured CSR governance and organization	240	5.4.3	The integration of ESG criteria in financing and investments	252
5.2.3	An openness approach for a positive impact	241	5.4.4	Products and services with a social and environmental impact	257
5.3	The Group's main challenges and non-financial risks	243	5.4.5	Inclusion of clients in vulnerable situations	259
5.3.1	Materiality assessment	243	5.5	A responsible corporate approach	261
5.3.2	The Group's main non-financial risks	244	5.5.1	Data protection and security	261
5.3.3	Vigilance plan and implementation report	247	5.5.2	Setting an example in business and governance	261
			5.5.3	Human capital development	265
			5.5.4	Diversity of human capital	270
			5.5.5	Social dialogue	272
			5.5.6	Responsible supplier relations	273
			5.5.7	The environmental footprint	273
			5.6	Summary table of indicators	276
				Methodological note	280

5.1 Arkéa's business model

Through a cooperative and collaborative bank, at the service of the territories and their actors, which is sustainable and helps everyone to achieve their goals, Arkéa develops, in collaboration with its stakeholders, innovative solutions to support its members and clients in their life projects and meet their aspirations. This approach

generates shared value between the various partners in this ecosystem.

The Group's business model and activities are described in more detail in Section 1 of this Universal Registration Document.

5.2 Arkéa's corporate social responsibility

5.2.1 Responsible development is at the heart of the Group's strategy

The Arkéa group places corporate social responsibility (CSR) at the heart of its corporate strategy. In 2019, this approach has taken on a new dimension.

At the end of January, the members of the Board of Directors approved a text expressing the Group's "Raison d'être", after nine months of work carried out according to an open and participatory method, fully associating directors and employees. This "Raison d'être" reveals and enshrines the meaning of Arkéa's action, what the Group has always been and what it wishes to remain, what characterizes and distinguishes it. Then, before considering including this "Raison d'être" in its Articles of Association, the Group undertook a diagnostic review of its activities, business lines, business relations and internal practices with regard to this "Raison d'être". Once again, this work was carried out with the broad participation of directors and employees, and also in consultation with the Group's customers and partners. An open process, guaranteeing an authentic and sincere approach, which has made it possible to identify in detail, for each of the Group's business lines, the points of support and areas for improvement. Finally, in late 2019, based on the lessons learned from this assessment, Arkéa began work on defining commitments that will give substance to the "Raison d'être" on selected topics that have a positive environmental and societal impact.

Indeed, this "Raison d'être" approach highlighted the fact that Arkéa's performance is not measured solely by 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 enterprise that is part of its local environment. It has a very strong impact on the regions in which it operates and a special responsibility to all those who contribute to its development. This responsibility translates into supporting its customers, partners and territories in societal and environmental transitions.

It is through its financing and investments that the Group has the most leverage to support the success of these transitions. This adaptation of the banking, insurance and investment businesses aims to enhance its product and service offering as well as its financing and investment processes. In 2019, Arkéa has defined a corporate ambition to integrate Environmental, Social and Governance (ESG) criteria into its financing and investment activities, whether on its own behalf or on behalf of third parties. This approach thus constitutes a real lever for innovation and development for the

Group. By providing its stakeholders with innovative solutions, Arkéa offers them the opportunity to adapt to these challenges and to create value shared with the players in its regions.

The Arkéa group thus mainly contributes to the sustainable development goals (SDGs) relating to economic growth (SDG 8), the fight against global warming (SDG 13) and responsible consumption and production (SDG 12), as well as the fight against inequalities (SDG 10).

While supporting its stakeholders, the Arkéa group also pursues a responsible corporate approach. This involves a proactive human resources policy, which contributes in particular to the sustainable development objectives of decent work and economic growth (SDG 8) and gender equality (SDG 5). Arkéa also makes ethics a key issue in all its business relationships (SDG 16).

Finally, its responsible approach also involves reducing its environmental footprint, which contributes primarily to the sustainable development objective of combating global warming (SDG 13).

5.2.2 Structured CSR governance and organization

Arkéa's corporate governance is particularly attentive and involved in the Group's CSR approach. The Corporate Secretariat and Corporate Communications Department regularly reports on the progress of the Group's CSR work to the Executive Committee or the General Coordination Committee, as well as to the specialized Strategy and Corporate Social Responsibility Committee and the Board of Directors. Thus, in 2019, the subjects of the "Raison d'être", the ESG ambition or the vigilance plan were the subject of presentations for follow-up or approval to the governance bodies.

The Group's Chairman, Jean-Pierre Denis, has taken the "Raison d'être" approach to various stakeholders within the Group, notably at the Directors' seminar in June 2019, but also externally, for example at the Nouvelle Aquitaine Economic Day.

At the level of the federations, directors are also involved in this approach, both through dedicated commissions (see 5.5.2 Exemplarity of business and governance) and solidarity mechanisms (see 5.4.2 Support for territorial development and 5.4.5 Inclusion of clients in fragile situations).

Another sign of the Group's strong ambitions in this area is the inclusion of non-financial criteria in the individual variable compensation criteria for the Group's corporate officers, senior executives and managers.

With a dedicated team, Arkéa's Corporate Secretary and Corporate Communications Department steers, coordinates and supports the various Arkéa entities in the implementation of the CSR strategy. This team also steers the cross-functional approaches of the "Raison d'être" and the ESG roadmap. It relies on a community of about 70 correspondents present in the federations, subsidiaries and central services. A majority of them have been extensively involved in the structural diagnostic work around the "Raison d'être" and in the development of the ESG roadmap, thus materializing the group's desire to place corporate social responsibility at the heart of its businesses.

This organization is accompanied by a communication system aimed at all internal audiences (information space on the intranet, awareness meetings for employees and directors). Dedicated events are organized in the different entities of the group to raise employee awareness: for example, during the European week for sustainable development, responsible finance, quality of life at work and mobility...

5.2.3 An openness approach for a positive impact

Arkéa, a cooperative and collaborative bank, places dialogue with its stakeholders at the heart of its corporate approach. Many structuring projects are conducted with a key focus on listening to the internal and external environment. The year 2019 was no exception:

Between March and September, the "Raison d'être" diagnostic workshops were held internally in each of the entities, federations, subsidiaries and central departments. In total, more than 600 employees and directors contributed to this work. Some thirty clients were also interviewed to express their perception of the Group's "Raison d'être" and their expectations with regard to this binding document.

In early 2019, "cooperation workshops" were continued with directors of the Sud-Ouest federation to express their expectations of the cooperative movement.

This collaborative approach is structuring and enables the group to strengthen its knowledge of its impact on its stakeholders, and in particular the social, environmental and societal consequences of its activities. It also enables the Group to better understand their expectations, which in turn makes its actions even more relevant.

As mentioned above, in 2019, the Group continued to listen to its stakeholders. This approach complements the regular discussions the Group has with its stakeholders.

Key Stakeholders	Main modalities of dialogue or expression
Prospective customers, clients and members (individuals, professionals, companies, institutions)	Surveys, round tables, barometers (federations). Satisfaction surveys.
Directors	Boards of Directors and General Meetings. Commissions and Committees. Involvement in solidarity mechanisms (federations). Coordinating (director/employee) of training modules for directors. Annual seminar dedicated to group strategy for Crédit Mutuel Arkéa directors. Annual training seminar for 2 nd level directors. Annual assessment and three-yearly questionnaire to evaluate the operation the Board of directors of Crédit Mutuel Arkéa. Annual seminar for new directors and annual seminar for the new Chairmen of local Crédit Mutuel de Bretagne banks. Elaboration of the "Raison d'être" in collaborative workshops.
Suppliers	Exchanges with the Purchasing Department (including responses to calls for tenders, contracts, questionnaires assessing the risks of corruption and influence peddling and CSR policies for major suppliers). Operational follow-up of the service with the trades.
Analysts and investors	Investor Relations team. Investor area on the arkea.com website. Market press releases. Presentation of annual and interim results. Roadshows in France and abroad.
Rating agencies (financial and non-financial)	Presentation of annual and interim results. Exchanges with correspondents in the Finance Department in charge of monitoring the rating agencies. Periodic meetings between Arkéa group teams and each rating agency. Answers to agency requests and questions.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Arkéa's corporate social responsibility

Key Stakeholders	Main modalities of dialogue or expression
Supervisory authorities	<p>Regular meetings and exchanges between the Arkéa group's divisions and departments concerned and:</p> <ul style="list-style-type: none"> ■ the ECB and the ACPR in the context of their authorization, supervision and prudential monitoring tasks (licenses and authorizations, prudential reporting, documentary checks, on-site inspections, close supervision interviews, consultations, workshops and working groups, various requests, etc.); ■ the AMF as part of its missions to regulate and protect financial investment (approvals, licenses and approvals of disclosure documents and investment products, advice, consultations, document investigations and inspections, on-site investigations and inspections, periodic information reports, sundry requests, etc.); ■ foreign regulatory authorities in support of subsidiaries operating abroad (in particular the Commission de surveillance du secteur financier in Luxembourg, the National Bank of Belgium and the Financial Services and Market Authority in Belgium).
Trade associations (AMAFI, OCBF, etc.) and professional networks	<p>Meetings, regular exchanges and participation in workshops and working groups. Monitoring and exchanges on legislative and regulatory developments. Exchange on common or divergent professional systems and practices in the market place. Reflections on issues of interpretation and operational implementation. Participation in exchanges and work with regulators.</p>
Media	<p>Exchanges with the Corporate Communication Department. Press releases and press conferences. Journalists briefings Corporate publications. Intervention of the spokespersons. Digital communication (social networks).</p>
Employees	<p>Relationship with management. Exchanges with HR managers. Surveys and barometers. Internal communication: information meetings (Spring & Autumn meetings, PEPS, 360 Chrono, RH Days, Square Events), intranet, events, etc. Whistleblowing.</p>
Social partners	<p>Employee representative bodies. Agreement on trade union rights and staff representation.</p>

Arkéa's Corporate Social Responsibility is part of a continuous improvement process and the enhancement of the Group's non-financial performance.

As a sign of this commitment, the group has chosen to adhere to the UN Global Compact and to promote its 10 principles. Since the publication of its Communication on Progress in October 2018 (covering the 2017 commitments), the group has been at the Advanced level for two years. The group is also a member of the CSR Observatory (ORSE), which enables it to contribute to the work carried out by companies to promote responsible practices and to benefit from the sharing of good practices. In this regard, in 2019, the Arkéa group contributed its testimony in the guide "loi PACTE et Raison d'être, et si on passait à la pratique" published by the ORSE.

Arkéa Banque Entreprises et Institutionnels is also a founding member, alongside other executives, of the Breton network of the "Dirigeants Responsables de l'Ouest" association. Convinced that the company must be an economic player committed to meeting societal and environmental challenges, these leaders meet regularly to discuss societal and environmental issues and projects.

Arkéa's commitment to these networks and initiatives aims to make an active and collective contribution to achieving sustainable economic development. The group's participation in these networks also aims to strengthen the group's non-financial performance, as assessed by the rating agencies Vigeo Eiris, ISS-Oekom and MSCI.

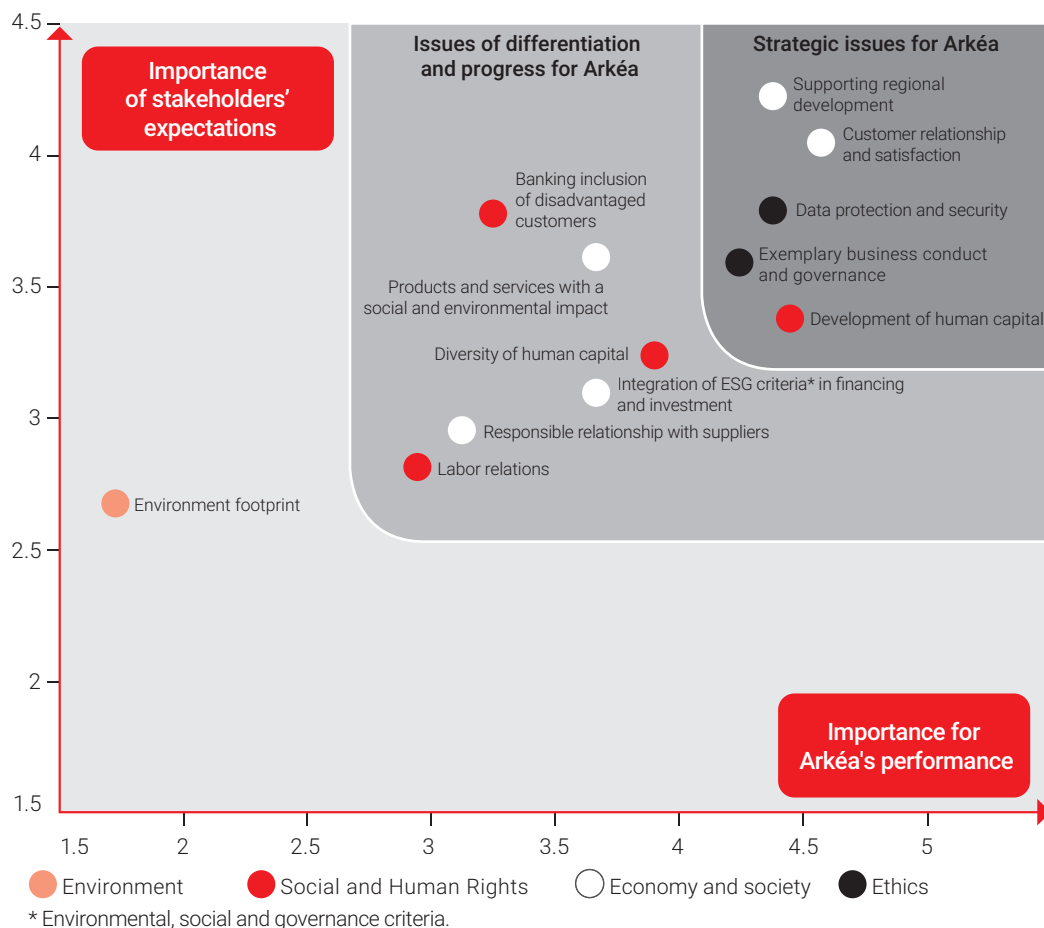
5.3 The Group's main challenges and non-financial risks

5.3.1 Materiality assessment

In 2018, the Arkéa group conducted an initial materiality study to identify its corporate social responsibility (CSR) challenges.

Preliminary work has been carried out to identify its non-financial issues. It was based on the group's existing CSR strategy, which was born out of the work of listening to stakeholders and the internal diagnosis carried out in 2014, on existing international initiatives and sector studies, on the regulatory context and the evaluation criteria of non-financial rating agencies. At the end of this phase, an initial list of issues was drawn up in four areas: ethics; social and human rights; the environment; and economic and societal issues. The materiality

of these issues was assessed through collaborative workshops and individual interviews with the Group's priority stakeholders. During these workshops or interviews, employees who are experts in CSR, managers, directors of the Board of Directors of Crédit Mutuel Arkéa and specialized committees of the federations, were questioned about their assessment of the importance of these issues for the group's performance (*x-axis of the matrix*). Customers, directors – representatives of members, employees, suppliers and partners – were asked to express their level of expectations of the group (*ordinate axis*). These exchanges gave rise to the materiality matrix presented below.



The issues at the top right of the matrix are considered to be currently strategic issues for the group. They affect the continuity of its business and have a strong impact on performance in the short term.

The issues at the center of the matrix are considered as differentiation issues vis-à-vis market players or areas of progress for

the Arkéa group in order to turn them into genuine performance levers in the medium term.

This first materiality exercise enabled the stakeholders who contributed to this work to assess all of the Group's non-financial challenges and to express their priority expectations.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

The Group's main challenges and non-financial risks

Key Stakeholders	Non-financial issues
Sole proprietorships, corporate and institutional clients	Customer relationship and satisfaction Data protection and security Exemplarity in business and governance Products and services with a social and environmental impact Support for territorial development
Employees	Human Capital Development Customer relationship and satisfaction Diversity of human capital Support for territorial development
Directors representing members	Banking inclusion of vulnerable customers Support for territorial development Data protection and security Customer relationship and satisfaction
Suppliers	Responsible supplier relationship Support for territorial development Exemplarity in business and governance

For the Arkéa Group, this exercise helped identify the issues on which expectations are significant and/or for which progress must be pursued. This materiality exercise will be repeated on a regular basis.

These various issues are presented in detail in sections 5.4 and 5.5 of this non-financial performance statement. They represent both development opportunities for the Group and non-financial risks, as presented below.

5.3.2 The Group's main non-financial risks

In order to identify its main non-financial risks, the Arkéa Group relied on the work carried out in the context of the materiality matrix, the vigilance plan (see report below) and the existing mapping of operational risks. Based on these various sources, interviews were conducted with the business units concerned.

This cross-functional approach has highlighted eight major categories of extra-financial risks related to the social, environmental, governance and ethical consequences of the Group's activities and business relationships. The direct environmental risks relating to the Group's service activity have not been assessed as significant in relation to the other risks presented below.

The risks presented below are related to the Group's activities and relationships with its stakeholders. Beyond the impact they may have on stakeholders, their main consequence is to generate an impact in terms of image and reputation for the Arkéa Group. Some risks have consequences that could have financial consequences: possible sanctions and fines, customer attrition, lack of employee commitment, but also medium- to long-term credit or counterparty risk in connection with controversial financing and investments.

Description of the risk	Key Performance Indicators	2018	2019	Associated non-financial issues (materiality matrix)
COMPLIANCE RISK				
Non-compliance with financial security rules including non-compliance with the regulation of anti-money laundering and terrorist financing Act (AML/CTF)	Share of staff exposed to AML/CTF trained (scope credit institution 15589)	86.2%	90.1%	Exemplarity in business and governance
	Number of CPRA sanctions related to the AML/CTF scheme	0	0	
Non-compliance with rules of deontology/professional ethics, including corruption	Percentage of persons trained in compliance with the rules of deontology/professional ethics within the credit institution 15589	79%	89.3%	
Non-compliance with customer protection rules	Number of beneficiaries of the specific offer dedicated to fragile customers (scope credit institution 15589)	7,498	14,818	Customer relationship and satisfaction Inclusion of clients in fragile situations
Non-compliance with tax transparency rules				Exemplarity in business and governance
RISK OF BREACHING THE SECURITY OF OUR DATA				
Inappropriate use of or access to data	Percentage of targeted personnel aware of IT security.		85.1%	Data protection and security
RISK OF INADEQUATE GOVERNANCE				
Lack of good repute and competence	% of directors approved without conditions precedent by regulators (perimeter regulated entities)	94.5%	97%	Exemplarity in business and governance
	% attendance at Board of Directors meetings Crédit Mutuel Arkéa	88%	90%	
	% of subsidiaries with an attendance rate of more than 75% at meetings of the supervisory body	88%	80%	
Lack of cooperative governance	Members' share of the federations' individual customers	72%	72%	
	Attendance rate at General Meetings of local banks	3.07%	2.91%	
	Attendance rate at the Crédit Mutuel Arkéa General Meeting	91%	79%	
CONTROVERSIAL FINANCING AND INVESTMENTS				
Financing of clients or investments in issuers that do not comply with standards of governance and ethics, social practices and human rights, environment and climate.	Share of outstandings with an analysis including ESG in Federal Finance Gestion's assets under management	92%	94%	Integration of ESG criteria in financing and investments
PSYCHOSOCIAL RISKS				
Psychosocial risks (PSR) result from the following risk factors: workload, quality of life at work, lack of employee commitment, sexism and harassment.	QVT Barometer: % of positive opinions on the criterion "Meaning of work".	70%	68%	Human Capital Development
	% positive opinions on the "workload" criterion	25%	24%	

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

The Group's main challenges and non-financial risks

Description of the risk	Key Performance Indicators	2018	2019	Associated non-financial issues (materiality matrix)
EMPLOYABILITY AND TRANSFORMATION OF JOBS				
Lack of attractiveness Career and skills staging	% employees trained	95.6%	94.2%	Human Capital Development
	Internal mobility rate	13.5%	13.4%	
POOR SOCIAL PRACTICES				
Discrimination	Pay gap Women/Men (ESU)	-1.6%	-1%	Diversity of human capital
	Share of workers disabled on staff	3.2%	3.4%	
Failure to respect social dialogue	Number of collective agreements signed	39	50	Social Dialogue
SUPPLIER RELATIONSHIP NOT RESPONSIBLE				
Collusion Economic dependence Late payment Non-compliant CSR practices	Share of purchases from French suppliers		96%	Responsible supplier relationship
	Share of ESG assessments of vendors conducted for the reporting period	94.6%	7.4%	

Methodological details:

■ Non-compliance risks:

- Mitigation policies and measures address perimeter of entities subject to the regulatory framework.
- Non-compliance with deontology/professional ethics rules including corruption:

The scope of deontology/professional ethics training relates to training courses for which compliance is The "originator" by taking care to retain the same scope of employees to be trained each year (ethics / corruption).

In 2018, exposed persons were trained in the fight against corruption.against corruption;

- in 2019 the training focused on compliance with the of rules of ethics.

■ Risks of inadequate governance:

- Risk of lack of good repute and competence: the policies and key due diligence measures relate to the group perimeter.
- Risk of a lack of cooperative governance: the policies and The main due diligence measures relate to the scope of consolidation of Crédit Mutuel Arkéa, the local mutuals and their home federations.

■ "Non-responsible supplier relationship" risk:

- In the first phase of implementation, these main due diligence measures are applied to the Purchasing Department.
- The assessment of the share of purchases from French suppliers covers the following perimeter: perimeter of Economic and Social Unit, Arkéa Banking Services, CFCAL, Financo, Fortuneo, Nouvelle Vague, Arkéa On Life, Suravenir. A sliding year, from the second half of 2018 to the first half of 2019.
- The proportion of supplier ESG assessments conducted for the the reference period is related to the total amount of purchases of the group.

In 2018, these risks, policies and mitigation measures, as well as performance indicators were validated by the Strategy and Corporate Social Responsibility Committee and the Board of Directors.

In 2019, they were reviewed and updated by the relevant directorates.

Finally, the Group itself may also be subject to risks related to climate change. In the field of insurance, for example, the growing risks resulting from global warming are mainly related to damage caused by storms, floods and droughts, which are now more frequent and often more destructive than in the past. Faced with these hazards, Suravenir Assurances relies on reinsurance to mitigate their financial impact, both in terms of protecting its results and its equity capital. However, in a context of increasing climatic events, an increase in the cost of property and casualty reinsurance has been observed, which will have to be reflected in the pricing of home insurance in order to maintain sustainable protection for policyholders. In addition, Suravenir Assurances, in its preventive approach, is setting up a system aimed at mitigating the damage caused by climatic events by sending e-mails and sms to policyholders in the areas concerned.

5.3.3 Vigilance plan and implementation report

In order to meet the requirements set by the Act of March 27, 2017 on the duty of vigilance of parent companies and contractors, the Arkéa Group is deploying a vigilance plan relating to risks of serious violations of human rights and fundamental freedoms, health and safety and the environment.

Vigilance plan governance

The implementation of the vigilance plan within the Arkéa Group is coordinated by a cross-functional Steering Committee, whose role is to ensure that the vigilance plan is deployed by the group's entities, to monitor validated actions and to define the progress plan. The Committee, led by the CSR Department, includes the Human Resources, Risk, Compliance and Permanent Control Departments, the Organization and Resources Department and the Purchasing Department. In 2019, it met three times.

In early 2019, some members of the Committee also received an awareness session on ESG clauses and the vigilance plan.

The vigilance plan was presented to the Group Executive Committee on December 16, 2019 and to the Group Strategy and Corporate Social Responsibility Committee on January 16, 2020.

Key lessons for 2019

The main risks identified by the Group under its 2019 risk monitoring plan and their level of severity have changed little compared to 2018.

The Group is continuing to implement systems to identify and prevent risks. The main actions implemented in 2019 are described below or in the chapters of this Non-Financial Performance Statement dedicated to these issues.

The Arkéa Group's vigilance plan is divided into three parts: its risks as a Company, as a principal in its relations with its suppliers and service providers, and the risks related to its financial businesses.

Risks as a company

In the area of human rights, the Group analyzes changes in the geographical presence of its employees each year. In 2019, the Group was present mainly in France and in Europe. For each of the countries in which it operates, a level of "human rights" risk has been assessed ⁽¹⁾ and found to be low. The group has also drawn up a list of human rights for which, as a company, it could have a direct impact. Each of these risks is considered low, with the exception of one risk that the group has chosen to assess as medium: discrimination/inequality. Numerous actions to combat discrimination and inequality are implemented, mainly around inequalities related to gender, age and disability. These actions are described in part "Diversity of human capital" (Section 5.5.4).

In the area of health and safety risks, the Group asks its various entities about their main physical and psycho-social risks (occupational stress factors, post-traumatic stress and harassment). In 2019, the risks that emerge as the most significant, in terms of severity or the number of employees who could be affected, are:

- for physical risks: road risk, risk of aggression/aggressiveness, risks related to serious events and related to carrying loads;
- for psycho-social risks: stress at work.

(1) In view of the number of international treaties ratified, the violation of workers' rights, the importance of child labour and the existence of the death penalty.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

The Group's main challenges and non-financial risks

The various actions implemented by the Group in the areas of quality of life at work and occupational risk management are described in the section 5.5.3 "Development of human capital". Among the main changes in 2019 relating to the scope of the Economic and Social Unit, the creation of a community of relays "living well at work".

With regard to the environment, the various building managers assess each year the environmental risks that may be caused by the Group's facilities. In 2019, no significant incidents were identified. However, at Group level, direct and proven impacts on the environment are identified and monitored: the climatic impact due to travel and energy consumption, as well as the environmental impact of certain polluting waste. Every year, the Group measures its carbon footprint and implements actions to raise awareness of good travel practices (the main source of greenhouse gas emissions). These actions are described in the 5.5.7 "Environmental footprint" section.

Risks as a principal

The Purchasing Department is developing systems to improve knowledge of the human rights, health and safety, ethical and environmental risks of suppliers and service providers.

An initial mapping of supplier risks was drawn up in 2017, based on the risks per purchasing family and an initial assessment of the risk level of the TOP 50 suppliers (in terms of purchasing volume).

During 2019, the Purchasing Department initiated the launch of evaluations of the Group's main suppliers via Afnor (Acesia solution).

CSR questionnaires were also built for 4 purchasing families, focusing on the priority risks and issues for each of these sectors. These self-assessment questionnaires will be sent to approximately 40 suppliers in early 2020. Additional questionnaires will be sent out throughout 2020 and all new calls for tenders will systematically include the CSR questionnaire.

These actions are described in part 5.5.6 "Responsible Supplier Relationship".

Risks in the context of the Group's financial businesses

As part of its financing and investment activities, the Group has developed an initial mapping of human rights risks, focusing on sovereigns and companies. In order to create this map, a level of "human rights" risk was assessed for each country⁽¹⁾. The country context gives an indication of the level of human rights risk for the company whose head office is located in the country being assessed. In the area of the environment, the sector of activity gives an indication of the level of environmental impact. In a first step, the environmental risk is dealt with via the climate risk. The mapping carried out focuses on the sectors with the highest GHG emissions, which are also the most exposed to the transition risk.

In order to strengthen the consideration of social, environmental, ethical and governance issues in all of its financing and investment activities, the Group has defined an ambition and a roadmap for ESG at the end of 2019. This roadmap and existing practices for integrating these issues into the Group's financial activities are described in the section "Integration of ESG criteria".

Finally, in the area of the Group's banking and insurance activities, two risks have also been identified:

- discrimination against customers, *i.e.* the risk of exclusion of certain customers from the banking or insurance system. The actions implemented by the Group are described in part 5.4.5 "Inclusion of customers in fragile situations"; and
- the risk of inappropriate use or access to data. The actions implemented by the group in this area are described in particular in the section 5.5.1 "Data protection and security".

Alert mechanism

An alert and reporting system, dedicated to the risks of serious health and safety, human rights and environmental risks, was made available to all Group employees in 2018. Employee representative organizations (from the Economic and Social Unit) were involved in the construction of the alert mechanism. In 2019, the alert mechanism was made accessible to employees, service providers and subcontractors by posting notices in the Group's central services buildings.

(1) In view of the number of international treaties ratified, the violation of workers' rights, the importance of child labour and the existence of the death penalty.

5.4 Supporting clients and territories in societal, social and environmental transitions

5.4.1 Customer relations and satisfaction

Non-financial risks associated with this issue:

- Risk of non-compliance: failure to comply with customer protection rules

The Arkéa group has always paid attention to the quality of the relationship and the satisfaction of its customers.

This attention is all the stronger because the member is at the heart of the operation of a cooperative group like Arkéa: in its cooperative movement, the member, as the holder of a share, is both a cooperator and a customer. This participation in the share capital of his local bank makes him an associate co-owner. As such, he or she is invited to take part in the annual General Meeting of his or her local bank and has the right to vote to elect the members of its Board of Directors according to the "one person, one vote" principle. He may also stand for election as a director on the Board of his local bank.

At the end of 2019, 72% of the individual customers of Arkéa's federations are members.

The Annual General Meeting is a special time for exchanges between the members, the directors of the local bank and the employees. It provides an opportunity to present the members, the members of the Board of Directors, the activity reports to the members and to put resolutions to the vote. It is also a time for exchanges on topics related to economic and financial news, banking or the life of the local bank.

In 2019, 44,208 members attended a local bank general meetings. The rate of participation in voting was 2.91%.

Each year, part of the distributable profit is paid to the members through the remuneration of the shares they hold. In 2019, in respect of the 2018 financial year, the members benefited from a remuneration of €39.5 million on their member shares.

Arkéa's federations position the account manager as a true financial coach for their members and customers. The federations are committed to providing their members and customers with the best possible experience, bringing them simplicity, clarity, proximity, responsiveness and sincere attention. They also rely on technological innovations to facilitate and simplify their daily lives. Since 2017, new customers have been able to open a bank account online in less than

10 minutes and have immediate access to means of payment. In 2018, the Sud-Ouest and Bretagne federations launched a new budget coaching service, Bud'JET, allowing automatic categorization of income and expenses and the sending of personalized alerts.

The federations also rely on listening to the inhabitants of their territory. Through regular surveys and round tables, they identify the expectations of their members, customers and prospects in order to better meet them. In 2019, more than 75,000 customers and prospects were listened to. With their members and customers, they measure the quality of their relationship: satisfaction on the spot (weekly measurement), cold (measurement every 4 months) and a strategic barometer that alternates each year between individuals and professionals. These tools are essential to the continuous improvement of their service provision. To strengthen their commitment to their customers in the Sud-Ouest and Bretagne, a panel of more than 5,000 registered members and customers has been in place since 2016 to build tomorrow's solutions with them.

The group's subsidiaries are also attentive to customer satisfaction, through regular measurements of this indicator.

In order to best satisfy the interests of customers, the Group entities in contact with customers all have a unit dedicated to handling customer complaints to ensure that complaints are dealt with quickly and efficiently.

In addition, with the aim of continuously improving practices and customer satisfaction, the complaints handled are subject to qualitative monitoring. Since 2017, a Quality and Customer Complaints Analysis Committee has been meeting quarterly with the relevant departments to analyze customer complaints from Arkéa's federations and to develop processes accordingly. Lastly, a community of practices brings together every year the heads of customer relations and internal control departments of Arkéa's entities to discuss regulatory changes and best practices in handling complaints.

Concerning more specifically the area of mediation, 183 cases eligible for mediation were registered in 2019 by the Crédit Mutuel Arkéa mediator, of which 169 concerned the group's banking entities. A dedicated website is accessible to the general public (<https://lmediateur.creditmutuelarkea.fr/>).

Several mechanisms (presented in 5.5.2 *Exemplarity in business and governance*) set out the rules to be respected by the group's entities in order to guarantee that the client's interests are respected.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

Scope of the three federations: Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest, Crédit Mutuel Massif Central

	2017	2018	2019
Number of local banks	332	329	329
Number of customers	2,295,796	2,330,375	2,353,745
of which individuals	2,090,712	2,120,918	2,141,484
Number of members	1,506,025	1,520,780	1,533,961
Membership rate (among individual clients)	72,0%	71,7%	71,6%
Participation rate in votes at general meetings	3,1%	3,1%	2,9%
Average amount of shares held (euros)	1,460	1,485	1,529

In addition to monitoring non-financial risks, the Arkéa group, which places societal and environmental issues at the heart of its strategy, identifies real opportunities for development and differentiation by supporting territories and its customers in their transitions.

5.4.2 Supporting regional development

As a local banking player, the Arkéa Group supports and accompanies economic development, employment and innovation in its regions through its financing, investments and participation in economic ecosystems. As a committed company, it also contributes to the cultural and sporting vitality of regions. The Group also pursues an active recruitment policy (see 5.5.3 *Development of human capital*).

Financing the real economy

Financing and capital support for sole proprietorships and companies

The Arkéa Group supports sole proprietorships and companies from their creation to the development and transfer phases. It pays particular attention to innovative entrepreneurs who will be tomorrow's leaders. This support takes the form of providing expertise, financing, capital support, networking and participation in external initiatives.

At the end of 2019, the Arkéa Group had €13.9 billion in outstanding loans to sole proprietorships and businesses.

For the group's three federations and for Arkéa Banque Entreprises et Institutionnels, support for business start-ups and takeovers is a key factor in economic momentum. The many partnerships enable the group to be present at every stage of the business creation or takeover process, working with specialized players who provide creators or buyers with skills that complement those of the group: consular chambers (CCI, Chambers of Trade and Crafts, etc.), support structures (management shops, local platforms of the Initiative France network, France Active, Réseau Entreprendre), etc. By way of illustration, Crédit Mutuel de Bretagne is a partner of the Initiative Bretagne network, which provides support to companies in the region via interest-free loans (creation and transfer) and via the BRIT (Bretagne Reprise Initiative Transmission) and PHAR funds, a regional fund to help create innovative companies in Brittany.

Financing solutions dedicated to the creation and takeover of small businesses are offered by the federation networks.

The Group's federations also propose to their individual customers the "La Vie d'iCi" savings account (the funds collected from which can be used to grant loans in regions), "La Vie d'iCi loans" to facilitate the creation and takeover of companies in the regions, and "La Vie d'iCi Innovation loans", for innovative projects with the support of innovative (competitiveness clusters, science parks, etc.).

In order to promote innovative project leaders, in 2019, Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest renewed the "Trophées Les Idées Nouvelles" competition. It is aimed at innovative companies and future business creators in these territories.

The Group also sets up complementary measures to bank loans when companies are set up or taken over:

- managed until the end of 2018 by the Ark'ensol Créaveren association, these schemes are now managed locally, at the level of each of the local bank Board of Directors. Their purpose is to promote and accelerate the economic and social development of the regions covered by Arkéa's federations. Under certain conditions, aid is granted in the form of grants to small businesses that are being created or taken over and that create jobs. These donations may be financial and/or in the form of services such as the production of a film to publicize the project and/or a website. This aid may be granted in addition to an interest-free "Appui Pro" loan granted by the local banks, which is conditional on the granting of a conventional bank loan;
- Kengo, the group's participative financing platform, enables project leaders in Brittany to make themselves known and benefit from donations, with or without compensation. Kengo has been chosen to deliver the "participative financing for green growth" label to projects that must meet requirements in terms of transparency of information, environmental and social impacts and the implementation of a mechanism to measure their positive contribution to the energy and ecological transition.

	2017	2018	2019
Support for business creation			
Donations (in thousands of euros)	596	512	479
Interest-free loans (in thousands of euros)	2,155	2,348	2,665
Number of jobs supported	898	943	965
Amount of projects financed via Kengo (in thousands of euros)	446	593	680
Number of projects funded through Kengo	122	120	146

In addition to business start-ups and takeovers, the Group assists companies throughout their development, through specific organizations depending on the size of the client companies and banking offers adapted to their needs.

Arkéa Banque Entreprises et Institutionnels supports more than 10,000 companies, most of which are mid-sized and medium-sized. The bank operates in targeted business sectors in which it has developed strong expertise. Each year, it reinforces its presence with its historical clients: companies in the food industry, retail, construction and public works. To support these companies, it relies on 19 business centres located in the regions. Its sales teams are specialized by sector, enabling the bank to provide solutions tailored to the needs and expectations of its customers (financing, savings, means of payment, asset management, international trade, insurance). In addition to this traditional financing, Arkéa Banque Entreprises et Institutionnels regularly provides subsidized financing packages dedicated to companies in Arkéa's historic territories (Brittany, Southwestern France, Massif Central) to facilitate their investments and make their projects a reality.

Private equity occupies a special place in the Group's strategy. Arkéa Capital finances and assists the projects of managers of SMEs and ETIs in their search for additional capital to accelerate their growth and/or in the context of transmission issues. With €1 billion under management and six regional offices, Arkéa Capital is today the partner of nearly one hundred companies. Arkéa Capital is positioned as a minority partner and acts alone or in co-investment in equity capital, through three complementary investment vehicles for expansion/transfer capital:

- Arkéa Capital Investissement, with a €250 million investment, supports the projects of SME managers in France;
- Arkéa Capital Partenaire, a €400 million vehicle, assists major regional companies as a reference shareholder, over periods of more than 10 years;
- Arkéa Capital Managers, with a €200 million fund, enables managers to strengthen/consolidate their shareholding in their company.

In 2016, Arkéa Capital has diversified its activities with the launch of an innovation division that supports the creation and growth projects of innovative start-ups from their first fund raising. Arkéa Capital operates through two investment funds:

- West Web Valley supports the digital economy sector in Brittany and in Western France with innovation capital;
- We Positive Invest provides innovation capital to actors in environmental transition and societal entrepreneurship (see 5.4.4 Products and services with social and environmental impact).

The group also enables its clients to provide capital support to companies. SWEN Capital Partners, 40% owned by Federal Finance Gestion, OFI Asset Management and its employees, specializes in responsible investment in unlisted companies and offers Innovation Mutual Funds (FCPI) and Local Investment Funds (FIP). These FCPI and FIP funds support the development of innovative companies located in the regions. They contribute directly to the development of the economic fabric and have made it possible to support nearly 300 companies since 2008.

Support for farmers, winegrowers and fishermen

Agriculture, viticulture and fishing are key markers of economic activity in Arkéa's historic territories.

On the agricultural market, the Group's federations make supporting young farmers a priority. In 2019, Crédit Mutuel de Bretagne supported 36% of young farmers in Brittany. Crédit Mutuel de Bretagne is a partner of BRIT (Bretagne Reprise Initiative Transmission), which helps young farmers set up in farming through the granting of agricultural loans. On the territory of Crédit Mutuel du Sud-Ouest, the market share of young farmers is more than 20%. The federations in Brittany and Southwestern France offer their individual customers a "La Vie d'iCi Jeunes Agris" savings account. The sums entrusted to this savings account enable Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest to support the financing of projects presented to them by young farmers through the "La Vie d'iCi Jeunes Agris" loan.

In addition to setting up young farmers, the group's federations offer financial solutions to support the day-to-day management of the farm or its modernization and development. Specifically in response to the environmental challenges of the profession, Crédit Mutuel de Bretagne develops financial solutions to support farmers wishing to take this path (see 5.4.4 Products and services with a social and environmental impact).

Crédit Mutuel de Bretagne is a partner in the PASS Avenir scheme, an individual support scheme initiated and supported by the Region Bretagne and banking partners, aimed at improving the resilience of cattle farms in difficulty. It is based on a diagnosis leading to an action plan with precise objectives, a follow-up of the implementation of the action plan and an assessment to evaluate its results.

Crédit Mutuel de Bretagne also supports sea-based activities and cooperates actively with the various bodies representing the profession. At the initiative of Arkéa Capital and in partnership with private professional investors including the Arkéa and Crédit Maritime banking groups, the Fonds Professionnel de Capital Investissement (FPCI), Breizh Armor Capital, was created. The purpose of this private fund is to invest in the projects of companies operating in the sectors of the exploitation of fishery resources, including fishing, and more broadly in activities related to the Breton fisheries economy. It makes it possible to strengthen the financial structure of companies and to facilitate the financing of high investment programs, including the construction of deep-sea fishing vessels. The first financing was carried out in April 2019.

As far as viticulture is concerned, Crédit Mutuel du Sud-Ouest is heavily involved in the VitiRev regional project, a large-scale project led by the Nouvelle Aquitaine Region aimed at removing pesticides from viticulture. VitiRev brings together all the regional vineyards, 14 Territorial Innovation Laboratories and more than 130 players committed to an ambitious program of actions aimed at developing the attractive and environmentally-friendly winegrowing of tomorrow.

Crédit Mutuel du Sud-Ouest is also committed to supporting organic winegrowing farms and high environmental value initiatives. As a result of its historic partnership with Agrobio and as a member of the Club des Financeurs Interbio Nouvelle Aquitaine, it is at the heart of the financing of organic farms. 2019 has also enabled it to forge privileged links with the Syndicat Viticole Bio Nouvelle Aquitaine and the Agence Nationale Viticole Bio.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

The financing of institutions

Through its federations and Arkéa Banque Entreprises et Institutionnels, the Arkéa group is a key partner of institutional players. In 2019, the group granted €660 million 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 city councils and inter-city bodies with more than 50,000 inhabitants, two out of three Départements, 11 out of 13 Régions and the 15 most populous cities in France. The bank also finances local public institutions, health and medico-social institutions, social housing providers, as well as mutual insurance companies, pension funds, associations, etc.

An initiative illustrating the Group's openness and capacity for innovation, Arkéa Lending Services, a new subsidiary of the Group, was launched in 2018. Arkéa Lending Services is a virtual meeting place for project owners seeking financing (local authorities, SMEs, social landlords, public institutions, hospitals, etc.) and the ecosystem of lenders (credit institutions, management companies, institutional investors, etc.).

Support for talent and creativity in the regions

As an extension of its financing activity and its involvement in the field of economic development, the Arkéa Group is a company committed to local players through sponsoring and patronage actions. The Group is committed to working alongside organizations and associations that work to enhance and promote creativity, excellence, expertise and knowledge in the regions, in the fields of culture, education, health and sports. In 2019, the group contributed more than €10.3 million in patronage and sponsorship.

The Arkéa group structures its financial patronage around emblematic actions in its historic territories, in several complementary areas:

- culture, by supporting cultural places open and accessible to all (Fondation Leclerc, Quartz de Brest, Petites Cités de Caractère, Arkéa Arena de Bordeaux...);
- health, by supporting medical research (Fondations Innovéo, Bergonie, etc.); by financing actions aimed at improving the daily life of hospitalized patients (Les Blouses Roses, etc.) and the comfort of elderly people living in nursing homes (Fondation Massé-Trévidy, Les Amitiés d'Armor, etc.);
- education, by providing financial support to three regional centres of excellence: the Rennes 1 University Foundation, the UBO Foundation and the Bordeaux University Foundation.

The Arkéa group and its employees also show solidarity with their local communities and support numerous charitable and public interest organizations through local initiatives (collections, races, etc.).

In terms of sports sponsorship, Crédit Mutuel de Bretagne supports Breton football clubs in Ligue 1: Stade Rennais Football Club and Stade Brestois 29 and in Ligue 2 with Football Club de Lorient and En Avant Guingamp. In addition, in Aquitaine, the Arkéa group works alongside the Ligue 1 football team of Girondins de Bordeaux, and the Top 14 rugby team of Union Bordeaux Bègles.

Supporting the associative fabric

The group counts more than 68,648 Non-Profit Organizations among its clients, from all sectors. In addition to banking solutions, initiatives to support the associative community are regularly proposed: the "100% for associations" operation with the "Défi Territoires d'Initiative" (Territories of Initiative Challenge), which rewards associations carrying out actions beneficial to employment, regional development, solidarity or sustainable development... The Group also supports associations and players in the social and solidarity economy by giving them the opportunity to benefit from refurbished computers in very good condition. Since 2013, more than 600 associations have been able to benefit from more than 1,200 pieces of equipment enabling them to better carry out their missions.

Since 2019, as part of the decentralization and extension of solidarity measures adopted by the Arkéa group at the end of 2018, each local bank of Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest has a specific budget for granting donations to its member associations, whether they are charitable or are planning a charitable event.

Social and Solidarity Economy	2017	2018	2019
Non-Profit Organizations	70,547	70,749	68,648

Crédit Mutuel de Bretagne is also involved in sailing, alongside the Brittany Region, in support of the "Bretagne-CMB" ocean racing route of excellence, based in Port-la-Forêt (29), as part of an initiative to support young talents. The two partners also launched a call for applications in the summer of 2019 with a view to developing a women's sector from 2020.

For the first time in its history, Arkéa has also embarked on a project, in association with Paprec, to take part in the next "Vendée Globe" from November 2020 with skipper Sébastien Simon at the helm of a new Imoca.

Finally, the Arkéa Group is the title partner of the Arkéa-Samsic professional cycling team which competes in the Continental Pro and, since November 2019, of the women's "Arkéa Pro Cycling Team".

5.4.3 The integration of ESG criteria in financing and investments

Associated non-financial risks:

- risk of controversial financing and investments

This issue is closely linked to that of developing impact products and services to accompany transitions (see 5.4.4 *Products and services with a social and environmental impact*).

As a concrete expression of its "Raison d'être" at the heart of its financial businesses, the integration of Environmental, Social and Governance (ESG) criteria in its financing and investment activities is a key issue for the Arkéa Group. Convinced that a company's performance cannot be solely financial but must be global, the Arkéa Group applies this conviction to its own operations and its interactions with its stakeholders.

1. Progress in 2019: the definition of an ambition and a group ESG roadmap

In line with its "Raison d'être", the Arkéa group has defined a corporate ambition in terms of ESG for its financing and investment businesses, whether on its own account or on behalf of third parties.

The objective is to make it a vector for development, growth and differentiation for the group and its stakeholders.

The construction of this ambition, and of the associated action plan, was carried out during 2019, in collaboration with the group entities concerned and by relying on the ESG practices already existing within the group (described in point 2). It was approved by the Board of Directors of Crédit Mutuel Arkéa at the end of November 2019.

This ambition affirms Arkéa's positioning as a "**partner in transitions serving the economic vitality of regions**".

Over the next 10 years, territories, and all of the actors that make them up, will experience profound transformations and transitions driven by environmental issues and changing societal expectations (consumption and production patterns, etc.). Arkéa's role is to work alongside these players to help them prepare for these transitions and support them in transforming their business model, with the aim of contributing to their economic sustainability.

Faced with these profound changes, the Group has chosen to focus on two priority transitions:

- climate transition and the preservation of natural resources;
- transition to an inclusive and balanced society in the territories.

In order to implement this ambition, the group plans, as part of a medium-term trajectory:

- systematize ESG analysis for all financing and investment businesses;
- formalize policies for the sectors of activity most exposed to these transitions;
- define a climate trajectory;
- and to develop new offers (financing, savings...) aimed at supporting customers through the transitions and to develop the positive impact.

In the course of 2020, work on deploying this strategy will continue, both at Group level and in the business units concerned.

Accompanying transitions requires a gradual and long-term dynamic alongside all economic players. Faced with the climate emergency, a number of business lines must change profoundly and as a priority because their model, which is highly emitting greenhouse gases, is not compatible with the objective of the Paris Agreement. In this context, the Arkéa Group has decided to provide a framework for its

financing and investments in coal-related businesses (energy extraction and production), with the aim of directing financial flows towards technologies and resources that are low in CO₂. Since September 2019, the Arkéa group has prohibited new investments and new bank financing to⁽¹⁾ companies that generate more than 30% of their sales in coal (mines and power plants) or that produce more than 30% of their energy from coal, based on Urgewald's Global Coal Exit List (GCEL). Beyond this common minimum base, certain activities apply more demanding criteria described below (point 2).

2. Existing ESG practices in Arkéa's various businesses

Asset managers

Taking into account Environmental, Social and Governance (ESG) issues is historically rooted in the DNA of Arkéa Investment Services, an "archipelago" of asset management companies of the Arkéa group.

Within the "archipelago", the conviction that ESG integration is a source of performance is shared. Financial performance benefits from the consideration of sustainable development issues, regardless of the investment universe. This approach reflects the ability of companies in which investments are made to take a long-term view in the conduct of their business. It is therefore necessarily correlated with their performance. Arkéa Investment Services is also convinced that customers expect more: beyond financial performance, it must aim to offer them products that give meaning to their investments with an impact on the environment and on people.

Arkéa Investment Services' "multi-boutique" model allows it to maintain management agility with real skills for each of its areas of expertise. Thanks to this model, the integration of environmental, social and governance (ESG) issues is linked to the expertise of each management company. This organization makes it possible to propose the most relevant approach adapted to each asset class.

In the case of **Federal Finance Gestion** and **Schelcher Prince Gestion**, ESG integration is at the heart of the investment process. Federal Finance Gestion has been practicing Socially Responsible Investment (SRI) since 2000 and is a signatory of the Principles for Responsible Investment (PRI) since 2009, the Paris Declaration, the Global Investor Statement on Climate Change and the Climate Action 100+ initiative.

Schelcher Prince Gestion has signed the PRI in 2018, sits on the "Responsible Investment" technical committee of the French Asset Management Association (AFG) and also takes ESG issues into account in its asset management activities.

The integration carried out within these management companies is based on a research team shared between Federal Finance Gestion and Schelcher Prince Gestion, combining 5 financial analysts and 5 ESG analysts. Research related to investments is presented by a pair of analysts. Thus, the managers benefit from financial and ESG analysis in each of their investment decisions.

(1) Scope concerned: financing activities aimed at professionals and companies, carried out by Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Arkéa Banque Entreprises et Institutionnels. Private equity activities aimed at companies, managed by Arkéa Capital. Asset management activities carried out by Federal Finance Gestion and Schelcher Prince Gestion, excluding passive management, formula funds and other mandates or dedicated funds. Investments made by Suravenir, excluding Unit-linked and indirect assets under management with a holding ratio of less than 50% and excluding passive management. Investments made by Suravenir Assurances. Cash investments made by Crédit Mutuel Arkéa's trading room.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

The ESG analysis system is based on a model combining a repository and proprietary tools on the one hand and the conviction that the quality of analysis can only be achieved if it puts the analyst and his expertise at its centre. Indeed, the group does not believe in mechanical and dehumanized ESG analysis. The study of issuers involves understanding them, their environment, their developments, etc.

In practice, the ESG Research model combines a normative and a "best in class" approach.

The prescriptive approach aims to ensure that our funds do not invest in:

- actors who do not guarantee compliance with the main minimum internationally recognized social, environmental or governance standards, which are grouped together in the United Nations Global Compact. In 2019, 10 companies were excluded because they did not provide assurances of compliance with the UN Global Compact principles. These companies are excluded from the investment universe of the entire active collective management of Federal Finance Gestion and Schelcher Prince Gestion;
- actors involved in the manufacture or trading of controversial weapons such as submunitions and landmines. This exclusion applies to investment in securities issued by such companies and exposure to such securities through derivatives whose sole underlying interest is the company concerned;
- companies involved in coal: extractive companies with more than 30% of their turnover linked to coal as well as companies producing electricity where more than 30% of their energy mix comes from coal are excluded from all actively managed open funds. Similarly, institutional clients with management mandates are being made aware of the need to adopt this exclusion policy as well.

The "best in class" approach aims to select the most advanced issuers on ESG criteria within their industries. The analysis criteria of the framework are based on the study of three major extra-financial issues directly related to sustainable development issues: Environment (E), Social (S) and Governance (G), adapted to the nature of each issuer. The analysis of these non-financial risks is intended to complement the financial analysis, in order to have a more complete, 360° view of the risks and opportunities of issuers in which investments may be made. Federal Finance Gestion's ESG analysis universe comprises 2,000 companies and 160 countries.

A policy of commitment has also been put in place to build a constructive dialogue with companies with a non-financial rating well below that of their sector of activity. These exchanges should encourage them to adopt responsible policies and practices with regard to their poorly addressed or unaddressed non-financial issues. The aim is also to encourage companies to take into account their negative non-financial impacts in order to reduce the risk exposure of investments, and ultimately of funds held by clients.

Federal Finance Gestion and Schelcher Prince Gestion also take part in the General Meetings of the companies whose shares are held in its funds and mandates. This exercise of voting rights enables the interests of minority shareholders represented by Federal Finance

Gestion and Schelcher Prince Gestion to be defended. It is also a means of dialoguing with the company and making it aware of its expectations as a responsible investor.

At Schelcher Prince Gestion, as part of the private debt activity, since its launch in July 2016, the regulation of the second economic loan fund of the SP EuroCréances range integrates the first steps of an ESG approach on the investment universe of SMEs/FIs. Indeed, the business Executive Officer is asked to sign a certificate of compliance with the 10 Principles of the UN Global Compact and the Ottawa and Oslo Conventions. In September 2017, as part of the Pension Reserve Fund (PRF) mandate, Schelcher Prince Gestion has chosen to take a step forward in structuring this approach by mandating a leading player in the non-financial rating of SMEs on ESG aspects: the company Ethifinance. With the assistance of Ethifinance, an extra-financial analysis of the issuer is now carried out with the proactive involvement of the issuer (interviews with managers and their teams). This approach is reflected in an annual summary of the ESG impact of the funds deployed under the mandate. This study is also intended to help the company move towards best practices. It also makes it possible to open a dialogue with the company, particularly on ESG risks. This approach is being repeated for the SP EuroCréances 2018 fund currently being invested and underwritten.

SWEN Capital Partners, 40% owned by Federal Finance Gestion, alongside OFI AM (50.3%) and its employees (9.7%), systematically deploys a responsible investment policy across all its institutional strategies (primary, secondary and direct investment) and asset classes under management (private equity, private debt and private infrastructure). As a signatory of the PRI, SWEN Capital Partners wishes to be an actor in the promotion of the best approaches within the profession. Each year, it questions the practices and performance of more than 200 asset management companies in its investment universe, as well as all of its portfolio holdings and underlying assets (more than 1,700 in total). The questionnaires used were recently harmonized in collaboration with other institutional investors within the framework of a working group within France Invest. SWEN Capital Partners also organizes the annual *ESG Best Practices Honours*, a benchmark event in the field of responsible unlisted investment (more than 500 participants were gathered in 2019) and publishes studies on the progress of the private equity and infrastructure market in integrating non-financial criteria in unlisted investments. SWEN Capital Partners is also committed to a fair transition towards a low-carbon society: a member of the International Climate Initiative since its launch, it has implemented a climate strategy in 2017 in which it describes its convictions, its process for integrating climate issues into its management and its reporting which shows the carbon footprint of its funds. It also undertakes to allocate a minimum share of the new funds it manages to the financing of companies whose activity contributes to the energy and ecological transition. This commitment has notably resulted in the launch in early June 2019 of a new direct and impact investment activity in infrastructure dedicated to the production of biomethane and its applications in new mobility. To this end, a team of dedicated industrial and financial experts with complementary professional backgrounds has been set up. Finally, SWEN Capital Partners has embarked on a new structuring approach by initiating the deployment of TCFD's recommendations.

Socially Responsible Investment (SRI) offer and ESG criteria (scope managed by Federal Finance Gestion)

	2017	2018	2019
SRI assets under management*	1,433	1,060	798
Outstanding ESG *	37,287	28,018	31,287
Number of shareholders' meetings in which the company has participated	98	69	62
Rate of approval of resolutions	73%	82%	82%

* In millions of euros.

Institutional investors

Suravenir, the group's life insurance subsidiary, and a signatory to the PRI since 2018, integrates an ESG framework into its investment policy, which includes non-financial risks in the investment process.

To do so, for the scope of non-unit-linked financial assets, it relies on Federal Finance Gestion's ESG expertise and incorporates exclusion criteria identical to those of Federal Finance Gestion (Global Compact and controversial weapons), to which is added the exclusion criterion for non-OECD countries (on all direct investments and all indirect investments when Suravenir's holding ratio is greater than 50%, with the exception of funds whose objective is to replicate the performance of an index). These criteria apply to both stock and flows. In order to limit extra-financial risk, Suravenir has also chosen to limit the proportion of E-rated issuers to 10% of total annual investments.

In order to contribute to the limitation of global warming and to reduce the financial risks induced by the energy transition in the short/medium term, Suravenir is working on the definition of a climate strategy which is materialized by:

- measuring the carbon footprint of its portfolio (scopes 1 & 2) via a carbon intensity indicator and a carbon responsibility indicator. By measuring the carbon footprint of its portfolio, Suravenir wishes to equip itself with a barometer to identify the actions to be targeted as a priority in order to converge towards a trajectory of 2° of global warming, and to validate or invalidate a posteriori the effects of the decisions taken within the framework of the climate strategy. Physical assets, indirect investments and the portfolio in units of account are excluded from the scope of calculation;
- the framework for coal-related investments. Suravenir excludes from its investment universe all companies that meet at least one of the following 3 criteria: companies with more than 30% of their turnover or more than 30% of their energy production related to coal; companies that develop new projects in the coal industry (power plants or mines) and companies whose coal production exceeds 20 million tonnes per year. The exclusion applies to all Suravenir portfolios with the exception of unit-linked portfolios (for which investment decisions are made by policyholders directly), on all direct investments and all indirect investments when Suravenir's holding ratio is greater than 50%, with the exception of funds whose objective is to replicate the performance of an index.

Financing the energy transition: to define the activities falling within the scope of the energy transition, Suravenir referred in particular to the nomenclatures of the Greenfin label (formerly the TEEC label) and the Climate Bond Initiative (CBI). The first investments in Greenfin-labelled funds were made in 2018.

Suravenir participates jointly with Federal Finance Gestion in direct actions with companies whose non-financial ratings are low compared to those of their competitors. Suravenir also delegates to Federal Finance Gestion its policy of exercising voting rights.

On the unit of account (UA) portfolio, Suravenir can have an impact via the proposed offer. For several years, Suravenir has been committed to offering SRI-type units of account. All contracts marketed by Suravenir include at least one SRI or Greenfin unit in their range, except for PEA-SME contracts, due to the lack of an offer available on the market. The 104 SRI or Greenfin-labeled funds referenced in the contracts total €645 million in assets under management at the end of 2019.

In 2016, Suravenir initiated with its main property managers, Primonial REIM and Crédit Mutuel Arkéa, a process to audit property assets and determine a framework for monitoring and improving relevant ESG criteria, with a focus on the energy performance of these assets. This medium-term approach to the existing property portfolio complements a policy of selecting new acquisitions that takes into account the environmental performance of the properties acquired.

Suravenir Assurances, the Group's property and personal insurance subsidiary, as part of its proprietary investments, has also incorporated ESG criteria into its investment policy. Financial investments are made through Federal Finance Gestion, which allows Suravenir Assurances to benefit from the same exclusion criteria as those applied by its manager (Global Compact, controversial weapons). Furthermore, as a personal insurer, Suravenir Assurances refrains from investing in securities/instruments issued by companies involved in tobacco manufacturing. Finally, Suravenir Assurances has decided to apply a strict framework to its investments in the coal industry. Thus, the exclusion criteria for issuers involved in the coal industry are identical to those applied by Suravenir.

More generally, in order to guarantee the non-financial quality of its portfolio, Suravenir Assurances relies on the SRI rating of issuers and has implemented non-financial selection criteria: it has been decided to limit the proportion of E rated issuers to 10% of its total annual investments.

A formal review of the ESG situation of Suravenir Assurances' financial portfolio is carried out at least every six months at the Cash Flow Committee meetings. A non-financial monitoring of the investments made during the half-year is also presented.

In order to make a positive contribution to limiting global warming, Suravenir Assurances has built a climate strategy around three axes:

- measuring the carbon footprint of its financial portfolio: this exercise is a necessary starting point for defining an efficient strategy to contain the CO₂ emissions resulting from its investment decisions to sustainable levels. Since 2018, Suravenir Assurances has been measuring the carbon responsibility and carbon intensity of its corporate and sovereign investments;
- the reduction of investment in the coal industry, in accordance with the principles described above;

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

- identification of the carbo-intensive players: Suravenir Assurances has not, to date, defined exclusion thresholds or constraints for its investments. The company would like to perfect its thinking and acquire more efficient measurement tools.

Private equity

In 2017, Arkéa Capital formalized its values and commitments through an ESG charter. This charter confirms the sustainable development of regions as a major strategic focus, as well as the consideration of non-financial criteria in investment policy and the support of companies in their ESG progress approach.

Arkéa Capital manages the We Positive Invest investment fund dedicated to supporting innovative companies in the fields of energy transition, the circular economy and societal entrepreneurship.

Since 2018, Arkéa Capital has been formalizing the consideration of ESG criteria in its investment decisions for Arkéa Capital Investissement, Arkéa Capital Managers, and Arkéa Capital Partenaire vehicles.

Arkéa Capital has undertaken not to invest in certain activities in accordance with the Oslo and Ottawa international conventions and its values:

- activities for the production or marketing of anti-personnel mines and cluster bombs;
- gambling Industries;
- tobacco production or marketing activities;
- activities related to prostitution and pornography;
- coal-related activities (mining and power generation) ⁽¹⁾.

During the investment phase, the Arkéa Capital team conducts a simplified internal ESG review using a sector-based tool to assist in the ESG analysis of investment opportunities. The tool's analysis criteria are based on a study of four major non-financial issues directly related to sustainable development: governance, human capital, environment, and external stakeholders. Subjects dealing with climate change are studied in the environment issue. More in-depth ESG audits can be set up, with the support of an external firm, depending on the materiality of the ESG issues for the company.

Arkéa Capital aims to support its investments in their CSR approach. Thus, since 2018, for each new investment made by one of the vehicles under Arkéa Capital's management, the objective is to define an ESG action plan and monitor its implementation annually. This objective is formalized by an ESG clause inserted in shareholders' agreements.

During the holding phase, Arkéa Capital surveys its holdings annually via an ESG questionnaire.

In 2019, Arkéa Capital confirmed its commitments by adhering to the Principles for Responsible Investment and the International Climate Initiative. By signing the International Climate Initiative Manifesto, Arkéa Capital commits to mobilize to contribute, at its level, to the COP 21 objective of limiting global warming to two degrees; to contribute to the reduction of greenhouse gas emissions of the companies in its portfolio and to ensure the sustainability of its performance.

Banking activity

In 2019, the Group's banking activities provided a framework for new financing for coal-related companies (mining and power generation) ⁽²⁾

Arkéa Banque Entreprises et Institutionnels, in addition to its initiatives to encourage responsible projects by its customers (see 5.4.4 Products and services with a social and environmental impact), wishes to pay particular attention to the responsible approaches of the players it finances. Arkéa Banque Entreprises et Institutionnels has deployed a qualitative CSR analysis grid for its counterparties. This grid aims to assess the structure's CSR maturity level and broaden the customer vision by addressing the issues of human capital, territorial footprint, the environment and stakeholder relations (suppliers/partners and customers). In 3 years, the entire portfolio will have undergone this CSR assessment.

In 2019, Arkéa Banque Entreprises et Institutionnels also refocused its investment product offering around responsible investment, creating CSR term deposits and recommending ESG-rated funds in its range of mutual funds, most of which are SRI-labeled, to its customers as a priority.

The Arkéa group's federations, targeting smaller companies located almost exclusively in France, have initiated the formalization of ESG dimensions in their financing policies in 2019, through the framework of financing for coal-related activities. This work will continue as part of the implementation of the ESG roadmap validated in November 2019. In addition, the federations have initiated financing packages aimed at supporting responsible projects for their agricultural and professional customers (see 5.4.4 Products and services with social and environmental impact).

3. Climatic risk

In order to identify the climate risks, iterative work has been initiated to approach the areas concerned in a proportionate manner. As a first step, an analysis of the outstanding amounts was carried out. The indirect impacts related to the companies financed were therefore considered.

Initial work on physical risk assessment was carried out on the bank loan portfolio. It was based on international indices that classify states according to their vulnerability to climate or their history of natural disasters. Outstandings were broken down by country where the issuers' head offices are located for corporate debt.

(1) Prohibition of new investments in companies meeting at least one of the following criteria and listed by GCEL: companies with more than 30% of their turnover or more than 30% of their energy production related to coal; companies developing new projects in the coal industry, companies with coal production exceeding 20 million tonnes per year and companies with an installed capacity from coal exceeding 10,000 MW.

(2) Prohibition of new financing for companies which meet at least one of the following criteria and which are listed by GCEL: companies with more than 30% of their turnover or more than 30% of their energy production related to coal; companies which develop new projects in the coal industry, companies whose coal production exceeds 20 million tonnes per year and companies whose installed capacity from coal is greater than 10,000 MW. Prohibition of project financing of these companies, except for financing of energy transition projects, with the objective of to support their transition.

Transition risk assessment (including regulatory, legal, technology, market, reputational and technology risks) is also performed on the loan portfolio. Outstanding exposures have been segregated into business lines deemed to be at transition risk by supranational entities, including TCFD. This work allows us to estimate the Arkéa group's exposure to transition risk according to the standards used. The sectors identified as carrying a risk and which represent a share estimated as not negligible will be analyzed in more detail. Indeed, within the same sector, the different businesses represented may react differently to the transition risk.

The climate risk study is presented in section 4.1.2.8 "Climate risks".

5.4.4 Products and services with a social and environmental impact

Arkéa's various entities make a positive contribution to societal, social and environmental issues through their products and services. In addition to economic support (see 5.4.2 Support for regional development) and ESG analysis of customers and issuers financed (see 5.4.3 Integration of ESG criteria in financing and investments), Arkéa group is committed to developing products and services to guarantee its customers that their money is managed responsibly, while giving them even more meaning by developing positive impact.

In order to promote the responsible practices of all stakeholders, Arkéa Banque Entreprises et Institutionnels has been renewing every year since 2017 a funding envelope dedicated to its customers' CSR projects (infrastructure, renewable energies, energy efficiency in buildings, clean equipment, etc.). The aim of this scheme is to encourage its customers and prospects to implement their responsible development projects by offering them subsidized loan rates. Over 2019, this package has made it possible to finance 110 projects for a total amount of €320 million.

In 2019, this initiative has been supplemented by a new €50 million funding envelope to finance, at a subsidized rate, the CSR projects of road transport companies. Launched in partnership with the Fédération Nationale des Transports Routiers, this envelope aims to accelerate the sector's energy transition by enabling the financing of clean goods transport vehicles, particularly those using Natural Gas Vehicles (NGV) and BioGNV.

Loans for financing energy efficiency retrofits	2017	2018	2019
Number of zero-interest eco-loans granted during the year	851	708	1,164
Average amount of interest-free eco-loans granted (in €)	17,727	17,856	13,672
Total amount of interest-free eco-loans granted (€ millions)	15	13	16

Sustainable mobility

The group's federations offer advantageous loan conditions to future owners (individuals and professionals) of ecological vehicles.

Through its insurance offers, the group also wishes to support and encourage the virtuous behavior of its policyholders. Suravenir Assurances has designed with the broker AcommeAssure.com a connected car insurance that rewards good drivers. Based on the

Products and services with environmental impact

In 2016, the Arkéa group launched We Positive Invest, an investment fund dedicated to supporting pioneering entrepreneurs in three sectors: energy transition, the circular economy and societal entrepreneurship. With €20 million, the fund aims to provide venture capital support to innovative companies. In just over 3 years, We Positive Invest has made seven investments: Cozynergy (home energy renovation), Osmia (bee pollination services), Algo Paint (bio-based algae paints), iQsPot (building energy efficiency steering service), Newcy (reusable cup service), Phenix (intelligent unsold and waste management) and TokTokDoc (telemedicine solution).

Arkéa Banque Entreprises et Institutionnels and Arkéa Crédit Bail also support companies specializing in new energies and the circular economy. At the end of 2019, they will finance companies in these sectors to the tune of €135 million.

Energy efficiency of housing

The group's federations offer a range of loans for energy renovation work for their individual customers: the regulated Eco-loan at zero interest rate and the environment loan. The latter offers preferential loan conditions to finance energy-saving equipment for primary, secondary or rental residences.

Financo also offers a "works loan" to finance energy efficiency work (insulation, windows, etc.).

Since 2016, Crédit Mutuel de Bretagne has been a partner of the Bretagne région to facilitate housing renovation. Through this partnership, Crédit Mutuel de Bretagne undertakes in particular to facilitate access to interest-free eco-loans in Brittany and to encourage its customers to use the engineering services offered by housing renovation platforms.

Crédit Mutuel du Sud-Ouest is a partner of the Agence Régionale pour les Travaux d'Economies d'Energie and the Nouvelle Aquitaine region through which financing solutions adapted to energy renovation work are offered. Crédit Mutuel du Sud-Ouest also participates in the Bordeaux Métropole "marenov" platform, which helps households to make their homes more energy-efficient.

"Pay how you drive" principle, it is aimed at beginner drivers and measures the behavior of the insured and the use of the vehicle. Suravenir Assurances has also developed with the start-up company Wilov a car insurance solution based on a number of driving days per month. The driver is thus encouraged to reduce the use of his vehicle in order to benefit from a price reduction. In addition, through an incentive pricing scheme, Suravenir Assurances promotes the use of hybrid vehicles, which benefit from a 15% annual premium reduction.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

Sustainable Agriculture

Committed to farmers (see 5.4.2 *Support for regional development*), Arkéa's federations want to help their customers through the transition process.

Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest offer two loans to support energy transition projects to finance energy production and energy efficiency equipment: the Environment loan to finance high energy performance buildings, energy efficiency work and upgrades to animal husbandry standards (including those relating to animal welfare), and the Agrinovéo loan to finance renewable energy production facilities (methanization, cogeneration, photovoltaic, etc.).

Crédit Mutuel de Bretagne has provided financial support for almost half of the agricultural methanization installations in operation in Brittany. Crédit Mutuel de Bretagne and the Association des Agriculteurs Méthanisateurs Bretons signed an agreement to promote tutoring on methanization projects. The training of farmers with a methanization project is essential to the performance and safety of the installations and to the professionalization of the sector.

The Crédit Mutuel de Bretagne and the Crédit Mutuel du Sud-Ouest also offer the Clémat + loan, for the financing of precision farming equipment that limits inputs.

Crédit Mutuel de Bretagne is also the leading bank in setting up young farmers in organic farming with a 58% market share. Crédit Mutuel du Sud-Ouest is a partner of AGROBIO Périgord, an association with which various actions are carried out to promote more responsible agriculture (training, visits to organic farms, support programme for plant biodiversity, etc.). Crédit Mutuel du Sud-Ouest has also joined the Interbio Nouvelle Aquitaine finance club, enabling it to be in the round table for financing projects by food companies specializing in organic farming. Finally, it supports winegrowing/farming operations working in short circuits (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 agro-ecological systems. This LabPSE project aims to experiment the implementation of a PES market in Western France and to demonstrate that the development of PES is favorable for farmers, for buyers and to accelerate the agro-ecological transition.

Since 2017, Crédit Mutuel de Bretagne has been a partner of the Bleu-Blanc-Cœur association as part of its Eco-methane programme. This programme promotes dairy farmers who commit to reducing methane emissions on their farms by using a more balanced diet for their animals.

In December 2019, the Arkéa group was approved by the European Investment Fund (EIF) to help farmers finance the transformation of the agricultural model. Farmers, who are customers of the Crédit Mutuel de Bretagne and Sud-Ouest federations, will be able to benefit from loans on preferential terms, particularly in terms of guarantees, to finance projects aimed at moving upmarket, creating added value and transforming production systems. This fund is also intended to support the renewal of generations by assisting the installation of new farmers.

Finally, Arkéa's asset management activities contribute to this development. In particular, Federal Finance Gestion manages the Federal Oxygène mutual fund, which focuses on water, food, health and the environment.

Products and services with a social impact

In September 2019, the Arkéa group issued its first social bond on the financial markets, thus becoming one of the first banking players in Europe to issue this type of bond. This €500 million fund-raising campaign will make it possible to finance or refinance projects essentially dedicated to the social housing and health sectors, which are natural areas for Arkéa Banque Entreprises et Institutionnels, Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest.

Access to health, home care, social ties

Arkéa's federations offer their customers a range of insurance products designed by Suravenir Assurances to cover various health and dependency risks: health insurance, dependency insurance (annuity in case of loss of autonomy), life accident coverage, and caregiver assistance insurance.

In the field of public health, the Arkéa group finances university hospitals and major hospitals in Brittany. Arkéa Banque Entreprises et Institutionnels supports more than 100 healthcare and medico-social institutions, for a total of €800 million in financing in 2019. The Group is also a sponsor in this area (see 5.4.2 *Support for regional development*).

Arkéa On Life, the corporate brand dedicated to the connected services offered by the subsidiary Arkéa Assistance, works to support home care, social ties and personal safety. It offers a home teleassistance service for isolated people (disabled or elderly), as well as a connected watch for homecare for elderly people who wish to continue their activities outside the home. The offer includes a private social network service with the exchange of messages, photos and video calls between the elderly parent and his or her entourage. This service is designed to re-establish the links that are sometimes broken between generations. Arkéa Assistance is also available to senior residences and nursing homes for dependent elderly people (EHPAD) through customized homecare solutions. Since 2016, Arkéa On Life has been focusing on health issues: a 24-hour health advisory service by a general practitioner is offered to remote assistance beneficiaries, with the aim of soon extending the service to teleconsultation (diagnosis and prescription by video). In total, Arkéa On Life currently supports more than 25,000 people.

Finally, in order to enable professionals to make their premises accessible to people with disabilities, the Arkéa group's federations offer them an "Accessibility Loan Pro" to finance this work.

Actions in favor of housing and social home ownership

As access to housing is a major concern for its customers, the Arkéa group has chosen to contribute to this issue through various types of initiatives that go beyond real estate financing. The banking services offered by the three federations contribute to the financing of social housing, in particular through a portion of the savings collected in the CMB, CMSO and CMMC passbook savings accounts.

Since the beginning of 2018, some major cities in Brittany (Rennes Métropole, Saint-Malo Agglomération), in consultation with social housing stakeholders, have decided to use a new system to facilitate home ownership in very tense areas: the Organisme Foncier Solidaire (OFS) and the Bail Réel et Solidaire. Thanks to the OFS, the buyer does not have to buy the land that is made available to him, for a fee that is less expensive than loan repayment. Crédit Mutuel de Bretagne is the first bank to have adapted its financing offer and formed its network to finance these projects under good conditions.

Arkéa Banque Entreprises et Institutionnels has made supporting the housing sector one of its priorities. It works with more than two-thirds of the social landlords of more than 10,000 housing units. Since 2010, it has financed public players to the tune of more than €10 billion.

Arkéa Banque Entreprises et Institutionnels is a partner of the various players in the sector. It has signed agreements with all the

professional federations in the HLM sector and has formed an emblematic partnership with Action Logement. It is now present throughout the housing chain. Arkéa Banque Entreprises et Institutionnels finances local authorities, developers and low-income housing providers, helping them to carry out their initiatives (construction of social rental housing, housing rehabilitation, urban renewal policy, social home ownership, etc.).

Savings and credit outstanding contributing to the financing of social housing

(in millions of euros)

	2017	2018	2019
CMB, CMMC, CMSO savings accounts	6,302	6,578	6,962
Social housing incentive loans (PLS and PSLA)	1,023	1,001	866

Support for the social and solidarity economy and social entrepreneurship

The group is a partner of several major players in the social and solidarity-based economy (SSE): Association pour le Droit à l'Initiative Economique (ADIE), Crésus Foundation, Secours Catholique and Chambre Régionale de l'ESS. The federations are also partners of SSE actors at the local level. In view of the challenges in terms of local employment, Arkéa wishes to further strengthen its support for social entrepreneurs. The group is a partner in ShareIT, an initiative that aims to bring together the most innovative social entrepreneurs and the best "tech" talents to build solutions that meet the major societal challenges. The ShareIT program aims to support social entrepreneurs for ten months and give them access to technological skills usually out of reach (designers, developers, data experts, tech entrepreneurs, etc.).

Arkéa Banque Entreprises et Institutionnels, thanks to a dedicated team, promotes the development of projects in the field of SSE, particularly in the health sector with the support of the Institut Mutualiste Montsouris, the SOS group and the Henri Becquerel Cancer Centre.

The Group therefore directly finances initiatives with a positive social impact and also enables its customers to direct their savings towards social causes. With the Livret Solidaire, the three federations offer individual customers the opportunity to donate all or part of the interest they earn each year to public interest associations chosen from a list of partner organizations in four areas: social and housing, employment, international solidarity and the environment. The Livret Solidaire has been awarded the solidarity finance label by Finansol. More than 143,000 euros were thus donated to associations in 2019.

Finally, the solidarity portion of Federal Finance Gestion's FEE Solidarité SRI mutual fund (FCPE) is invested in the capital of France Active Investissement. France Active offers support and financing to SSE entrepreneurs and people in difficulty who wish to set up their own business. In order to be close to the territories of the Arkéa group, the investments made by France Active Investissement are directed to 4 Regional Funds of Solidarity Investment (Bretagne, Auvergne Rhône-Alpes, Nouvelle Aquitaine and Provence-Alpes Côte d'Azur).

Solidarity savings: outstandings

(in millions of euros)

	2017	2018	2019
Employee savings schemes	7.44	8.75	10.71
Livret Solidaire	28.60	34.08	40.48
Total	36.04	42.83	51.19

5.4.5 Inclusion of clients in vulnerable situations

Associated non-financial risks:

- **risk of non-compliance**, non-compliance with customer protection rules

The Arkéa group, an inclusive and socially responsible company, also pays particular attention to access to banking and insurance for all (financial products and services).

Support for financial fragility

The Group supports its financially vulnerable customers and members by involving its employees and directors and by developing its offers and business lines.

In accordance with the charter for banking inclusion and the prevention of overindebtedness approved by the decree of November 5, 2014, a system applicable to all Group entities sets out the practical procedures for implementing the obligations according to the activity carried out (information, proposal of suitable products, customer support). In addition, the Arkéa group has formed partnerships with specialized third parties (Crésus, Atelier Budgétaire, etc.) to facilitate customer guidance when financial difficulties cannot be dealt with by the bank alone. In 2018, the Arkéa group also launched Bud'JET, a new mobile budget coaching application that can be offered to financially fragile customers.

In order to ensure that customers in financially fragile situations are properly supported, the Group's entities train employees in contact with customers on the systems and procedures for implementing dedicated systems.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

Placing the customer at the heart of its concerns, the Arkéa group has committed to a proactive approach towards financially fragile customers through various actions:

- the creation in 2018 of the Banking Inclusion Coordination Committee (BICC), a true governance body responsible for steering the banking inclusion process within the group. The committee meets quarterly to monitor the progress of the work decided by the committee, such as the revision of detection criteria to improve their relevance, the implementation of steering indicators to monitor the effectiveness of the aid provided to fragile customers, etc.;
- the strong mobilization of the local bank networks to promote the specific offer dedicated to financially fragile customers, through solidarity actions, employee training and the mobilization of managers.

At the end of 2019, the local bank networks of Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest will have 14,818 customers of the specific offer. From 1,603 beneficiaries at 12.31.2016 to 14,818 beneficiaries at 12.31.2019, Arkéa has multiplied its growth by 9, representing a market share of more than 3.5% (less than 1% in 2016);

The Arkéa group, true to its cooperative bank DNA and its values of solidarity, has chosen to go further than the obligation imposed by the regulatory framework. As of February 1, 2019, Arkéa has eliminated all intervention fees for its customers equipped with the specific offer for fragile customers, called Budg'Equilibre, *i.e.* 0 euros of fees, instead of the 20 euros monthly and 200 euros annual fee set by the legislator. The cap on fees for customers in a fragile situation is also 20 euros monthly, instead of the regulated 25 euros. It is worth noting the significant value redistribution effort made by Arkéa for the most fragile customers, amounting to €8.8 million at the end of 2019. These efforts are fully in line with Arkéa's "Raison d'être" as a socially responsible, ethical and inclusive company.

The Arkéa group is also developing specific measures to help members in difficult situations.

Managed until the end of 2018 by the Ark'ensol Entraide association, since January 2019 these schemes have been directly managed by the Boards of Directors of the local banks, within the framework of an annual budget allocated. They are designed to help people in temporary difficulty through four fields of action: assistance to borrowers, personal microcredit, the "sensitive accounts" scheme (reversal of fees) and, since 2015, as part of the banking inclusion programme, budget support by specialized partners.

Aid to borrowers in difficulty consists of a one-off payment of loan installments for members (with a ceiling of €7,500 per year per

member) who, following an accident in life, experience temporary difficulties in repaying their loans. In 2019, 188 new aids were granted for a total amount of €286,000.

Within this framework, and through its partners, personal micro-credits of up to 3,000 euros can also be granted by local banks. These loans are aimed at people excluded from "traditional" credit. As part of social support, these micro-credits can finance the acquisition or maintenance of a vehicle or household equipment, promote autonomy, access to housing or family cohesion projects. In 2019, 313 personal micro-credits were granted for a total amount of €797,000.

The monitoring of "sensitive accounts" enables the Boards of Directors of local banks to reverse charges for members with significant monthly expenses. In 2019, nearly €382,000 were not withdrawn or were reversed to the benefit of 2,731 members.

Since 1994, the Arkéa group has been a partner of Adie. This partnership includes the opening of credit lines enabling Adie to grant micro-credits and the endowment of honorary loan funds. These schemes benefit business creators in Brittany, Nouvelle-Aquitaine and Massif Central. In 2019, €1.7 million of loans were allocated in the form of professional micro-credits to 695 installed and supported project leaders.

In 2018, in view of the difficulty for some people to benefit from a home loan due to a health problem, the group wanted to strengthen its support for this population excluded from loan insurance by creating an expert unit and a system aimed at finding tailor-made solutions for these customers and thus enable them to realize their housing project and access to property (primary, secondary or rental residence).

Service accessibility

The websites of the group's federations have been designed to facilitate their use for all. They comply with the web standards defined by the W3C and the WAI (Web Accessibility Initiative) guidelines. The mobile sites are accessible to people with disabilities using assistive technologies. ATM withdrawals have also been made accessible to blind and visually impaired people through audio guidance (requires the use of headphones or headsets). Finally, the telephone numbers of the federations, as well as those of Suravenir Assurances and Suravenir for borrower's insurance, are accessible to deaf and hearing-impaired people, via a connected real-time transcription or interpretation service.

Since 2018, the group has strengthened its resources to address the issue of accessibility by appointing a dedicated employee to take this issue into account from the design stage of projects, raise awareness, provide training on tools, etc.

5.5 A responsible corporate approach

5.5.1 Data protection and security

Non-financial risks associated with this issue:

- risk of breaching the security of our data

Data protection is a key issue for a bank, in a context where general exposure to cyber risk is growing. This issue has been identified among the expectations expressed by the Group's stakeholders.

In order to meet this challenge, the Arkéa group relies, in terms of governance, on the IT Risk Governance Committee ("IT Risk"), a senior management committee dedicated to its monitoring, set up at the end of 2018.

The Operational Risk and IT Risk Department, within the Risk Department, is in charge of assessing and controlling cyber risks and, as such, protecting the data of all its stakeholders. In addition, the IT Security Department is supported by the Group IT Security Manager (ITSM), who reports to the Group Operational and IT Risk Department, and by the Group Operational Security Manager. In order to guarantee Group coverage, this organization is supplemented by a network of CISOs in the main Group entities, all of whom report functionally to the Group CISO. IT risk is supervised by Group General Management through the IT Risk Governance Committee.

Data protection, one of the main areas of IT risk management, is covered by the Group's Information Systems Security Policy (ISSP), which is defined and regularly reviewed by the IS Risk Governance Committee.

This policy, based on the ISO 27000 standards, establishes the general guidelines according to which the identification, reduction and management of risks related to any malfunction or potential vulnerability of the Group's IT, whether accidental or intentional, must be carried out. These general guidelines are based on policies, procedures, rules, instructions and operational recommendations, which may be broken down by specialist area.

This repository integrates the thematic policy on the protection of sensitive data, which defines the different levels of classification of data with regard to confidentiality, as well as the recommendations to protect these data in terms of storage, exchange and processing. This policy is regularly updated in conjunction with the Data Protection Officer (DPO) and takes into account the requirements of the European regulation on the protection of personal data.

More generally, the measures implemented in the various security areas contribute to the protection of the data of the Arkéa group and its stakeholders, whether hosted in its own datacenters or outsourced (low proportion of data). Various systems are in place to verify their effectiveness. They include periodic intrusion tests, both in-house and by outside companies with expertise in IT security, and the establishment in 2019 of a Security Operating Center to monitor the information system and detect potential incidents. These measures and control mechanisms are regularly reinforced on the

basis of an annual plan validated by the IT Risk Governance Committee, which includes a budget view.

In addition, a user charter, available on the Group's intranet and sent to each new employee, is designed to inform each employee of the legal provisions and internal rules for the secure use of data, the Internet and internal tools, including the workstation. This charter specifies and completes the texts in force in the company and in particular the internal rules and regulations. Regular awareness-raising sessions for all employees provide regular reminders of these rules and best practices.

Finally, an incident response plan and a crisis management policy are in place. These measures were reinforced in 2019 by the creation of an internal incident response unit with the CERT label.

Arkéa makes the responsible management of its customers' digital assets a top priority.

5.5.2 Setting an example in business and governance

Non-financial risks associated with this issue:

- risks of inadequate governance: lack of good repute and competence; lack of cooperative governance,
- compliance risks

Responsible governance

Cooperative governance allows for representation of the company's stakeholders at the board level.

At the level of the local banks, the directors, who are volunteers, are elected by and among the members (see 5.4.1 *Relationship and customer satisfaction*). This system ensures that the Board of Directors of each of the local banks, regional federations and Crédit Mutuel Arkéa truly represents the members, independently of the company's management. Elected for three years (Bretagne) or four years (Sud-Ouest and Massif Central), the directors listen to the members and relay their expectations and suggestions to their Board of Directors. In particular, they are directly involved in the solidarity initiatives of Arkéa'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 community. Directors' involvement in local life nourishes and strengthens Arkéa's local roots. As consumer witnesses, they also ensure a balance between the interests of the members they represent and the company's management imperatives. Elected directors monitor the decisions of operating structures to ensure that the company's actions are sustainable over the long term. This control emphasizes responsible management that guarantees the sustainability of economic, social and environmental investments.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

In 2019, 184 new directors were elected in local banks. The trend is towards greater gender diversity, both in terms of gender, age and socio-professional categories. Women account for 49% of newly elected directors and 32% of the new Chairmen.

To support them in the exercise of their mission, the federations set up a training program. The Arkéa 2020 corporate plan has made training mandatory in all Arkéa entities where directors sit. In 2019, more than 1,400 directors were trained in the Crédit Mutuel de Bretagne and Sud-Ouest federations. In particular, distance learning courses are offered to directors of the federations.

The Boards of Directors of the federations are supported by specialized commissions. Thus, at Crédit Mutuel de Bretagne, the "Cooperative Life", "Training", "Responsible Development", "Member and Client Relations" and "Solidarity" commissions formulate opinions and recommendations that enrich and guide the work of the federation's Board of Directors. At Crédit Mutuel du Sud-Ouest, these are the "Conciliation", "CSR", "Control and Revision", "Agribanque", "Training" and "Regulation of Investments and Cooperative Actions" commissions.

In the federations, the directors are particularly involved in the CSR approach. The "Responsible Development" commission at Crédit Mutuel de Bretagne is made up of 13 directors and its mission is to keep abreast of current developments in Corporate Social Responsibility and to be involved in the implementation of the CSR strategy for Crédit Mutuel de Bretagne. It may propose or be associated with the implementation of any event or demonstration likely to promote Corporate Social Responsibility among the directors, members and more generally the public of Crédit Mutuel de Bretagne. The purpose of the "CSR" commission at Crédit Mutuel du Sud-Ouest is to enrich the debate, encourage implementation, formulate opinions and propose solutions on the sustainable development strategy and its challenges for Crédit Mutuel du Sud-Ouest, and identify, evaluate and measure the actions to be taken. Composed of 5 directors and 5 employees, the commission meets at least 3 times a year.

The members of these commissions were involved in the work on the Group's "Raison d'être", conducted in 2019.

At Crédit Mutuel Arkéa, the group's Board of Directors is made up of 20 directors and a censor:

- 16 directors representing the members. They are elected at the Annual Shareholders' Meeting and come from the reference territories of Arkéa's activities, namely:
 - 12 directors in respect of the local banks affiliated to the Crédit Mutuel de Bretagne federation,
 - 4 directors in respect of the local banks affiliated to the Crédit Mutuel du Sud-Ouest federation;
- 2 independent directors: elected by the Annual General Meeting of May 4, 2017, they have been previously approved by the Appointments Committee and the Board of Directors of Crédit Mutuel Arkéa;
- 2 directors representing the employees. They are appointed by the Central Works Council (CCE);
- 1 censor elected by the General Assembly.

The Board's directors are all French. The inclusion of independent directors on the Board of Directors is one of the key governance objectives of the Arkéa 2020 corporate plan. At its December 2016 seminar, the Board of Directors therefore defined the procedures and action plan to integrate two directors who meet the independence criteria, as adopted, at the 2017 Annual General Meeting. Since joining the Board of Directors, one has become a member of the specialized "Risk and Internal Control" Committee and the other sits on the specialized "Strategy and Corporate Social Responsibility" Committee.

With regard to the Board's diversity policy, since 2017, the proportion of women on the Board of Directors has exceeded 40% and stood at 45% as at December 31, 2019. The Board of Directors met 11 times in 2019. The attendance rate of directors at Board meetings was 90%. Since 2016, the Board of Directors has had internal operating rules. These confirm the essential missions of the Crédit Mutuel Arkéa director, set the terms and conditions for the operation of the body and set out the rights and obligations of each director. In addition, since 2017, it has incorporated the independent director's charter into the Board of Directors of Crédit Mutuel Arkéa.

The Board of Directors of Crédit Mutuel Arkéa therefore fully exercises its mission in compliance with the provisions of the articles of association, the internal regulations of a financial nature, its operating rules and the specific charters of each of its five specialized committees. The members of the Board of Directors of Crédit Mutuel Arkéa benefit from an annual training program. In 2019, the Board will adopt a governance charter for new directors and the enhancement of their skills.

In order to ensure the effectiveness of the Board of Directors' governance, at least once a year, at the initiative of the Chairman of the Appointments Committee, an item on the agenda of the Board of Directors of Crédit Mutuel Arkéa is devoted to assessing the operation of the Board and its specialized committees. Every three years, the Committee alone, or with the assistance of a consultant, carries out a formal evaluation of the operation of the Board of Directors. The last one was conducted in 2018, with the support of the Corporate Secretary and Corporate Communications Department, based on a questionnaire completed by the 19 directors and the non-voting director, which evaluated 207 control points relating to the performance of supervisory duties. The summary of the analyses carried out confirms that the Board of Directors exercises effective governance. The contribution of the specialized Committees and the quality of the files presented to the Board of Directors are perceived as vectors of informed decision-making. Strategic orientation and risk management appear to be particularly well managed. In addition, the functioning of the Board of Directors and Executive Management is considered to be confident and balanced. In 2019, the functioning of the Board of Directors was reviewed at the meeting of November 28 and concluded in particular that the Board of Directors is composed of experienced members with diversified profiles, has the appropriate documentation and resources, that the specialized Committees carry out quality work and that there is a high level of mutual trust between the directors and the actual managers.

In accordance with the provisions of the law on the social and solidarity economy, the General Meeting of Crédit Mutuel Arkéa held on May 14, 2019 heard the conclusions of the report of the firm PHF Conseils appointed the previous year as cooperative auditor. This report deals with the measures aimed at guaranteeing voluntary and open membership, the nature of the dual status of members (customers and members), the mechanisms ensuring the democratic governance of our cooperative society and a good level

of economic participation by members, the procedures for allocating operating surpluses, the training measures for directors and the various forms of cooperation with other cooperative societies. In addition to certifying compliance with the principles of cooperation, this report highlights 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 local banks	2017	2018	2019
Number of Directors 1 st degree	3,302	3,016	2,924
% of women among Directors	39.0%	40.6%	41.1%
Number of new Directors elected during the year	153	133	184
% of women among new Directors	47.1%	59.4%	49.5%
Participation rate on local banks Boards of Directors	69.8%	83.7%	79%
Number of new local banks Chairmen	26	24	34
% of women among the new local banks Chairmen	46.2%	66.7%	32.4%
Directors of federations			
Number of federation Directors	121	108	105
% of women among federation Directors	32.2%	33.3%	36.2%
Number of new federation Directors	29	7	13
% of women among newly elected federation Directors	31.0%	57.1%	38.5%
Training			
Number of Directors having taken at least one training course during the year (local banks)	1,503	2,141	1,425
Total number of training hours dispensed	12,349	12,831	11,147
% trained Directors (local banks)	45.5%	71.0%	48.7%
Duration of training per director trained (in hours)	8	6	8

BUSINESS EXEMPLARITY

Adapting to regulatory inflation, which is putting banks at increasing risk of sanctions and damage to their reputation, facing the digital challenge, proposing innovative, useful and environmentally friendly solutions, while demonstrating irreproachable ethics, are the challenges facing today's banks. To achieve this, Arkéa strives to set an example in the conduct of its business and constantly strives for ethical conduct and process safety in order to protect the interests of its customers and preserve its integrity and reputation. Our actions are also part of a community-based approach designed to understand and meet our customers' expectations as closely as possible.

Arkéa thus relies primarily on the promotion of a culture of ethics and responsibility within the company, a responsible compliance approach based on internal procedures governing the Group's activities and offers that are constantly adapted to customer expectations.

Promoting a culture of ethics and responsibility

To guard against the risk of misconduct in our operations, Arkéa makes compliance with ethical rules a priority. To this end, Arkéa has drawn up internal rules and regulations that give concrete expression to its commitments and set out the principles to be respected by employees in their decisions and actions.

In addition to the sanctions incurred in the event of non-compliance with the principles set out in the internal regulations, the rules relating to transactions generated on their behalf by employees; the rules relating to transactions carried out on the financial markets; the rules applicable to persons involved in activities likely to give rise to a conflict of interest or to give access to inside information, or those relating to the recording of telephone and electronic communications of certain employees in accordance with MiFID regulations, are set

out in the internal regulations. The code of conduct of the internal regulations, a pillar of the anti-corruption plan enshrined in the so-called "Sapin 2" law, was also enriched in 2019. In order to inform employees of the decision of the management body to engage the company in a process of prevention and detection of corruption, the code of conduct lists the acts that may be qualified as active or passive corruption, influence peddling or collusion; lists the illicit behaviour of corruption and/or influence peddling and/or collusion, the rules relating to the acceptance of gifts or invitations, conflicts of interest or the exercise of the right to whistle-blowing.

In addition to the code of conduct and in order to promote an ethical culture within the company, a training/awareness system is deployed within the group. Thus, the governance bodies and employees most at risk are regularly trained in the rules of deontology and professional ethics.

A responsible compliance approach

In addition to promoting a culture of ethics and responsibility, in order to protect the Group from the risk of non-compliance in its activities, Arkéa promotes a responsible compliance approach through the implementation of compliance control systems supervised and steered by its Group Compliance and Permanent Control Department (CPCD).

Above all, ensuring compliance with regulations, the compliance teams work closely with the operational teams to reinforce a common culture of compliance. Each Group employee is thus an active participant in the process and contributes through his or her actions to controlling the risk of non-compliance. Preventing, protecting, informing and supervising compliance is part of the Group's day-to-day work to enable it to control its risks and thus adapt to changes in the economy and society with complete peace of mind. In order to protect the Group from any risk of sanctions,

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

financial loss or damage to reputation, the CPCD relies on a body of rules that is deployed around 4 major areas (financial security, professional ethics and deontology, protection of clients' interests, tax transparency). Each Group entity applies, within its own scope, the Group's framework rules to which it is subject in relation to its activities and scrupulously ensures that they are properly implemented.

Financial security

Market Integrity

In order to preserve market integrity, the Group ensures that its activities comply with the rules defined in particular with regard to the circulation of confidential and privileged information and the prevention of insider trading, trading in financial instruments, post-trade transparency, the prevention and detection of market abuse, the detection and management of conflicts of interest, best execution and selection (in particular, strengthening of the product governance and surveillance system by setting up a committee to analyze the services provided by brokers), information and advice to clients, and asset protection.

In accordance with Article 313-71 of the RGAMF, Arkéa ensures that employees who market financial instruments have the required knowledge and skills. In addition, in order to ensure proper monitoring of financial transactions relating to market abuse, an analysis of suspicious transactions is carried out daily within Arkéa's scope of operations. An assessment of the actions carried out is regularly reported to the Group's management bodies.

Combating money laundering and terrorist financing

In order to protect the interests of customers and the Group, a framework policy incorporating the regulations in force and an organization capable of contributing effectively to the fight against money laundering and terrorist financing (AML/CTF) have been put in place within the Group. In addition, a classification indicates the overall risk level of each country assessed according to criteria related to the quality of the tax system, the quality of the anti-money laundering and anti-terrorist financing system, the risk of the presence and activity of terrorist organizations, the existence of international sanctions or restrictive measures against the country. Procedures are in place to:

- prohibit transactions from or to countries sanctioned by the European Union and French regulators;
- strengthen the monitoring of business relations in connection with countries at high risk of money laundering and terrorist financing.

The framework procedure is applied operationally by each Group 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 actions taken by Arkéa in 2019 are detailed in chapters 2 and 4 of the Universal Registration Document. They take into account the trends and analyses presented by the TRACFIN financial intelligence unit in its annual reports, FATF and European Union country assessments, and the regulator's communications (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 the AML/CTF law, which has a particular focus on:

- drying up the sources of terrorist financing;
- hampering the laundering of illicit money through banking channels;
- fight against corruption;
- combating tax and social security fraud;
- safeguard the interests of its clients who are victims of weakness abuse, identity theft or organized gang scams.

The results of the application of the AML/CTF system are regularly presented by the CPCD to the Compliance and Permanent Control Committee, the Risk and Internal Control Committee and the Group's Board of Directors.

In 2019, as part of the framework training program, the CPCD trained 90% of exposed persons and new members of Arkéa's decision-making body (credit institution scope 15589) in the fight against money laundering and terrorist financing. Finally, Arkéa commits to its customers, partners and other counterparties by publishing a completed Wolfsberg questionnaire and its AML/CTF policy and commitments in an "AML statement" document on the www.arkea.com website.

Deontology and professional ethics

In line with its "Raison d'être" and its ambition to be a socially responsible, ethical and inclusive company, Arkéa makes ethics a priority, as mentioned above. Thus, the mechanism for fighting corruption and influence peddling, which incorporates the Recommendations of the French Anti-Corruption Agency (AFA) of December 2017 and which is organized around the 8 pillars enshrined in the Sapin 2 law, is a major mechanism with regard to the rules of deontology and professional ethics. Defining the rules of conduct to be adopted, the acts to be prohibited, the rules relating to the acceptance of gifts and invitations, the rules applicable in relations with third parties (customers, suppliers, intermediaries), or the rules of control, this system is supplemented in particular by a professional warning system allowing any person to report a breach, an offence or a malfunction, and a system governing the methods of prevention and management of conflicts of interest.

Furthermore, thanks to the widespread dissemination of the compliance culture within the Group and the training system dedicated to professional ethics and ethics, which provides for regular awareness raising among the most exposed players within the Group, the rules of ethics and professional conduct are in fact an integral part of practices within the Group.

Since ethics rules are shared up to the highest level of the company, in application of the provisions on transparency in public life, Arkéa has registered on the register of interest representatives and since 2017 has published an annual report on the activities of its interest representatives.

All of these internal procedures, which are detailed in Chapter 4 of the Universal Registration Document, reflect Arkéa's genuine commitment to professional ethics and ethics.

Protection of customer interests

Protecting customers' interests is a major concern for Arkéa, which is committed to fair behavior and business practices towards its customers. In this way, Arkéa ensures that customers' interests are respected from the product design stage through to the processing of their complaint. Training plays a key role in this success, and Arkéa conducts numerous awareness initiatives for employees in contact with customers. Ethics and rules of good conduct in financial matters are among the recurring training topics provided to employees in Arkéa's networks who are in contact with customers.

The protection of personal data is one of the most important aspects of the protection of clients' interests. In 2019, the Personal Data Protection Department, which is part of the Compliance and Permanent Control Department and ensures that Group entities comply with the principles of the regulations, such as transparency in data processing, strengthening individual rights and making the various players more accountable, continued its work to coordinate the personal data protection system in 2019. In particular, the system was strengthened by the introduction of controls to ensure that the system is properly applied by the Group's entities. Training for new recruits and awareness-raising for existing staff were also carried out.

Finally, in line with its values, the Group continued its actions focused on the Customer Obsession Ambition. In addition to surveys aimed at measuring customer satisfaction, the Group continued its customer protection initiatives. Concrete measures were taken to limit or eliminate the cost of payment incidents for customers in financially fragile situations. In terms of continuous improvement of processes and procedures, Arkéa's Customer Claims Analysis Committee continued its quarterly work of qualitative analysis of claims. Similarly, the community of practices for handling complaints brought together in 2019, as every year, the Group's entities handling complaints to share best practices aimed at improving customer satisfaction but also at protecting their interests.

Transparency and the fight against tax evasion

Contributing to the fight against tax evasion and fraud is fully in line with Arkéa's proactive approach. Arkéa and the subsidiaries concerned implement several measures designed to combat tax fraud and tax evasion based on the principles laid down in international agreements, in particular the FATCA Act between France and the United States and the standard for automatic exchange of information relating to financial accounts for tax purposes (known as the "OECD-CRS Joint Reporting Standard"). Arkéa and the subsidiaries concerned are constantly adapting their procedures and information systems to comply with regulatory changes and enhance the effectiveness of their systems. Arkéa does not own any subsidiaries outside the euro zone and does not offer offshore banking services to its customers and members, nor does it operate in countries on the European Union's black-list of non-cooperative countries and territories.

Offers constantly adapted to customer expectations

In line with its corporate purpose of being a caring, ethical and inclusive company, Arkéa aims to set an example in its behavior toward its customers and in the solutions it offers.

Arkéa seeks, with its dedicated teams, to create innovative and responsible products, useful and practical solutions. Arkéa is already setting an example through its already well-established inclusive approach. It is reflected first of all in the services we offer:

- a support system for financially fragile customers, notably through a package of dedicated services (Bug'Equilibre), or the capping or even elimination of incident costs for fragile customers;
- Arkéa's own solidarity measures such as microcredit, budget support and assistance to borrowers in difficulty;
- the right to an account that allows customers to access basic banking services free of charge.

The inclusive approach is also reflected in the day-to-day support of network advisors who are attentive to customer expectations. In addition to this inclusive approach, Arkéa's stated ambition today is to be exemplary, particularly in terms of respect for the environment. To achieve this, Arkéa has embarked on a transformation project to develop new offers that take into account environmental and social issues (ESG) in financing and investments, in line with society's expectations. To guarantee customers the best standards in terms of the quality of products and solutions brought to market, Arkéa has set up internal procedures to ensure best practices (prior approval process for new product compliance, product governance and monitoring system, best execution and selection, etc.). In order to guarantee the best advice and information to the customer, as well as impeccable ethics for employees in contact with customers, they have internal procedures to guide them on a daily basis, product training and are regularly made aware of the rules of deontology and professional ethics.

5.5.3 Human capital development

Non-financial risks associated with this issue:

- psychosocial risks, employability risks and changes in business lines.

Arkéa places the quality of work life of its employees at the heart of its HR policy, by committing to measuring the quality of work life through a Great Place to Work survey and implementing proactive action plans. At the end of 2019, Arkéa's total workforce on permanent contracts amounted to 9,641 employees, a 2.5% increase over the previous year. In addition to these employees, Budget Insight, a subsidiary of the group since December 2019, has 56 employees.

The Group is mainly present in France, with 78% of its workforce located in the historical territories of its three federations, in Brittany, Nouvelle-Aquitaine and Massif Central. 3% of the Arkéa group's workforce is located outside France (Belgium, Luxembourg, Switzerland, the United Kingdom and Germany). The Group complies with the fundamental conventions of the International Labor Organization, relating to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in respect of employment and occupation, the elimination of forced or compulsory labor and the effective abolition of child labor.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

The Arkéa 2020 strategic plan places particular emphasis on the importance of what constitutes the Arkéa group's greatest asset: its human capital. Arkéa 2020's HR strategy is based on four convictions that underpin the orientations of the Group's HR policy for the years 2016-2020:

1. Unleashing energy and entrepreneurship;
2. Continuing to support career paths, to develop talent and to promote mobility in order to further open up innovation capacities;
3. Supporting managers in their role of benevolent and exemplary coach, and to develop collaborative and transversal approaches;
4. Promoting responsible HR with quality of working life and greater diversity.

This ambitious "HR Convictions" roadmap was distributed and shared with all employees in 2016.

Supporting career paths in the company

Arkéa implements a dynamic recruitment, mobility and training policy designed to develop the entrepreneurial spirit of its employees. The Arkéa group is conducting an active recruitment policy to support business growth and attract new talent in fields of expertise. The Group wishes to be part of a proactive approach to recruitment and to invent a new "candidate experience". In 2019, the Group recruited 961 people on permanent contracts. Given the new behaviors of applicants and the massive arrival of social networks in their job search, the recruitment team is adopting a new stance and deploys several recruitment strategies depending on the volume of recruitment, the scarcity of profiles and the business expertise sought.

85% of employees believe that Arkéa promotes employee integration ⁽¹⁾. All Arkéa entities adopt harmonized recruitment procedures.

The Group supports the arrival of employees on its territories, taking into account their family situation, particularly the professional situation of their spouse. The Human Resources functions of the various Group entities organize specific integration and training programs for new employees. The aim is to ensure that new recruits are placed in optimum conditions for their jobs, to check that their skills match the company's expectations and to create a bond with other employees. The Arkéa group organizes a "New Recruitment Crossroads", the purpose of which is to present the company's strategic plan to new group employees, meet with managers, but also to encourage cross-functionality and the creation of a network of relationships. The Group also contributes to initial training by welcoming interns and work-study students. A "Crossroads for work-study students" is organized to make them aware of the company's project, to make them aware of the richness of its businesses and to facilitate their integration. In 2019, nearly 1,000 interns and work-study students were welcomed into the Group, 31% of whom were recruited at the end of their internship.

88% of employees are satisfied with their career path at Arkéa ⁽¹⁾ thanks to an effective training and integration process. This positive dynamic was illustrated in the latest Great Place to Work survey, with a 4-point gain in 2019 on all criteria, with 64% positive opinions and 67% of employees who think "it's good to work at Arkéa". These strengths generate strong talent retention within the company, with 90% of employees saying they would like to work at Arkéa in the next five years.

The group was rewarded for its employer brand, its recruitment actions and its quality of working life in November 2019 with the gold trophy in the "Employer Brand and Recruitment" category at the Victoires des Leaders du Capital Humain. This award recognizes initiatives to improve the employee experience and well-being at work for its employees, as well as its innovative recruitment actions, based on sustainable employment that promotes agility, cross-functionality and solidarity in our territories.

In September 2019, initially within the scope of the Arkade Economic and Social Unit, the group launched a co-optation program. Given the changes in the banking and insurance market, its strategic objectives, its age pyramid and its territorial positioning, the Arkéa group considers professional mobility to be an essential condition for its development and that of its employees. Mobility, both functional and between entities, is encouraged. A mobility committee is held every month between the recruitment and mobility teams at headquarters and in the subsidiaries to discuss job openings and the profiles of employees declared to be mobile. In 2019, internal mobility concerned 13% of the Group's employees.

In addition to this commitment to mobility, the group wishes to support career paths and develop talent to further open up its innovation capabilities. Every year, an annual appraisal interview enables employees to discuss with their manager the assignments carried out and the employee's skills. During the 2018-2019 campaign, 93% of the annual interviews were conducted. Professional interviews are also held between the employee and his/her manager at least every two years to discuss the employee's career path and his/her wishes for a 1-year and 3-year career path. Employees also have the opportunity to be interviewed by an HR correspondent to discuss in greater depth the avenues discussed during the professional interview. To encourage employees to play an active role in their career path, the company offers positions open for recruitment via a job exchange system. The Arkéa group regularly organizes a "Career Forum" to publicize and promote the great diversity of the group and its businesses, as well as the tools available to employees to enable them to play an active role in their mobility.

Since 2017, the group has been encouraging intrapreneurship initiatives, enabling company employees to develop new activities, based on personal initiatives. The aim is to enable project leaders to benefit from a welcome, expert advice, training, tests of the solution in real conditions, and even logistical support from the group. In November 2019, an Arkéa Hackathon brought together more than 130 employee volunteers from all walks of life to imagine the *Open Banking* services of tomorrow.

(1) Arkéa Employer Brand Survey, conducted in collaboration with OpinionWay from September to October 2019 among all Arkéa employees and a panel of young working people and students in our territories.

Beyond individual career paths, when business lines are under stress or reorganizations are necessary, these changes are anticipated and managed as part of a Group mobility policy. In order to reinforce this moral commitment, the Economic and Social Unit has adopted an agreement on information and support for employees during reorganization projects. The purpose of this agreement is to describe and deploy an operational system aimed at improving support for employees during restructuring and facilitating change processes. When reorganizations are implemented, several measures included in the Group's mobility charter are designed to support the employees concerned (such as a mobility bonus under certain conditions of geographic mobility). Each reorganization project is supported by a dedicated Human Resources correspondent, responsible for supporting collective and individual situations. The process of supporting employees always begins with an individual interview, during which the employee and his or her HR contact discuss the employee's career paths and wishes. On a case-by-case basis, the HR correspondent has tools at his or her disposal to encourage the employees concerned to remain with the group (dedicated training, skills tutoring support, skills assessment, specialized external office, etc.).

Skills development

Training is a fundamental resource for adapting to changes, developing skills, facilitating employees' professional careers and thus contributing to the company's greater efficiency. Arkéa maintains a high level of commitment to training: 94.2% of employees were trained in 2019. This commitment corresponds to 5.3% of payroll in 2019.

The group implements training to support the corporate strategy and help its employees grow; facilitate adaptation to employment; promote professional development and maintain employee motivation. Training courses encouraging an entrepreneurial, collaborative and cross-functional spirit are offered to employees of the Economic and Social Unit, such as the "facilitators" training course, which aims to disseminate the method of conducting collaborative workshops within all the group's entities, or the data certification training course with Telecom Paris to take the turn towards big data and artificial intelligence. Specifically with regard to the climate and environmental issues, awareness and training programs have been set up for the group's employees (see 5.5.7 *Environmental footprint*). In addition to the training plan, employees benefit from individual systems such as the Validation of Prior Experience (VAE), the Personal Training Account (CPF), the Individual Training Leave (CIF) and the financing system governed by the CIF Joint Management Committee (COPARCIF). The Arkéa Group's specific system helps finance retraining projects outside the Group, contributions to associations and personal training needs.

In November 2019, Arkéa was a finalist in the "Well-being Awards" organized by Bloom at Work, which showcased our commitments in line with our corporate purpose, in particular the long-term support we provide to employees, from the moment they join the company and throughout their careers until they are ready to retire.

The quality of management

The quality of management is a major lever for the success, motivation and commitment of employees. The *Managers 2020* programme aims to give priority to the role of support and advice for teams in order to encourage cross-functionality and cooperation. A management charter for managers was drawn up in 2017. A real day-to-day operational tool, it provides managers with an inspiring

toolbox to become an actor of change and contribute to the development of 4 values: caring, inclusion, cross-functionality and intrapreneurship. Since 2017, the Group has been deploying the *Arkéa Management Academy* as its entry level management program. A program lasting several months, it covers the following topics: management techniques, team leadership, motivation, labor law, stress management, personal development and quality of life at work. In addition, each manager is assessed annually, as are all Group employees. Managers are assessed on the knowledge and know-how specified in their mission statement and adapted to their managerial situation. Managers are also asked to assess them on specific skills related to the *Arkéa 2020* strategic project.

To continue to give meaning and develop the performance of its employees, the Human Resources Department launched the *Arkéa University* project in 2019. In line with our corporate purpose, this in-house university is designed to support our employees in their careers. It will initially be open to our 1,400 managers.

Promotion of quality of life at work and management of occupational risks

The quality of life at work is an HR commitment: the interest in the content of the missions entrusted to us, the opportunity to develop new skills and support for new missions are key motivating factors.

The Arkéa group also wants to make the company's business plan clearer. This is the purpose of the *Spring and Autumn Meetings*, which are special opportunities for management and all employees to discuss the corporate project. Information meetings also bring together all the group's managers.

A team dedicated to well-being at work and the prevention of psychosocial risks is in charge of this mission at the Human Resources Department in collaboration with all entities. It leads and trains a community of around sixty voluntary players in the field of quality of life at work from the various Economic and Social Unit departments to share ideas, projects and information and thus anticipate and prevent possible risks: the "benevolent", true sensors in the field and relays of trust.

In addition, since any employee may encounter difficulties of a professional and/or personal nature in the course of his or her life that may have consequences for health, Arkéa has set up various types of support. A network of social workers is available to employees within the Economic and Social Unit. In addition, since 2016, the Human Resources Department has been experimenting with a personalized support system for Economic and Social Unit employees who drop out of the workforce for work-related or personal reasons. As part of this "Rebound Program", a personalized action plan adapted to the situation of each employee is designed and implemented for the benefit of some twenty employees.

In addition, there is a full-time nurse in the group's central services premises.

Finally, with regard to moral or sexual harassment and sexism in the workplace, the Human Resources Department has set up a Well-being unit that manages this type of problem, thanks to a prevention and awareness-raising mechanism for employees to free up the floor, and a process that makes it possible to mobilize the right players at the right time to act quickly. A prevention guide on moral and/or sexual harassment and sexism will be made available to all employees in early 2020.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

The company is committed to continuous improvement and risk prevention. In order to formalize the assessment of all occupational risks, including psychosocial risks, the company produces a *Single Document* (DU) every year, in which it specifies the results of the occupational risk assessment. The *PAPRI/PACT*, the annual programme of HR actions and the corresponding resources to be implemented, is designed on the basis of this *Single Document*. The Economic and Social Unit's employee intranet site provides information on the measures put in place and the relays available in the working environment. It is a permanent information vector for all employees on occupational risk prevention. In addition, managers and various occupational risk coordinators are trained in occupational risk prevention through specific training courses.

In view of the Group's activity, physical risks are limited. Accidents at work and on the way to and from work remain infrequent and of low severity: 76 accidents in 2019, compared to 91 in 2018. The total number of days of absence related to these accidents was 4,175 days. With regard to occupational diseases, no declaration of an employee with an occupational disease recognized as such by the CPAM in France has been made.

An agreement on the supplementary health and welfare scheme was signed in 2017. Its purpose is to define the guarantees from which employees benefit in terms of benefits in addition to social security coverage in the event of long-term illness and provident benefits in the event of incapacity for work, disability or death, in compliance with the legal provisions relating to so-called "responsible" contracts. This collective scheme, with compulsory membership, benefits all employees of the Economic and Social Unit and their beneficiaries. It is financed up to 75% by the employer.

As a service company, particular attention is paid to psycho-social risks within the group. As every year, a quality of life at work survey was launched within the scope of the Economic and Social Unit, to which nearly 60% of the employees concerned responded. The key criteria assessed and monitored are workload, clarity of roles, physical environment, clarity of assessment criteria, managerial support, change, autonomy, relationships with colleagues and the meaning given to work. The results were communicated to all employees in October 2019 and an action plan was put in place.

Work organization plays a major role in simplifying and streamlining tasks and contributing to the effective and sustainable protection of employees' health and safety. Reducing workloads by improving the quality of life of employees is therefore a priority in the fight against occupational accidents, illnesses and stress. The Group wishes to encourage a more flexible organization of employees' working hours.

Company-wide agreements are implemented within the scope of the Economic and Social Unit in order to allow a more agile organization of employees' working hours.

- Agreement on telework: telework is offered to the entire eligible population of the central services and in an experimental form to certain employees of the commercial networks. Some subsidiaries also offer or are experimenting with teleworking (Suravenir, Suravenir Assurances, Fortuneo, Armorique Habitat, Nouvelle Vague). A teleworking charter for itinerant sales representatives was also introduced at Financo in 2017. In 2019, more than 900 employees will be teleworking within the group. Arkéa's objective is to reach 1,000 employees teleworking, i.e. 10% of the workforce.

It is the HR project that contributes the most to the positive image of the Arkéa employer brand for 9 out of 10 employees. It also ranks first among the motivations of young working people to join a company in our regions ⁽¹⁾.

- Agreement on chosen part-time working: it aims to take better account of employees' aspirations regarding their work-life balance and to give greater access to part-time working.
- Agreement on the Days Package (Forfait jour): the spirit of this agreement lies in the desire to abandon the fixed management of daily work organization in favor of an annual management of days worked, which allows greater flexibility in the professional and personal organization of employees. In the Arkéa group, 1,545 employees are now concerned.
- Donations of leave for seriously ill children or spouses: this donation, anonymous and without consideration, allows the employee receiving the donation to maintain his or her remuneration during his or her absence. In 2019, 194 employees donated days for a total of 271 days. Donations of leave for seriously ill children or spouses are also in place within the Suravenir subsidiary.

These agreements aim to support the company's social and economic development, offer a more flexible working environment to employees, and pursue work-life balance initiatives. Moreover, while new technologies are now an integral part of the working environment and are indispensable to the smooth functioning of societies, companies are attentive to the right to disconnection. Automatic disconnections (during defined time slots) from the external access of certain employees to the Group's IT tools are currently being deployed with the new messaging tool that is gradually being adopted by employees. Among the actions launched in 2019, five episodes on good email management practices have been broadcast on the intranet.

During the year, the Human Resources Department also offers stress management activities for employees. In 2019, workshops in the form of webinars on well-being in the workplace were offered and attended by nearly 1,000 employees. Lastly, discussions were held with more than 1,000 employees on quality of life at work and stress management during Quality of Life at Work Week 2019.

The quality of life at work approach also continues to be enriched. Since 2017, Arkéa has been working to earn the Great Place To Work label. The Arkéa 360 management team is working with all of our entities to achieve this goal in a cross-functional manner, focusing on four areas: facilitating understanding of the Arkéa group and its strategy; improving management practices; promoting and better recognizing collaborative work at the corporate level; and strengthening the sense of belonging to the group. This Quality of Life at Work approach has already been recognized with an award at the "Human Capital Leaders' Victories" in November 2018 for its innovative projects to promote employee commitment and well-being. In 2019, the "Sport@work" internal cohesion project has helped identify and support employees who practice high-level sports, enabling them to display Arkéa's corporate colors, share their feedback and encourage all employees to practice sports.

The company also supports its employees involved in humanitarian or civic events. Suravenir has set up a salary rounding which consists of the possibility for employees to make monthly micro-donations directly from their pay, to the benefit of two associations.

(1) Arkéa Employer Brand Survey, conducted in collaboration with OpinionWay from September to October 2019 among all Arkéa employees and a panel of young working people and students in our territories.

Since 2017, initiatives have been undertaken to rethink workspaces and provide improved working conditions for employees in central services and subsidiaries. Meeting and break rooms have been redesigned to promote exchanges, conviviality and modularity. In addition, in the networks, the concept of the Nouvelles caisses locales (new local banks) provides work areas for employees and customer reception areas that are fully in line with the Group's ambitions to provide sincere attention to customers and employees.

A motivating salary policy

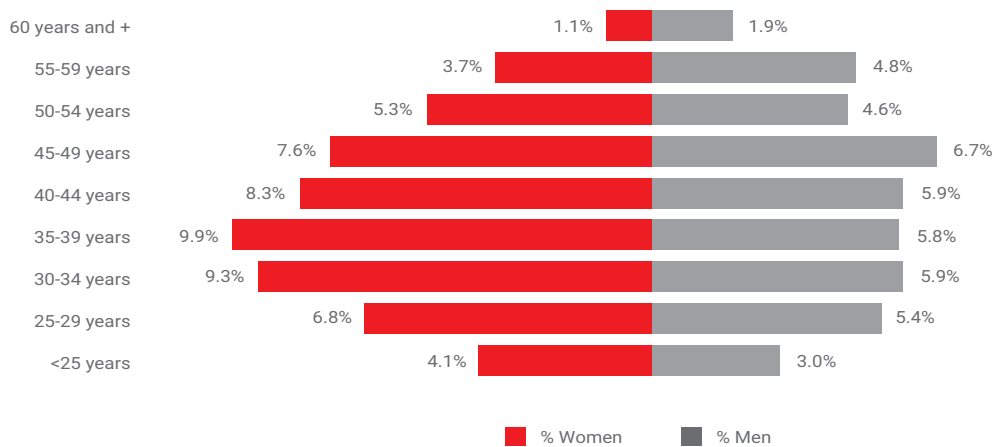
Since 2015, a system of equal bonuses for all Group employees has been in place. It is conditional on the achievement of group objectives. The annual negotiations on remuneration (NAR) 2019 resulted in a general annual increase of €400 per employee in the Economic and Social Unit. Subsidiaries outside the scope of the Economic and Social Unit conduct their own mandatory annual negotiations. In 2019, 29% of the Group's employees also received an individual increase.

Employees are involved in the company's performance through profit-sharing and incentive schemes. In 2019, a total employee savings plan of €93.5 million was distributed to the Group's employees. Within the scope of the Economic and Social Unit, a profit-sharing agreement for the period 2017-2019 is in force. It notably includes criteria for increasing the budget, some of which relate to the Group's carbon balance and gender mix. The aim is to further strengthen the link between profit-sharing and the achievement of the strategic objectives of the Arkéa 2020 plan.

In addition, the Economic and Social Unit has variable remuneration schemes aimed at recognizing collective and individual business performance. These schemes apply to trading room managers (Federal Finance Gestion and Crédit Mutuel Arkéa), sales staff of Arkéa Banque Entreprises et Institutionnels delegations, sales staff of Arkéa Banque Privée, front-office staff of Arkéa Capital, and people in the sales network (three federations). For the latter, the scheme, which can provide up to 2.5 months' salary, is based on collective performance with recognition of individual investment. In 2019, it resulted in the distribution of €8,109,000 in variable compensation to 3,536 employees.

	2017	2018	2019
Total workforce (physical persons)	9,891	10,297	10,560
Permanent staff (permanent employees)	9,070	9,407	9,641
Non-permanent staff	821	890	919
Managers	5,627	5,883	6,146
Non-managers	4,264	4,414	4,414
Average age (years)	40	40	40
Recruitment (permanent and fixed-term contracts)	1,888	1,972	2,085
Number of employees on permanent contracts who have left the company	534	613	579
■ of which dismissals	80	83	82
Average compensation per permanent employee in euros	45,464	46,162	47,862
Average number of hours of training per employee who received training	24	22	27
% of total payroll spent on training	4.6%	4.9%	5.3%
Total calendar days of absence	163,728	161,285	157,232
Total workforce (full time equivalent)	9,590	9,979	10,174
Permanent staff (CDI – Full-Time Equivalent)	8,856	9,142	9,301
Non-permanent staff (Full Time Equivalent)	734	836	873

Age pyramid (distribution by age group, in% of total workforce)



5.5.4 Diversity of human capital

Non-financial risks associated with this issue:

- risk of non-compliant social 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 forms of difference will gain in overall performance. The Arkéa Group is committed to combating various forms of discrimination, whether direct (such as disadvantaging one employee in favor of another due to non-objective criteria at the time of hiring) or indirect, when rules and practices, accepted for economic or functional reasons, have a discriminatory impact on employees or a group of employees.

The Group’s management is responsible for ensuring that the principles of non-discrimination are upheld within the company. To this end, it provides each employee with a set of internal rules and regulations upon arrival, in which these elements are recalled. The internal regulations are specific to each company of the group.

The Human Resources teams operate within a procedural framework that enables them to prevent discrimination by being aware of the inclusion and integration of all differences. In addition, the managerial line participating in recruitment panels is made aware of the practice of recruitment that fights against all forms of discrimination, as part of the training of new managers.

Furthermore, there is no discrimination between full-time and part-time employees in the benefits offered within the Economic and Social Unit.

An “All Inclusive” training course has been in place since 2017 to help employees better identify stereotypes that can influence judgment, often unconsciously. The group has set itself the goal of training all its employees in this area by the end of 2021. By the end of 2019, nearly 2,800 employees have completed the module.

Mixing

As a 56.1% female company, the company’s challenge is to ensure a balanced representation of men and women at all levels. One of the Group’s main challenges in terms of human capital diversity concerns gender balance and in particular the representation of women in senior management positions. In order to achieve a better balance, in early 2016 the Group created a dedicated mission, “Mixité inside”, whose ambition is to act as much on the organization of work as on mentalities (individual stereotypes and corporate culture). The objective is to initiate a dynamic and lay the foundations for lasting change in three years, carried out independently and at the heart of the business lines by each of the group’s entities. This mission is supported by a network of more than 400 employee ambassadors, men and women volunteers, whose role is to raise awareness and participate in the management of the subject by piloting the action plans deployed within their entities. A gender diversity criterion is also included in the variable compensation of the Group’s corporate officers, executives and senior managers.

Following a diagnosis of the obstacles to gender diversity drawn up in 2016, a Group-wide gender diversity action plan was launched, as well as decentralized action plans specific to each entity. The Gender Equality Task Force coordinates all these action plans throughout the Group. New managers also benefit from a half-day training session dedicated to the topics of gender diversity, diversity and inclusion. Several topics are addressed during this training: self-censorship, sexism, and support for maternity leave. This module is also available on request to existing managers.

Within the scope of the Economic and Social Unit, since 2004, the actions carried out in favor of professional equality have been framed by the signature of 5 successive company agreements. The aim of the gender equality agreement signed in 2018 is to measure and eliminate differences in terms of pay and professional or career development between women and men for equivalent jobs. To limit and eliminate these gaps, it provides solutions in terms of career paths, training and support measures between professional and personal life. Since 2015, a specific “Professional Equality” envelope has been set up with the aim of reducing the pay gap. This envelope amounted €600,000 in 2019. In 2019, 316 women benefited from a salary adjustment as part of this scheme. At the end of 2019, the average median gender pay gap for each level of employment is -1% within the Economic and Social Unit.

Since 2015, in accordance with the commitments made in the collective agreement, a system to support maternity, adoption or parental leave has also been in place within the Economic and Social Unit. Gender equality agreements are also in force in certain subsidiaries in 2019.

Externally, the Group also supports initiatives in favor of gender diversity: in particular, it is a partner of the "Observatoire de la Mixité", a think tank of major companies committed to this issue. This partnership has led to the writing of a "Green Paper of 6 concrete measures to improve gender diversity in companies".

As of December 31, 2019, the group was 56.1% female and 43.9% male. The group has 45% female managers.

Arkéa is also committed to female entrepreneurship. The Arkéa group is one of the first 56 signatories of the commitment charter carried by the SISTA collective and the Conseil National du Numérique (CNNum) to accelerate the financing of women entrepreneurs. This charter, called "SISTAxCNNum" and presented by Secretaries of State Marlène Schiappa and Cédric O, sets out best practices for investors to make their recruitment and investment processes more favorable to gender diversity. For the Arkéa group, this signature illustrates all the measures already implemented to promote professional equality and greater diversity in its federations, subsidiaries and central departments.

The target by 2025 is to finance 25% of start-ups founded or co-founded by women.

SHARE OF WOMEN IN SENIOR MANAGEMENT AND EXECUTIVE POSITIONS AT DECEMBER 31, 2019:

- N+2 managers (Department Manager at headquarters and Territorial Unit Director in the networks): 32% (+1 point);
- senior managers: 33% (+1 point);
- senior executives: 17% (stable);
- members of the Group's General Coordination Committee: 25% (+5 points);
- Group Executive Committee members: 30% (+8 points);
- Crédit Mutuel Arkéa's effective management: 50%.

Employees with disabilities

Another important challenge for the Group in terms of diversity is to continue and strengthen the employment of employees with disabilities and to maintain and support employees with disabilities throughout their working lives. At the end of 2019, the group will have 3.4% of disabled employees in its workforce.

In accordance with its values and in a context where the unemployment rate of people with disabilities is double that of the rest of the working population, the group must therefore continue its efforts. In 2017, a new five-year agreement 2018-2022 on the employment of people with disabilities, covering the scope of the Economic and Social Unit, was signed. This 6th agreement aims to:

- developing the employment of disabled people in its territories: as part of the internal recruitment plan within the company and through partnerships with establishments in the protected sector

for identified activities (see 5.5.6 *Responsible supplier relations*). Internally, the Company has set itself the objective of recruiting people with disabilities, with a view to achieving an employment rate of 6%, with a minimum of 7 new hires per year;

- maintaining the employability of employees with disabilities, in particular through access to vocational training throughout their career. The objective is to find a professional solution adapted to each individual, by encouraging material adaptations and/or the adaptation of work situations, by monitoring employees with disabilities in terms of professional development, and by providing individual assistance to employees;
- improving the working conditions of employees with disabilities, with particular emphasis on the digital accessibility of company tools.

A dedicated entity coordinates the promotion and coordination of actions in favor of people with disabilities and organizes, in conjunction with the Disability Correspondents of the various establishments of the Economic and Social Unit, the monitoring of actions in favor of people with disabilities. A disability IT correspondent is also appointed. He or she works in collaboration with the Disability Task Force and people with disabilities to ensure the availability of adapted IT tools, to support and train the users concerned, to ensure the accessibility of communication media and to anticipate the availability of new adapted IT solutions.

On the occasion of the European Week for the Employment of People with Disabilities (SEEPH), but also throughout 2019, disability awareness campaigns were carried out for the group's employees, with a particular focus this year on invisible disabilities, particularly mental disabilities. Arkéa is also developing partnerships in this area, such as sponsoring the Startup & Handicaps competition organized by the Morbihan Chamber of Commerce and Industry, which aims to find solutions to compensate for disability and/or loss of autonomy, or the agreement signed in October 2019 with the Kerpape Mutual Rehabilitation Center to support the managers of the Early Professional Mobilization Space and promote employment and training for people with disabilities.

Supporting employees in the second half of their careers

In a regulatory and social context that is leading to longer professional careers, the company has developed a comprehensive system for preparing for the end of one's career. An agreement on support for employees over 50 years of age was signed in December 2017 by the four trade unions representing the Economic and Social Unit.

This agreement has the following objectives:

- implementing a career management and training policy adapted to the over 50s;
- boosting and maintaining motivation through the right work-life balance and supporting the transition towards the end of one's career;
- promoting measures to develop the skills of employees;
- supporting and anticipating retirement.

Through this agreement, the company is committed to maintaining employment and supporting the career paths of employees over the age of 50, particularly through mobility and training.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

Employee commitment and solidarity

Skills patronage

In accordance with the commitments made under the above-mentioned agreement, the Arkéa group initiated skills patronage in 2018. The Group offers volunteer employees over 59 years of age the opportunity to make part or all of their working time available free of charge to a public interest organization located in the Group's territories. In this way, the employee's employment contract is maintained, and the employee continues to benefit from his or her remuneration and all fringe benefits. In this way, the company wishes to encourage employees to invest in associations before they actually leave the company, to enable them to manage the end of their working life and the beginning of their retirement as well as possible. At the end of 2019, 9 employees had benefited from this scheme.

Other actions have also been implemented within the company to promote the values of employee commitment and solidarity. For example, the gift of leave was introduced in 2015 (see 5.5.3). In addition, in collaboration with the association Planète Urgence, the company has already supported some twenty group employees who have committed to taking solidarity leave in 2018 and 2019 to teach French to women micro-entrepreneurs, first in Benin, then in Togo since the last quarter of 2019. In 2020, 40 employees will be able to take part in this solidarity operation in pairs.

5.5.5 Social dialogue

Non-financial risks associated with this issue:

- risks of non-compliant social practices linked to non-compliance with social dialogue

The group is open to social dialogue that respects different sensitivities and expressions.

Main collective agreements signed in 2019 or whose implementation started in 2019 (scope economic and social unit)

Expected impact of the agreements on the Company's economic performance and on employees' working conditions

Agreement on professional equality between women and men	Measure and eliminate differences in terms of pay and professional or career development between women and men in equivalent jobs. Implement solutions to enable a fair work-life balance for all. Raising awareness, informing and training on diversity and inclusion.
Agreement on the employment of persons with disabilities	Developing the employment of disabled people in the company and on its territories, maintaining the employability of disabled employees, improving the working conditions of disabled employees.
Pre-electoral memorandum of understanding elections ESC 2019	To set the terms and conditions for the organization of the elections of the members of the staff delegations of the Establishment Social and Economic Committees (ESCs) for the following 4 separate establishments: ESC PEI Head Office, ESC CMB, ESC CMMC, ESC CMSO.
Agreement contributions pension	Increasing pension rates and setting the terms and conditions of pension provision.
Agreement on staff representation and trade union rights	To define the rules relating to trade union law and the organization of staff representative bodies as set out in the Macron Ordinances and Decree 2017-1819 and the means intended for the fulfilment of these mandates to promote the conduct of collective bargaining.
Agreement Amendment to profit-sharing agreement 2019	Involve employees in the development of the company by associating them directly with the performance of the Economic and Social Unit.

The Human Resources Department communicates regularly on the exchanges conducted with employee representatives during negotiations commissions or works councils. Employees are informed of the social dialogue through these communications, with an inventory of the proposals made and decisions taken. The trade

Each Group company has, in accordance with its own regulatory obligations, its own employee representative bodies: employee delegates, trade union representatives, works councils and health, safety and working conditions committees. The Economic and Social Unit and each subsidiary outside this scope negotiate their own company agreements. In addition, there is a body for economic, social and organizational information: the Group Committee. It meets twice a year. This body is informed of the situation and prospects of all entities.

At the end of 2019, 98% of the Group's employees were covered by a collective bargaining agreement. Within the Economic and Social Unit, the new architecture of staff representative bodies was put in place at the beginning of 2020. The agreement on staff representation and trade union rights was renewed beforehand to organize the functioning of the new bodies, as requested by the public authorities.

This agreement applies to the 3 Social and Economic Committees (Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Siège-Pôle Entreprises et Institutionnels) and to the Central Social and Economic Committee of the Economic and Social Unit, as well as to the various commissions that make up these committees, in particular the safety, health and working conditions commissions.

This agreement also made it possible to set up local representatives to relay employee concerns. Social dialogue takes the form of negotiating and signing company agreements. In 2019, 50 agreements have been signed across the Group. In 2019, within the scope of the Economic and Social Unit, 3 new agreements were signed as well as an amendment to the profit-sharing agreement.

unions benefit from several means of communication and infrastructures are made available to them with trade union premises.

5.5.6 Responsible supplier relations

Non-financial risks associated with this issue:

- risks of irresponsible supplier relations linked to risks of collusion, economic dependence for suppliers, late payment to suppliers and non-compliant CSR practices of suppliers.

Since 2017, Arkéa has been a signatory to the "Responsible Supplier Relations" charter, in which it commits to respecting 10 responsible purchasing principles, such as financial equity with respect to suppliers, reducing the risks of reciprocal dependence, and taking environmental issues into account. On this occasion, the group also appointed a corporate mediator within the group, who can be called upon by suppliers to resolve any contractual or relational difficulties.

Over one year, the group makes 96% of its purchases from French suppliers⁽¹⁾. The group's purchasing policy takes into consideration the territorial dimension in the choice of its service providers, in perfect coherence with the group's positioning. The Arkéa group works with nearly 3,000 local companies, spread over its three historical territories (Brittany, Nouvelle-Aquitaine, Massif Central).

Knowledge of social, 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 sector risks).

The group's framework contracts with suppliers and service providers include clauses relating to compliance with labor law and the fight against corruption. Since autumn 2017, a supplier code of conduct has also been appended to the group's framework contracts. By signing the code, suppliers commit to respecting principles related to human rights (non-use of forced and child labor, non-discrimination, etc.), labor rights (compensation, working 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 has been drafted by the Purchasing Department and is intended to apply to all the entities of the group. The questionnaire on suppliers' knowledge of CSR practices was finalized in 2019. This self-assessment questionnaire will be sent to approximately 40 suppliers in early 2020. Additional questionnaires will be sent out throughout 2020 and all new calls for tender will systematically include the CSR questionnaire.

A code of ethics has been signed by the buyers in the Purchasing Department. It defines the rules of behavior and ethical standards to be promoted within the Arkéa group and its subsidiaries. The choice of service providers also integrates environmental, social and societal criteria. For services of equivalent quality, suppliers and subcontractors may be favored on the basis of criteria such as employee compensation policy, training plans set up to promote their

development or prevent risks, resource management and waste treatment policies.

Environmental issues are taken into account in calls for tenders whose subject matter includes environmental constraints. During the evaluation of bids, an environmental criterion is integrated in order to favour the most virtuous suppliers and subcontractors. This criterion can be based on products, techniques used but also on certifications.

Use of the adapted and protected sector

The Purchasing Department, in conjunction with the Human Resources Department, also promotes the use of Work Assistance Establishments and Services (ESAT) and Adapted Enterprises (EA) for certain activities.

This translates into:

- raising the awareness of internal prescribers of the benefits of this approach via a Disability Purchasing Club;
- the mapping of all the sectors of activity for which the use of service providers from the adapted sector is possible;
- the participation in 2019 and the internal relaying of the European Week for the Employment of People with Disabilities.

In order to develop subcontracting with the adapted and protected sector, buyers and specifiers from the Arkéa group were trained in 2017, in partnership with the Union Nationale des Entreprises Adaptées. As part of the new company-wide agreement on the employment of people with disabilities (Economic and Social Unit scope), the company has set itself the target of a 30% increase in sales to the protected sector in order to reach €1 million in sales by 2020 (according to the regulations in force on the day the agreement was signed).

5.5.7 The environmental footprint

In the context of the Arkéa group's financial activities, environmental and climate-related issues are described in sections 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 care, the Arkéa group has also mapped its direct environmental risks.

Raising employee awareness of good practices

Numerous actions are carried out each year to raise employee awareness of these issues. The Corporate Social Responsibility section on the Group's intranet offers employees a range of initiatives to reduce their environmental footprint, supplemented by initiatives deployed by the entities. A film to raise awareness of the Group's carbon footprint is also available on the intranet. In 2019, the Avenir Climatique association rose awareness of energy and climate issues among certain communities of employees involved in the Group's CSR approach.

(1) Scope covered: equivalent to the scope of the Economic and Social Unit, Arkéa Banking Services, CFCAL, Financo, Fortuneo, Nouvelle Vague, Arkéa On Life, Suravenir. Period of a sliding year, from the second half of 2018 to the first half of 2019.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

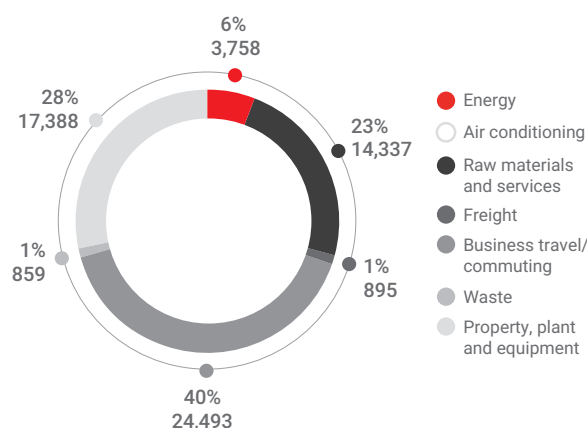
A responsible corporate approach

Management and reduction of the group's carbon footprint

Each year, the group measures its carbon footprint through a group carbon balance sheet. Thus, the group's carbon balance was carried out at the beginning of 2020, on the basis of 2019 data, and according to the method of the "Base Carbone" Association. Because of its strong territorial coverage, the group has chosen to include home-to-work travel in its Scope 3. To date, Scope 3 does not include the carbon footprint of the financing and investments made by the group. However, Suravenir and Suravenir Assurances carried out the first 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 for fiscal year 2019 is 61,956 tons of CO₂, or 6.1 tons of CO₂ per FTE, a decrease of 4.2% compared to 2018. Each Division receives its carbon footprint so that it can position itself in relation to the Group average and define an action plan for its perimeter.

Breakdown of the Arkéa group's carbon emissions



Emission categories	Numbers	Emission items	Source	Breakdown
Direct GHG emissions	1	Direct emission from fixed combustion sources	Natural gas and domestic fuel oil at the sites	
	2	Direct emission from mobiles sources with combustion engines	Diesel in the automobile fleet	6%
	4	Direct emissions leaks	Refrigerant leaks	
Associated indirect emissions to energy (scope 2)	6	Indirect emissions related to electricity consumption	Electricity at the sites	3%
	8	Emissions related to energy not included in items 1 to 6	Same items 1 and 6	
	9	Purchase of products or services	Paper, ink and services	
Other indirect emissions of GHGs (Scope 3)	10	Capital property	Building, vehicle and computer equipment property	91%
	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 travels	
TOTAL				100%

Arkéa wants to control its carbon footprint by focusing on travel and energy consumption, its two main sources of emissions. To date, it has not set quantitative targets for reducing its emissions. In order to mobilize all employees around this objective, since 2017, the agreement on the profit-sharing contract (within the scope of the Economic and Social Unit) has included a criterion for increasing the envelope linked to the reduction in the carbon footprint per employee.

Proactive action in the area of travel

As travel represents the largest part of its carbon footprint, the group is implementing proactive actions on the subject, in order to limit the number of trips and to develop practices towards eco-mobility. Mobility plans are thus deployed in many of the Group's entities. During European Mobility Week 2019, employees were made aware

of sustainable mobility through various initiatives organized by the Group's structures, notably encouraging carpooling. Since 2018, electric vehicles have been offered for short distance travel by central services employees and recharging stations have been made available to central services employees. The car fleet policy has been modified to encourage the choice of rechargeable hybrid or electric vehicles.

Finally, videoconferencing and remote document sharing tools continue to be favored within the group, making it possible to reduce business travel. At the same time, teleworking continued to develop in 2019. In addition to its impact on employees' work-life balance, teleworking should reduce carbon emissions related to commuting.

Energy efficiency and eco-design

As a player in the financial field, the Group's main energy consumption concerns its IT equipment and data centres. For several years now, the group has been implementing various measures to optimize the latter (insulation of cold aisles in the data centres, reflective paint tests, etc.). In addition, the group has initiated work to improve the IT eco-design of its applications, with the aim of consuming less energy.

The Group is also attentive to the energy performance of buildings. Fortuneo's new building integrates the most advanced sustainable development criteria to achieve BEPOS and High Energy Performance (HQE) standards. In 2019, the housing units delivered by Armorique Habitat (a social housing company) were compliant with the High Energy Performance standard and even performed ten percent better than required. Finally, in 2018, as part of the renewal of its energy contracts, the group introduced "green electricity" contracts for approximately 61% of its electricity consumption.

Responsible resource management

The Arkéa group's consumption of natural resources remains limited compared to other activities and mainly concerns paper. The group's main lever to reduce paper consumption for its customers is the dematerialization and electronic signature of its offers, which will continue in 2019. For its internal paper consumption, the Group is

maintaining its efforts to reduce the volume of paper used (double-sided printing, badge publishing at the end of deployment, wifi in the meeting rooms of central services, etc.). In addition to the attention paid to consumption, the Group is also vigilant with regard to procurement: the paper supplied to the reprographic workshops is PEFC and FSC certified; since 2018, employees have been using recycled paper every day.

Circular economy and waste management

Various waste sorting systems exist within the group. The main waste generated by the group's activity includes paper and waste electrical and electronic equipment (WEEE).

Arkéa is committed to giving a second life to equipment that is no longer used within the Group via specialized companies (Leasecom and Recyclea). These products are reconditioned and resold on the secondary market or destroyed in accordance with WEEE standards. A certificate is then issued attesting to their destruction according to an eco-responsible process. Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest also donate reconditioned computer equipment to client associations.

Since 2017, the collection of bio-waste has been reorganized in company restaurants. This waste is now recovered by a service provider in order to be used in a methanization process.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of indicators

5.6 Summary table of indicators

CSR indicators	2019 data
Key performance indicators	
Annual rate of staff exposed to ALM/CFT trained (scope credit institution 15589)	90%
Number of sanctions issues by the ACPR related to the ALM/CFT scheme	0
Rate of training of persons exposed to the risk of corruption within the 15589 credit institution scope	89%
Number of beneficiaries of the specific offer dedicated to financially vulnerable customers (15589 credit institution scope)	14, 818
Proportion of targeted personnel aware of IT security	85%
% of directors approved without condition precedent by regulators (regulated entities scope)	97%
% attendance rate at Crédit Mutuel Arkéa's Board of Directors meeting	90%
Share of subsidiaries with an attendance rate of more than 75% at meetings of the supervisory body	80%
% of members among individual customers	72%
% of voting participation during Crédit Mutuel Arkéa's General Meetings	79%
% of voting participation	2.9%
% of assets under management with an analysis including ESG in Federal Finance Gestion's assets management	94%
% of positive opinions on the "meaningfulness of work" criterion in the QWL barometer	68%
% positive opinions on the "workload" criterion in the QWL barometer	24%
% pay gap Women/Men	-1.0%
% of employees trained	94,2%
Internal mobility rate	13.4%
% of persons with disabilities in total workforce	3.4%
Number of collective agreements signed during the year	50
% of group purchases from French suppliers	96%
Share of ESG assessments of vendors conducted for the reporting period	7.4%
GOVERNANCE	
Members – customers	
Number of local banks customers	2,353,745
■ of which individuals	2,141,484
Number of members	1,533,961
Number of members N-1	1,520,780
% of member among individual customers	71.6%
Average amount of shares held (in euros)	1,529
Amount of compensation paid in 2019 for the year 2018 (in euros)	39,500,000
Number of members present and represented at general meetings (local banks)	44, 208
% of voting participation	2.9%
Directors of local banks	
Number of local banks	329
Number of Directors – local banks	2,924
■ of which women	1,201
Number of local banks Boards of Directors held during the year	3,543
Number of women Chairpersons in local banks	87
% of women Chairpersons in local banks	26.4%
Number of directors summoned to local bank boards	32,154
Number of directors attending local banks boards	25,534
Number of new elected officials – local banks	184
■ of which women	91
% of women among new directors	49.5%
Number of new Chairmen – local banks	34
■ of which women	11
% of women among new Presidents	32.4%

CSR indicators	2019 data
Directors of federations	
Number of federation Directors	105
■ of which women	38
Number of new Directors – federations	13
■ of which women	5
% of women among newly elected federation Directors	38.5%
Number of new Presidents – federations	0
Directors of Crédit Mutuel Arkéa	
Number of members elected to the Board of Directors of Crédit Mutuel Arkéa	18
■ of which women	8
■ of which independent directors	2
Training	
Number of Directors or corporate officers who attended at least one training course during the year (local banks)	1,425
Total number of hours dispensed	11,147
% trained Directors (local banks)	49%
Duration of training per Director trained (hours)	8
SOCIETAL	
Number of Arkéa group sales outlets in France and abroad	462
Number of Crédit Mutuel outlets	418
Number of Arkéa group sales outlets outside France	3
Periodic points of sale	737
Microcredits	
Personal supported microcredits (partnerships)	
Number of personal microcredits granted during the year	313
Average amount of personal microcredits granted (in euros)	2,546
Amount of personal microcredits financed during the year (in euros)	796,821
ADIE intermediated business microcredits	
Number of intermediated business microcredit files	695
Amount of credit lines made available (in euros)	1,710,469
Other supported business microcredits	
Number of supported business microcredits granted during the year (within the framework of a partnership)	0
Amount of microcredits granted locally in the group (in euros)	0
Professional solidarity	
Donations (thousands of euros)	479
Amount of loans at 0% interest (thousands of euros)	2,665
Number of 0% interest rate loans granted during the year	659
Number of jobs created	965
Solidarity share	
Amount of aid under the “sensitive accounts” scheme (reversal and uncharged fees in euros)	381,792
Aid to borrowers (in euros)	286,098
SRI – ESG	
SRI outstandings (euros)	798,346,564
Outstanding ESG (euros)	31,286,696,988
Voting policy	
% of approval of resolutions	82.4%
Number of shareholders’ meetings in which the company has participated	62
Solidarity savings	
Total amount of solidarity savings (euros)	51,185,118
Amount paid to associations	143,232
Outstandings excluding capitalisation Livret Solidaire (euros)	40,475,068
Outstanding savings on products with the Finansol label (euros)	41,739,603
Outstanding solidarity employee savings (euros)	10,710,050

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of indicators

CSR indicators	2019 data
Association Market	
Number of client NPOs (associations, unions, works councils, etc.)	68,648
Patronage and sponsoring	
Global budget dedicated to patronage and sponsorship (in euros)	10,304,279
Renewable energy and energy efficiency loans	
Number of zero-interest eco-loans granted during the year	1,164
Average amount of interest-free eco-loans granted (in euros)	13,672
Total amount of interest-free eco-loans granted (in euros)	15,914,444
Number of projects funded (Professionals and farmers)	235
Products and services with social purpose	
Outstanding regulated social loans (PLS, PSLA) (in euros)	865,829,942
Mediation	
Number of eligible files	183
Number of decisions in favor of the client	52
Financial Indicators	
Gross technical reserves of insurance subsidiaries (thousands of euros)	33,339,710
Technical reserves for unit-linked contracts of insurance subsidiaries (thousands of euros)	13,380,461
SOCIAL	
Staff	
Workforce physical persons	10,560
■ of which France	10,234
■ of which outside France	326
■ of which non-executive	4,414
■ of which men	4,636
■ of which women	5,924
Total staff FTEs	10,174
FTE permanent staff	9,301
■ of which women	5,237
■ of which non-executive	3,632
% of employees on permanent contracts	91.4%
Recruitment	
Total number of recruitments	2,085
■ of which women	1,159
■ of which permanent contracts	961
Number of trainees and work-study students welcomed over the year	991
Conversion rate (permanent and fixed-term contracts) (%)	31.2%
Dismissals and reasons	
Number of employees on permanent contracts who have left the organization	579
■ of which dismissals	82
Turnover (%)	5%
Organization, duration of work and absenteeism	
Organisation of working time	
% of full-time employees	93.2%
% of part-time employees	6.8%
Absenteeism and reasons	
Total number of calendar days of absence	157,232
■ of which Diseases	153,057
■ of which Accidents at work	4,175
Number of declarations of occupational diseases	0
Health and safety conditions	
Number of reported accidents at work, with work stoppage	76
Training and professional development	
Payroll invested in training (in euros)	24,644,553
% of payroll dedicated to training	5.3%

CSR indicators	2019 data
Number of employees who have completed at least one training course	9,950
% of employees trained	94.2%
Total number of hours spent on employee training	270,889
Average number of hours of training per year per employee who received training	27
% completion of annual evaluation interviews	93%
Internal mobility rate (%)	13.4%
Professional equality between men and women	
Number of women managers	2,659
% of women in management	45.7%
% of women at Executive Committee	30%
% of women at the General Coordination Committee	25%
% of women in senior management	17%
% of women in executive management	33%
% of women among N+2 managers (department managers and regional unit managers in the networks)	32%
Number of executives promoted during the year to a higher level of function	378
■ of which women	197
% of women in management promotions	52.1%
Number of women who have received a salary adjustment under the professional equality package	316
Employee dialogue	
Number of convictions for the offence of obstruction (in France)	0
Number of consultations with staff representatives (work council, CHSCT, DP)	369
Number of procedures for informing staff representatives (work council, CHSCT, DP)	194
% of employees covered by a collective agreement	98.2%
Employment and integration of disabled workers	
Number of disabled workers	364
% of persons with disabilities in total workforce	3.4%
Compensation and its evolution	
Gross payroll (in euros)	467,180,664
Average gross annual compensation (in euros) all permanent positions	47,862
Average gross annual compensation (in euros) non-managerial staff (permanent contracts)	33,663
Average gross annual compensation (in euros) management permanent contracts	56,959
Total gross annual compensation (in euros) Permanent contracts	445,168,177
Total gross annual compensation (in euros) – Non-management permanent contracts	122,269,834
Total gross annual compensation (in euros) – Permanent management contracts	322,898,343
Amount of employee savings	93,565,504
% of employees who received an individual increase	29.1%
Environmental	
Carbon footprint	
Carbon balance (tons of CO ₂)	61,956
Carbon balance (tons of CO ₂ /FTE)	6.1
Water (m³)	
Water consumption (m ³)	58,236
Energy (kWh)	
Total energy consumption (kWh)	48,301,685
■ of which cold water in urban network, billed (kWh)	33,124
■ of which Steam heating – urban network, billed per ton of water returned (kWh)	192,173
■ of which Electricity (kWh)	42,754,577
■ of which Gas (kWh)	5,075,392
■ of which Fuel oil (kWh)	246,419
% renewable energy	61%
Paper (tons)	
Paper consumption (tons)	1,296
■ of which paper for internal use (tons)	395

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of indicators

CSR indicators	2019 data
■ of which paper for external use (external services: printing, communication, customer statements, cheque books etc.) (tons)	902
% of paper recycled on purchase	42.0%
Weight of recycled paper (tons)	619
Travel (km)	
Business travel – Airplane (km)	11,276,474
Business travel – Train (km)	7,238,943
Business travel – Fleets (km)	15,754,658
Business travel with personal vehicle (km)	8,627,594
Mail management: shuttles between cash desks and business lines + cash transport (km)	1,636,583
Number of liters of gasoline consumed by the internal fleet	188,220
Number of liters of diesel fuel consumed by the internal fleet	772,147
Direct emission leaks	
Refrigerant gas leakage from air conditioning systems (tertiary air and water cooling) (kg)	120
Devices for reducing environmental impact and greenhouse gas emissions	
Number of videoconferencing equipment in meeting rooms	115
Number of video conferences	63,195
Number of documents and pages scanned	130,880,538
Sanctions	
Amount of compensation paid during the financial year in execution of a judicial decision in environmental matters (euros)	0
Risks	
Amount of provisions for environmental risks (euros)	0
Number of ministerial orders recognizing a state of natural disaster during the calendar year	29
Number of claims reported under these orders	586
Number of such claims handled and closed during the year	64
Total number of claims (natural disasters) handled and closed during the year, regardless of the date of recognition of the disaster	555

Methodological note

Methodology

Reporting scope

The scope covered by the reporting process corresponds to the entire Arkéa group, as defined by the financial consolidation, with the exception of Budget Insight, a subsidiary acquired in December 2019. Subsidiaries accounted for by the equity method are excluded from the scope of reporting.

Reporting period

This report covers the calendar year 2019 (January 1 to December 31), including data relating to the Group's carbon balance.

In 2019, the energy data (gas, electricity) cover a rolling year from December 1, 2018 to November 30, 2019.

With the exception of Crédit Mutuel Massif Central, governance indicators for social life were not collected in 2019. The figures taken into account are those for 2018.

Methodological specificities of the indicators

Concerning social data, unless otherwise specified, the scope is that of the Group. Where this is not the case, it should be noted that it refers to the scope of the Economic and Social Unit, which covers 69% of the group's employees (permanent and fixed-term contracts) and includes the following employer companies: Crédit Mutuel Arkéa (Crédit Mutuel de Bretagne network and central services), Arkéa Banque Entreprises et Institutionnels, Federal Finance, Federal Finance Gestion, Arkéa Crédit Bail, Arkéa Capital, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central).

Clarifications regarding certain key performance indicators:

Annual rate of personnel exposed to ALM/CFT: accounting is done for training campaigns launched in 2019.

Gender pay gap: average of the differences (in%) in median gender pay observed for each job level, weighted by the number of employees at each job level.

Clarifications on some governance indicators:

Training

The duration of director training for Crédit Mutuel de Bretagne is estimated at 8 hours for full-day training, 3 hours for half-day training and 2 hours for evening training.

Clarifications on certain social indicators:

Staff

The number of employees does not include the service staff of 30 local banks and one departmental management.

Absenteeism

The total number of calendar days of absence includes all of the following absences of employees on permanent, fixed-term or alternating contracts: compensated sick leave, unpaid sick leave, sick leave without a medical certificate, occupational (including accidents not recognized by the CPAM) and commuting accidents, special leave, child sick leave, long-term unpaid leave (longer than one month), sabbatical leave, parental leave, and disability leave.

Unaccounted absences are paid leave or conventional days (RTT, seniority, marriage, etc.), maternity, paternity and adoption leave.

Payroll

The wage bill invested in training includes Fongecif subsidies and work-linked training.

Mobility

The rate of internal mobility includes movements within and between Group entities for individuals on permanent contracts.

Turn over

Turnover is calculated by dividing the number of departures (excluding retirements) by the average number of employees during the year.

Clarifications on selected environmental indicators:

Carbon footprint

The 2019 carbon balance was carried out using the most recent method of the Bilan Carbone Association (V8.3), which provides greater precision in calculating emissions.

It shall be subject to external verification by the independent third-party body.

Water consumption

Water consumption relates to the consumption actually recorded for all the group's entities, with the exception of Crédit Mutuel de Bretagne, which is estimated on the basis of average water consumption per employee.

Travel by train and plane

Miles for air and rail trips are calculated from billing data and can cumulate 2018 trips accrued in 2019.

Business travel – Fleets

The kilometers travelled by company vehicles are prorated in relation to the average number of days worked during the year.

Exclusions

The following topics are not described in the Non-Financial Performance Statement as they are considered non-material in the context of the group's direct activity: food waste and the fight against food insecurity.

External audit approach

In order to obtain an external opinion on the reliability and sincerity of the non-financial data, the Arkéa group has mandated Mazars, as an Independent Third Party Organization, to verify the Declaration's compliance with the provisions of Article R.225-105 of the French Commercial Code and the sincerity of the information provided in application of 3° of I and II of Article R.225-105 of the French Commercial Code, namely the results of the policies including key performance indicators and the actions relating to the main risks.

The assurance report issued by the Independent Third Party Organization and detailing the due diligence carried out as well as their comments and conclusions are included in this universal registration document.

6.

General information

General information	284
Statement of the person responsible	286
Statutory Auditors	287

General information

The main information relating to locations as of December 31, 2019 aggregated at the country and territory level is as follows:

(in thousands of euros)

12.31.2019

Zone	Country	NBI*	Employees (full-time equivalent)	Net income (loss) before tax*	Corporate income tax*	Subsidies*
France	France	2,209,178	9,668	636,267	-128,973	0
Other EU countries	Germany	0	0	-121	0	0
	Belgium	76,903	244	12,121	-2,985	0
	Spain	0	0	-1,419	0	0
	Italy	0	0	-937	0	0
	Luxembourg	15,522	53	-2,272	221	0
Other European country	Switzerland	1,744	11	-627	54	0
OVERALL TOTAL		2,303,347	9,976	642,512	-131,683	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 are therefore nil.

Information about the Company

Registered name and trade name: Crédit Mutuel Arkéa

Place of registration and registration number:

Siren: 775 577 018 RCS Brest/APE Code: 641 Z

Date of incorporation and lifetime:

The company was incorporated on September 24, 1960 for a term of 99 years, ending on September 23, 2059.

Head office: 1 rue Louis Lichou, 29480 Le Relecq-Kerhuon, France

Telephone: +33 2 98 00 22 22

Fax: 02 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 governed by:

- the law of September 10, 1947 on the status of 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 Monetary and Financial Code relating to the activity and supervision of credit institutions;

- Articles L.512-55 to L.512-59 of the French Monetary and Financial Code and all texts relating to Crédit Mutuel;

- the provisions of its articles of association and rules of procedure.

Nature of control over the company

The basic structure of the group is the local bank. This covers a limited geographical area and its capital is held by the members in the form of shares. In accordance with the provisions applicable to Crédit Mutuel, and in particular the provisions of Articles L.512-55 and seq. of the Monetary and Financial Code, the capital of Crédit Mutuel Arkéa is held by the local banks of the federations of Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest. There is no agreement that could lead to a change in control of the company. Changes in the capital of Crédit Mutuel Arkéa are also governed by the provisions of Article 9 of the Articles of Association and are also applied in compliance with the provisions applicable to cooperatives.

Judicial and arbitration proceedings

As of the date of filing of this Universal Registration Document, neither the company nor any other member of the Arkéa group is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings of which the company is aware, which are pending or of which it is threatened) which could have or have had in the past twelve months significant effects on the financial position or profitability of the company and/or the Arkéa group.

Major agreements

There have been no material contracts (other than contracts entered into in the normal course of the company's business) that could confer on any member of the Arkéa group a right or obligation that would materially affect the company's ability to meet its obligations under the financial securities issued to their holders.

Significant change in the company's financial position

No significant change in the company's financial position has occurred since the end of the last fiscal year and in particular since the closing of the financial statements for fiscal year 2019 by the company's Board of Directors on March 3, 2020.

Audit of the annual historical financial information and sources of the financial information included in this document

For fiscal year 2019:

See the statutory auditors' report for the financial year 2019.

For fiscal year 2018:

See the statutory auditors' report for the financial year 2018.

For fiscal year 2017:

See the statutory auditors' report for the financial year 2017.

This Universal Registration Document does not contain any other information audited by the statutory auditors, and the financial information contained herein is all derived from the audited financial statements of the company.

This Universal Registration Document does not contain any third-party information, statements by experts or declarations of interest.

Profit forecasts or estimates

This Universal Registration Document does not contain any profit forecasts or estimates.

Date of last audited financial information

The date of the last audited financial information is December 31, 2019. It was approved by the Board of Directors on March 3, 2020 and will be submitted for approval to the General Shareholders' Meeting on May 14, 2020.

No quarterly or interim financial information has been released since the date of the last audited financial statements.

Publicly available documents and documents incorporated by reference

During the period of validity of the Universal Registration Document, a copy of the following documents may, where appropriate, be consulted:

- the articles of association of the company;
- all reports, letters and other documents, historical financial information, valuations and statements prepared by an expert at the request of the company included in this Universal Registration Document;

- the financial information of the company and the Arkéa group for the years ending December 31, 2017, 2018 and 2019;

- this Universal Registration Document;

- the Registration Document number D.19-0410 of April 26, 2019 incorporated by reference and the interim Universal Registration Document published on August 29, 2019 under number D.19-0775 and its amendment published under number D.19-0775-A01;

- the Reference Document number D.18-0427 dated April 27, 2018, incorporated by reference and updated on August 29, 2018 under number D.18-0427;

The Issuer accepts responsibility for information incorporated by reference.

The Registration Document no.D.19-0410 dated April 26, 2019 incorporated by reference, the interim Universal Registration Document published on August 29, 2019 under no.D.19-0775 as well as its amendment published under no.D.19-0775-A01 and this Universal Registration Document are also available on the website of the French Autorité des Marchés Financiers: www.amf-france.org.

These documents may be consulted at the company's registered office during normal business hours and days. A copy of this Universal Registration Document will be sent free of charge to any person who requests it. These documents may also be consulted on the company's website (www.arka.com).

Legal Entity Identification

CRÉDIT MUTUEL ARKÉA

1 RUE LOUIS LICHOU

29480 LE RELECQ-KERHUON FRANCE

96950041VJ1QP0B69503

Integration by reference

In accordance with Article 28 of European Regulation 809/2004 of April 29, 2004, the reader is referred to previous Reference Documents for certain information, in particular financial information concerning the company's assets and liabilities, financial position and results:

1. relating to fiscal year 2018: pages 79 to 214 of the Reference Document number D.19-0410 of April 26, 2019;
2. relating to fiscal year 2017: pages 74 to 182 of the Reference Document number D.18-0427 of April 27, 2018;
3. for fiscal year 2016: pages 62 to 159 of the Registration Document number D.17-0503 of May 9, 2017.

Other information included in the previous Registration Document other than that mentioned above has been replaced and/or updated, as the case may be, by information included in this Universal Registration Document.

Statement of the person responsible

Person responsible for the information contained in this document

Hélène Bernicot, Chief Executive Officer of Crédit Mutuel Arkéa.

Statement by the person responsible for this document

I certify, after having taken all reasonable measures to this effect, that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the company and of all the companies included in the consolidation, and that the management report, a cross-reference table of which is provided on page 308, presents a true and fair view of the development of the business, the results of operations and the financial position of the company and of all the companies included in the consolidation and describes the main risks and uncertainties facing them.

Done at Relecq Kerhuon, on April, 14th 2020

Hélène Bernicot,
Chief Executive Officer of Crédit Mutuel Arkéa

Statutory Auditors

The company's consolidated financial statements for the year 2019 have been audited by:

Statutory Auditors:

Mazars

61 Henri Regnault Street

Exaltis

92075 La Défense Cedex

France

Represented by **Mr Franck BOYER**

Start of first term: 1976

Expiry of current term of office: December 31, 2020
(at the end of the financial statements)

The renewal of the mandate of Mazars represented by Mr Franck BOYER as from the 2017 financial year was decided on May 6, 2015 for a period of six financial years.

and

Deloitte & Associates

6 Place de la Pyramide

92908 Paris La Défense Cedex

France

Represented by **Mr Jean-Vincent COUSTEL**

Start of first term: 2007

Expiry of current term of office: December 31, 2020
(at the end of the financial statements)

The renewal of the term of office of Deloitte & Associés represented by Mr Jean-Vincent COUSTEL as from the 2014 financial year was decided on May 6, 2015 for a period of six financial years.

Substitute Statutory Auditors:

Mrs Anne VEAUTE,

61 Henri Regnault Street

Exaltis

92075 La Défense Cedex

France

Start of first term: 2012

Expiry of current term of office: December 31, 2020
(at the end of the financial statements)

The appointment of Mrs Anne VEAUTE was decided on May 6, 2015 for a term of six fiscal years.

and

BEAS Company

7-9, villa Houssay

92524 Neuilly-sur-Seine Cedex

France

Represented by **Mr Pascal PINCEMIN**

Start of first term: 2009

Expiry of current term of office: December 31, 2020
(at the end of the financial statements)

The appointment of BEAS was decided on May 6, 2015 for a period of six financial years.

7.

Statutory Auditors' Reports

7.1	Statutory Auditors' report on the consolidated financial statements year ended December 31, 2019	290	7.3	Statutory Auditors' special report on regulated agreements and commitments	297
7.2	Statutory Auditors' report on the aggregate financial statements	294	7.4	Report of the independent third party on the consolidated non-financial performance statement	299

7.1 Statutory Auditors' report on the consolidated financial statements year ended December 31, 2019

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.

To the Shareholders' Meeting of Crédit Mutuel Arkéa,

Opinion

In compliance with the assignment entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Crédit Mutuel Arkéa for the year ended December 31, 2019. These financial statements were approved by the Board of Directors on March 3, 2020 on the basis of the information available at that date in the context of the evolving health crisis related to Covid-19.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and assets and liabilities of the consolidated group of persons and entities as of December 31, 2019 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the information we have collected is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities in accordance with these standards are set out in the section entitled "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" of this report.

Independence

We conducted our audit in accordance with the rules of independence applicable to us for the period from 1 January 2019 to the date of issuance of our report and, in particular, we did not provide any services prohibited by Article 5(1) of Regulation (EU) no.537/2014 or by the Code of Ethics of the Statutory Auditors.

Comments

Without calling into question the opinion expressed above, we draw your attention:

- on the "Significant events of the year" and the paragraph "Investments in associates and joint ventures" of the accounting principles and consolidation methods, which specify the accounting treatment adopted by the company for the results of disposals of investments in associates;
- as well as note 37 "Gains or losses on disposal - dilution of associates and joint ventures accounted for by the equity method", which mentions the impact of the capital gain on the disposal of Primonial shares on the consolidated financial statements.

Without qualifying the opinion expressed above, we draw your attention to the notes "Applied Accounting Standards" and "First Time Application" to the consolidated financial statements which explain the effects of the changes in accounting methods resulting from the application of IFRS 16 and IFRIC 23 from January 1, 2019.

Justification of Assessments - Key Audit Points

In accordance with the requirements of Articles L.823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the consolidated financial statements as well as the responses that we made to these risks.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, prepared as described above, and in the context of forming our audit opinion. We do not express an opinion on individual items in these consolidated financial statements.

Assessment of credit risk - Notes 6 and 40 to the consolidated financial statements

Identified risk and key judgments

Crédit Mutuel Arkéa recognizes impairments to cover the credit risks inherent in its activities. Since January 1, 2018, these impairments have been determined in accordance with the provisions of IFRS 9 and the principle of expected credit losses.

The assessment of expected credit losses for customer loan portfolios requires judgment in particular for:

- Assessing the significant deterioration in credit risk to classify outstandings into bucket 1, bucket 2 or bucket 3;
- Estimate the amount of expected losses according to the different buckets;
- Establish macroeconomic projections that are integrated both in the degradation criteria and in the measurement of expected losses.

As of December 31, 2019, the total amount of customer loans outstanding exposed to credit risk amounted to €63,542 million; the total amount of impairments amounted to €1,098 million.

We considered the assessment of credit risk and the evaluation of impairment to be a key point of the audit, as these elements require management's judgment and estimates, particularly with regard to corporate credit risk, as the outstanding amounts per counterparty can represent significant amounts.

Our audit approach

We have concentrated our work on the most significant outstandings and/or portfolios as well as on financing in the most sensitive economic sectors.

We assessed the relevance of Crédit Mutuel Arkéa's internal control system and tested the manual or computerized controls relating to the assessment of credit risk and the evaluation of expected losses.

In particular, our work focused on the following processes:

- Classification of outstandings by bucket: we have assessed the relevance and correct application of the indicators applicable to the various business lines to measure the significant deterioration in credit risk, particularly with regard to the rating of corporate counterparties;
- Evaluation of expected losses (buckets 1, 2 and 3):
 - With the help of our credit risk specialists and relying on the Group's internal system for independent validation of models, we assessed the methodologies and assumptions used by Crédit Mutuel Arkéa for macroeconomic projections for the various business lines, their correct operational integration into the information system, and the effectiveness of data quality controls;
 - In addition, for impairment on credit outstandings classified in bucket 3, we verified that a periodic review of the credit risk of the counterparties under watch was performed by Crédit Mutuel Arkéa and assessed, on the basis of samples, the assumptions and data used by management to estimate impairment.

We have also reviewed the information published in the notes to the financial statements relating to credit risk and, in particular, the information required by IFRS 9 on credit risk.

Goodwill - Notes 15 and 49 to the consolidated financial statements

Identified risk and key judgments:

The Crédit Mutuel Arkéa group generally recognizes goodwill on acquisitions. This goodwill is then allocated to the various cash-generating units (CGUs). At December 31, 2019, goodwill amounted to €567 millions.

Goodwill is tested for impairment whenever there is an indication of impairment and at least annually. These tests are based on a comparison between the carrying amount and the recoverable amount. The methods used to determine the recoverable amount are notably based on the expected future profitability method, which is based on an estimate of future cash flows based on the business plans of each cash-generating unit, carried out over an explicit time horizon.

The assumptions underlying the determination of the recoverable amount constitute a significant estimate for the preparation of the financial statements and require management's judgment.

Our audit approach:

We analyzed the process implemented by the Group to identify potential impairment losses on goodwill as well as the process for developing impairment tests resulting from the recognition of indications of impairment or the annual review process.

We brought in our valuation experts to:

- carry out a technical analysis of the construction of valuation models based on the expected future profitability method;
- review the assumptions used to determine the financial parameters used in the discount rate, by reperforming with internal data;
- realize a counter-valuation.

We also reviewed the relevance of the economic data and assumptions used in the construction of the business plans prepared by the management of the entities concerned and approved by the Board of Directors.

Specific verifications

In accordance with professional standards applicable in France, we have also verified the information given in the management report of the Board of Directors dated April 3, 2020, as required by French law and regulations. With respect to the events that occurred and the elements known subsequent to the date of closing of the financial statements relating to the effects of the Covid-19 crisis, management has informed us that they will be the subject of a communication to the General Meeting called to approve the financial statements.

We have no comment to make as to its fair presentation and consistency with the consolidated financial statements.

We certify that the consolidated extra-financial performance declaration provided for by Article L.225-102-1 of the French Commercial Code is included in the Group's management report, it being specified that, in accordance with the provisions of Article L.823-10 of this code, the information contained in this declaration has not been verified by us as to its fairness or its consistency with the consolidated financial statements and must be the subject of a report by an independent third party.

Information resulting from other legal and regulatory obligations

Appointment of Statutory Auditors

We were appointed Statutory Auditors of Crédit Mutuel Arkéa on June 10, 1976 for the firm Mazars (due to the mergers of firms that have taken place since that date) and on May 11, 2007 for the firm Deloitte & Associés.

As of December 31, 2019, Mazars was in its 44th year of uninterrupted engagement and Deloitte & Associés in its 13th year, 27 and 13 years respectively since the company's debt securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance in respect of the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union and to implement the internal control procedures it deems necessary to prepare consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, it is the responsibility of management to assess the company's ability to continue as a going concern, to make appropriate disclosures in those financial statements as to whether the company is prepared as a going concern and to apply the going concern accounting policy, except when the company is to be wound up or cease trading.

The Audit Committee is responsible for monitoring the process of preparing financial information and for monitoring the effectiveness of internal control and risk management systems, as well as internal audit, where applicable, with respect to procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Audit objective and approach

Our responsibility is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance corresponds to a high level of assurance but does not guarantee that an audit performed in accordance with professional standards of practice will enable us to systematically detect any material misstatement. Misstatements may arise from fraud or error and are considered material when it is reasonable to expect that they could, individually or in the aggregate, influence the economic decisions that users of the accounts take on the basis of the accounts.

As specified by article L.823-10-1 of the French Commercial Code, our mission of certification of the accounts does not consist in guaranteeing the viability or the quality of the management of your company.

In the context of an audit carried out in accordance with professional standards applicable in France, the Statutory Auditor exercises his professional judgment throughout the audit.

In addition:

- it identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, defines and performs audit procedures to address those risks, and obtains audit evidence that it considers sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of detecting a material misstatement due to error because fraud may involve collusion, falsification, willful omission, misrepresentation or circumvention of internal control;
- it shall obtain an understanding of the 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;
- it assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information relating thereto provided in the consolidated financial statements;
- it assesses the appropriateness of management's application of the going concern accounting policy and, based on the information gathered, whether or not there is any significant uncertainty related to events or circumstances that could call into question the company's ability to continue as a going concern. This assessment is based on the information collected up to the date of its report, it being recalled, however, that subsequent circumstances or events could call into question the company's ability to continue as a going concern. If it concludes that a material uncertainty exists, it draws the attention of the readers of its report to the information provided in the consolidated financial statements regarding this uncertainty or, if this information is not provided or is not relevant, it formulates a qualified certification or a refusal to certify;
- It assesses the overall presentation of the consolidated financial statements and evaluates whether the consolidated financial statements reflect the underlying transactions and events in such a way as to give a true and fair view;
- concerning the financial information of the persons or entities included in the scope of consolidation, it collects information that it considers sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for directing, supervising and carrying out the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which presents, in particular, the scope of the audit work and the work program implemented, as well as the conclusions resulting from our work. We also bring to its attention, where appropriate, any significant deficiencies in the internal control procedures that we have identified with respect to the preparation and processing of accounting and financial information.

Among the elements communicated in the report to the Audit Committee are the risks of material misstatement which we consider to have been the most significant for the audit of the consolidated financial statements for the year and which therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of EU Regulation no.537-2014 confirming our independence, within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics of the Statutory Auditors. Where necessary, we discuss with the Audit Committee the risks weighing on our independence and the safeguards applied.

Paris-La Défense, 10 April 2020

The Statutory Auditors

DELOITTE & ASSOCIÉS

Jean-Vincent COUSTEL

MAZARS

Franck BOYER

7.2 Statutory Auditors' report on the aggregate financial statements

Year ended December 31, 2019

This is a translation into English of the statutory auditors' report on the aggregate 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.

To the Shareholders' Meeting of Crédit Mutuel Arkéa,

Opinion

In compliance with the assignment entrusted to us by your Annual General Meeting, we have audited the accompanying aggregate financial statements of Crédit Mutuel Arkéa for the year ended December 31, 2019. These financial statements were approved by the Board of Directors on March 3, 2020 on the basis of the information available at that date in the context of the evolving health crisis related to Covid-19.

In our opinion, the aggregate financial statements give a true and fair view of the financial position and assets and liabilities of the Company as of December 31, 2019 and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the information we have collected is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities in accordance with these standards are set out in the section entitled "Statutory Auditors' Responsibilities for the Audit of the Aggregate Financial Statements" of this report.

Independence

We conducted our audit in accordance with the rules of independence applicable to us, for the period from 01.01.2019 to the date of issue of our report, and in particular we did not provide any services prohibited by Article 5, paragraph 1, of EU Regulation 537/2014 or by the Code of Ethics for the Statutory Auditors.

Justification of Assessments - Key Audit Points

In accordance with the requirements of Articles L.823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the annual financial statements for the year ended 31 December 2019, as well as the responses that we made to these risks.

These assessments were made in the context of our audit of the aggregate financial statements taken as a whole, prepared as described above, and in the context of forming our audit opinion. We do not express an opinion on individual elements of these aggregate financial statements.

Investments and shares in affiliated undertakings - Note 6 and "Accounting principles and valuation methods" of the notes to the aggregate financial statements

Identified risk:

Investments and other securities held for long-term investment" and "Shares in affiliated undertakings" total €5,208 million. These securities are recorded individually at the lower of cost or value in use.

This value in use is subject to an annual valuation that involves several valuation techniques and macroeconomic assumptions, including:

- The use of revalued net assets;
- The use of equity valuation based on actuarial data;
- The use of the expected future profitability method, which is based on forecast data as well as a discount rate and a growth rate to infinity.

This is an estimate that requires management to exercise judgment in selecting the relevant items to be taken into account. As such, we considered the valuation of equity investments to be a key point of the audit.

Audit approach:

We assessed the processes implemented by Crédit Mutuel Arkéa to measure the possible need for impairment of equity investments.

We brought in our valuation experts to:

- Carry out an analysis of the consistency between the equity securities / shares in affiliated companies analyzed and the valuation method used;
- Carry out a technical analysis of the construction of the valuation models and review the assumptions used to determine the financial parameters retained.

We also reviewed the forecasts used, verifying that they were taken from the business plans approved by the management bodies of the companies concerned and that they were consistent with the assumptions made and past performance.

Specific verifications

In accordance with professional standards applicable in France, we have also carried out the specific verifications required by law and regulations.

Information given in the management report and in other documents sent to shareholders on the financial situation and the aggregate annual statements.

We have no comment as to the fair presentation and the conformity with the aggregate financial statements of the information given in the management report of the Board of Directors of administration dated April 3, 2020 and in the other documents addressed to the shareholders with respect to the financial position and the aggregate financial statements, with the exception of the point below. With regard to the events that occurred and the elements known after the closing date of the financial statements relating to the effects of the Covid-19 crisis, management has informed us that they will be the subject of a communication to the General Meeting called to approve the financial statements.

The fair presentation and the conformity with the aggregate financial statements of the information relating to the payment periods mentioned in Article D.441-4 of the French Commercial Code call for the following observation: as indicated in the management report, this information does not include banking and related operations, as your company considers that they do not fall within the scope of the information to be produced.

Information on corporate governance

We hereby certify that the section of the Board of Directors' management report dealing with corporate governance includes the following information required by Article L.225-37-4 of the French Commercial Code.

Other information

In accordance with the law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the Directors' Report.

Information resulting from other legal and regulatory obligations**Appointment of Statutory Auditors**

We were appointed Statutory Auditors of Crédit Mutuel Arkéa on June 10, 1976 for the firm Mazars (in view of the mergers of firms that have occurred since that date) and on May 11, 2007 for the firm Deloitte & Associés.

As at 12.31.2019, Mazars was in its 44th year of uninterrupted engagement and Deloitte & Associés in its 13th year, 27 and 13 years respectively since the company's debt securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance in respect of the consolidated financial statements

It is the responsibility of management to prepare the aggregate financial statements giving a true and fair view in accordance with the accounting rules and principles applicable in France and to implement the internal control procedures it deems necessary to prepare aggregate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the aggregate annual accounts, it is the responsibility of the management to assess the company's ability to continue as a going concern, to disclose in those accounts, where appropriate, the necessary information concerning the company's ability to continue as a going concern and to apply the going concern accounting policy, unless the company is to be wound up or cease trading.

The Audit Committee is responsible for monitoring the process of preparing financial information and for monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, internal audit, with respect to procedures relating to the preparation and processing of accounting and financial information.

The aggregate annual accounts were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the aggregate financial statements

Audit objective and approach

It is our responsibility to report on the aggregate financial statements. Our objective is to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement. Reasonable assurance corresponds to a high level of assurance but does not guarantee that an audit performed in accordance with professional standards of practice will reveal any material misstatement. Misstatements may arise from fraud or error and are considered material when it is reasonable to expect that they could, individually or in the aggregate, influence the economic decisions that users of the accounts take on the basis of the accounts.

As specified by article L.823-10-1 of the French Commercial Code, our mission of certification of the accounts does not consist in guaranteeing the viability or the quality of the management of your company.

In the context of an audit carried out in accordance with professional standards applicable in France, the Statutory Auditor exercises his professional judgment throughout the audit.

In addition:

- It identifies and assesses the risks of material misstatement of the aggregate financial statements, whether due to fraud or error, defines and performs audit procedures to address those risks, and obtains audit evidence that it considers sufficient and appropriate to form an audit opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of detecting a material misstatement due to error because fraud may involve collusion, falsification, willful omission, misrepresentation or circumvention of internal control;
- It shall obtain an understanding of the 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;
- It assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information relating thereto provided in the aggregate financial statements;
- It assesses the appropriateness of management's application of the going concern accounting policy and, depending on the information collected, whether or not there is any significant uncertainty related to events or circumstances that could call into question the company's ability to continue as a going concern. This assessment is based on the information collected up to the date of its report, it being recalled, however, that subsequent circumstances or events could call into question the company's ability to continue as a going concern. If it concludes that there is a material uncertainty, it draws the attention of the readers of its report to the information provided in the aggregate annual statements about this uncertainty or, if this information is not provided or is not relevant, it formulates a qualified opinion or a refusal to certify;
- It assesses the overall presentation of the aggregate annual statements and evaluates whether they reflect underlying transactions and events in such a way as to give a true and fair view.

Report to the Audit Committee

We submit a report to the Audit Committee which presents in particular the scope of the audit work and the work programme implemented, as well as the conclusions resulting from our work. We also bring to its attention, where appropriate, any material weaknesses in the internal control procedures that we have identified with respect to the preparation and processing of accounting and financial information.

Among the elements communicated in the report to the Audit Committee are the risks of material misstatement, which we consider to have been the most significant for the audit of the aggregate financial statements for the financial year and which therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of EU Regulation no.537-2014 confirming our independence, within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics of the Statutory Auditors. Where necessary, we discuss with the Audit Committee the risks weighing on our independence and the safeguards applied.

Paris-La Défense, 10 April 2020

The Statutory Auditors

DELOITTE & ASSOCIÉS

Jean-Vincent COUSTEL

MAZARS

Franck BOYER

7.3 Statutory Auditors' special report on regulated agreements and commitments

This 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 stands applicable in France.

General Meeting to approve the financial statements for the year ended December 31, 2019

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, as well as the reasons justifying the interest for the company of the agreements 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 search for the existence of other agreements. It is your responsibility, under the terms of Article R.225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements prior to their approval.

In addition, it is our responsibility, where applicable, to report to you on 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 already approved by the General Meeting.

We have performed the procedures we considered necessary in accordance with the professional standards applicable in France (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in verifying that the information provided to us is consistent with the source documents from which it was extracted.

Agreements submitted to the approval of the General Meeting of Shareholders

Agreements authorized during the past fiscal year

We hereby inform you that we have not been advised of any agreements authorized and concluded during the past financial year to be submitted to the approval of the General Meeting pursuant to the provisions of Article L225-38 of the French Commercial Code.

Agreements already approved by the General Meeting

Pursuant to Article R225-30 of the French Commercial Code, we have been informed that the following agreements, which were already approved by the General Meeting in previous years, continued to be performed during the year.

Chairman's employment contract

On 12 September 2008, the Board of Directors approved the provisions of the amendment to the suspension of the employment contract of Mr Jean-Pierre Denis, Chairman of the Board of Directors of Crédit Mutuel Arkéa. The addendum to the suspension of his 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 the related rights,
- the subscription to a private unemployment insurance scheme during the period of suspension of the employment contract,
- the terms and conditions 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, *i.e.*: sums due pursuant to the law and the collective agreement and additional compensation for dismissal in a net amount corresponding to 18 months' gross salary.

On May 7, 2010, the Board of Directors authorized the modification in the following terms and conditions 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 pursuant to the law and the collective bargaining agreement and additional severance pay of 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 conventional termination of the employment contract, payment of compensation in a net amount equal to two years' remuneration (calculated on the basis of the average gross monthly salary, received during the twelve months preceding the date of the termination, plus the average gross monthly variable portion received during the three years preceding the date of the termination) in addition to the sums due by application of the law and the provisions of the agreements applicable within Crédit Mutuel Arkéa.

On April 6, 2012, the Board of Directors authorized the signature of an amendment to the agreement, incorporating and specifying the provisions previously entered into 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 his reinstatement as an employee. It also authorized the Director of Human Resources to incorporate into the Chairman's suspended employment contract the changes in employment 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 to the suspension of the employment contract of Mr Ronan Le Moal, Chief Executive Officer of Crédit Mutuel Arkéa. The addendum to the suspension of 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 the related rights,
- the subscription to a private unemployment insurance scheme during the period of 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 conventional termination of the employment contract, payment of compensation in a net amount equal to two years' remuneration (calculated on the basis of the average gross monthly salary, including benefits in kind, whether under an employment contract or corporate office, received during the twelve months preceding the date of termination, plus the average gross monthly variable portion received during the three years preceding the date of termination) in addition to the sums due by application of the law and the provisions of the agreements applicable within Crédit Mutuel Arkéa.

On April 6, 2012, the Board of Directors authorized the signature of an amendment to the agreement between Crédit Mutuel Arkéa and the Chief Executive Officer on September 12, 2008 and April 10, 2010 concerning the terms and conditions of the suspension of his employment contract and those applicable in the event of reinstatement of his employee status. It also authorized the Director of Human Resources to incorporate into the suspended employment contract the changes in employment status applicable to the Group's senior executives.

Paris-La Défense, 10 April 2020

The Statutory Auditors

DELOITTE & ASSOCIÉS

Jean-Vincent COUSTEL

MAZARS

Franck BOYER

7.4 Report of the independent third party on the consolidated non-financial performance statement

Year ended December 31, 2019

This is a translation into English of the independent third party's report on the non-financial performance statement of the Company issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In our capacity as an independent third party organization, member of the Mazars network, statutory auditor of Crédit Mutuel Arkéa, accredited by COFRAC Inspection under number 3-1058 (scope of accreditation available on the website www.cofrac.fr), we hereby present our report on the consolidated non-financial performance statement for the year ended 31 December 2019 (hereafter the "Statement"), presented in the management report, in accordance with the legal and regulatory provisions of Articles L.225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Corporate responsibility

It is the responsibility of the Board of Directors to prepare a Statement in accordance with legal and regulatory requirements, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks and the results of these policies, including key performance indicators.

The Declaration was drawn up by applying the company's procedures (hereinafter the "Reference Document"), the significant elements of which are presented in the Declaration and are available from the General Secretariat and Corporate Communications Department.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the Code of Ethics of the profession. In addition, we have set up a quality control system that includes documented policies and procedures designed to ensure compliance with applicable laws and regulations, ethical rules and professional doctrine.

Responsibility of the Independent Third Party

It is our responsibility, on the basis of our work, to issue a reasoned opinion expressing a moderate conclusion of assurance on:

- compliance of the Declaration with the provisions of Article R.225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to 3° of I and II of Article R.225-105 of the French Commercial Code, namely the results of policies, including key performance indicators, and actions, relating to the main risks, hereinafter the "Information".

However, it is not our responsibility to express an opinion on the company's compliance with other applicable legal and regulatory provisions, in particular with regard to the due diligence plan and the fight against corruption and tax evasion, or on the compliance of products and services with applicable regulations.

Nature and scope of work

Our work described below was performed in accordance with the provisions of Articles A. 2251- and following of the French Commercial Code, the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes (French National Institute of Statutory Auditors) relating to this engagement and the international standard ISAE 3000:

- We have taken note of the activity of all the entities included in the scope of consolidation and of the main risks;
- We have assessed the appropriateness of the Reporting Criteria with respect to its relevance, completeness, reliability, neutrality and comprehensibility, taking into account, where appropriate, industry best practices;
- We have verified that the Declaration covers each category of information provided for in III of Article L.225-1021- regarding social and environmental- matters, respect for human rights and the fight against corruption and tax evasion;
- We have verified that the Declaration presents the information required under II of Article R.225-105 when it is relevant with regard to the main risks and includes, where applicable, an explanation of the reasons for the absence of the information required under the second paragraph of III of Article L.225-102-1;
- We have verified that the Declaration presents the business model and a description of the main risks related to the activity of all the entities included in the scope of consolidation, including, where relevant and proportionate, the risks created by its business relationships, products or services, as well as the policies, actions and results, including key performance indicators relating to the main risks;
- We consulted documentary sources and conducted interviews for:
 - assess the process for selecting and validating the main risks as well as the consistency of the results, including the key performance indicators selected, with respect to the main risks and policies presented, and
 - corroborate the qualitative information (actions and results) that we considered the most important presented in Appendix 1. For all the risks presented, our work was carried out at the level of the consolidating entity, for the other risks, work was carried out at the level of the consolidating entity and in selected entities ⁽¹⁾;
- We have verified that the Declaration covers the consolidated perimeter, *i.e.* all the entities included in the scope of consolidation in accordance with Article L.233-16 with the limits specified in the Declaration;
- We have taken note of the internal control and risk management procedures implemented by the entity and have assessed the collection process aimed at ensuring the completeness and fairness of the Information;
- For the key performance indicators and other quantitative results that we considered the most important presented in Appendix 1, we have implemented:
 - analytical procedures consisting in verifying the correct consolidation of the data collected and the consistency of their trends;
 - tests of detail on a sample basis, consisting of verifying the correct application of definitions and procedures and reconciling data with supporting documents. This work was carried out on a selection of contributing entities ⁽²⁾ and covers between 71% and 100% of the consolidated data selected for these tests;
- We have assessed the overall consistency of the Declaration with our knowledge of all the entities included in the scope of consolidation.

In our opinion, the work we conducted using professional judgment enables us to express a conclusion of moderate assurance; a higher level of assurance would have required more extensive audit work.

Means and resources

Our work mobilized the skills of 4 people and took place between November 2019 and March 2020 over a total intervention period of 3 weeks.

We conducted around twenty interviews with the people responsible for preparing the Declaration, representing in particular the Innovation and Operations Division, the Purchasing Department, the Human Resources Department, Federal Finance Gestion, the Organization and Resources Department, the Operational Risks and IT Risks Department, the Compliance and Permanent Control Department, the General Secretariat and Institutional Communication Department, the General Secretariat of Crédit Mutuel de Bretagne and the Cooperative Life and Communication Department of Crédit Mutuel du Sud-Ouest.

(1) Governance indicators: Crédit Mutuel Arkea; Crédit Mutuel du Sud-Ouest; Crédit Mutuel de Bretagne. Social indicators: Arkéa SCD; Economic and Social Unit; Crédit Mutuel Arkea. Environmental indicators: Crédit Mutuel de Bretagne; Crédit Mutuel du Sud-Ouest; Crédit Mutuel Massif Central; Central Services. Societal indicators: Crédit Mutuel de Bretagne; Crédit Mutuel du Sud-Ouest; Crédit Mutuel Massif Central; Crédit Mutuel Arkea.

Conclusion

On the basis of our work, we have not identified any significant anomaly likely to call into question the fact that the non-financial performance statement complies with the applicable regulatory provisions and that the Information, taken as a whole, is presented fairly, in accordance with the Reporting Criteria.

Comment

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:

- The group does not present in the Declaration a key performance indicator concerning the risk of non-compliance with tax transparency rules.

Paris-La Defense, 10 April 2020

The independent third-party organization

MAZARS SAS

Franck BOYER

Associate

Edwige REY

CSR & Sustainable Development Associate

Appendix 1: Information considered most important

Qualitative information (actions and results) relating to the main risks

- Compliance (financial security - anti-money laundering and terrorist financing (AML/CFT) regulations, professional deontology/ethics, customer protection, tax transparency, etc.);
- Data security;
- Governance: Honour and Competence - Cooperative Governance;
- Controversial financing and investments;
- Psycho-social risks;
- Employability and job transformation;
- Discrimination and social dialogue;
- Responsible supplier relations.

Quantitative indicators including key performance indicators and audited entities

Category	Title
Total number of employees	Workforce: Women executives on permanent contracts - France
	Workforce: Non-management women on permanent contracts - France
	Workforce: Women managers on fixed-term contracts - France
	Workforce: Non-managerial women on fixed-term contracts - France
	Workforce: Executives on permanent contracts - France
	Workforce: Non-managerial staff on permanent contracts - France
	Workforce: Male executives on fixed-term contracts - France
	Workforce: Non-management men on fixed-term contracts - France
	Women with managerial responsibility - Abroad
	Women without managerial responsibility - Foreigners
	Men with managerial responsibility - Abroad
	Men without managerial responsibility - Foreigners
Movements	Total number of hires
	Number of employees on permanent contracts who have left the organization
	Number of employees on permanent contracts who left the organization for dismissal
	Internal mobility rate
Diversity	Difference in remuneration M/F
	Employment rate of workers with disabilities in the workforce
Absenteeism	Total number of days of absence in calendar days
Training	Amount of payroll invested in training
	% of payroll dedicated to training
	Number of employees who have completed at least one training course
	Total number of hours spent on employee training
Compensation	% of employees trained
	Total gross annual compensation (in euros) for permanent contracts, of which:
	<ul style="list-style-type: none"> ■ Total gross annual compensation (in euros) - Non-management permanent contracts ■ Total gross annual compensation (in euros) - Permanent management contracts
Social Dialogue	Number of collective agreements signed
RPS	QWL Barometer: Work Direction - Workload
Energy consumption	Total energy consumption (in kWh), of which:
	■ Electrical energy consumption (in kWh)
	■ Gas energy consumption (in kWh)
	■ Energy consumption gas in tank (in liters)
	■ Gas energy consumption in the network (in kWh)
	■ Fuel oil energy consumption (in liters)
	■ Urban steam networks (in kWh)
■ Urban chilled water networks (in kWh)	
SRI / ESG	Total assets managed by the management company
	SRI outstandings (in euros)
	Share of assets managed in ESG in Federal Finance Gestion's assets under management
Solidarity-based employee savings	Outstanding solidarity-based employee savings
Client NPOs	Number of client NPOs (associations, unions, works councils etc.)

7. STATUTORY AUDITORS' REPORTS

Report of the independent third party on the consolidated non-financial performance statement

Category	Title
Governance	Number of Local Banks
	Number of new directors - Local mutuals
	Number of new directors - women - Local mutuals
	Total hours of training provided to directors
	of directors approved without condition precedent by regulators (regulated entities perimeter)
	% of attendance at Board of Directors meetings Arkéa
	Percentage of subsidiaries with an attendance rate of more than 75% at meetings of the supervisory body
	% of members among the federations' individual customers
	% of participation in General Meetings of local mutuals
	% of attendance at the Annual General Meeting Arkéa
Compliance	Annual rate of personnel exposed to AML/CFT trained
	Number of CPRA sanctions related to the AML/CFT system
	Rate of training of persons exposed to anti-corruption in the credit institution 15589
	Number of beneficiaries of the specific offer dedicated to fragile customers (scope of the credit institution 15589)
Suppliers	Share of purchases from French suppliers
	Share of ESG assessments of vendors conducted for the reporting period
Information security	Percentage of targeted personnel aware of information systems security
Patronage & sponsoring	Global budget dedicated to patronage and sponsorship (euros)

Cross-reference tables and alternative performance measures

Cross-reference table of the Universal Registration Document	306	Cross-reference table with international commitments	309
Cross-reference table of the 2019 Annual Financial Report relating to the Arkéa group	308	Alternative performance measures - article 223-1 of the AMF General Regulation	310

Cross-reference table of the Universal Registration Document

This cross-reference table includes the headings provided for in Annex 1 (by reference to Annex 2) of the delegated Commission Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council and repealing Commission Regulation (EC) no.809/2004, and refers to the sections and pages of this Universal Registration Document where the information relating to each of these headings is mentioned.

Headings of Annex I of the Delegated Regulation (EU) n°2019/980	Sections	Pages
1. RESPONSIBLE PERSONS, INFORMATION FROM THIRD PARTIES, EXPERT REPORTS AND APPROVAL BY THE COMPETENT AUTHORITY		
1.1 Name and function of the person responsible	6	286
1.2 Declaration of the person responsible	6	286
1.3 Statement or report attributed to a person acting as an expert	6	285
1.4 Certification on information from third parties	6	285
1.5 Declaration by the issuer		1
2. STATUTORY AUDITORS	6	
2.1 Names and addresses of the statutory auditors	6	287
2.2 Resignation, dismissal or non-renewal of statutory auditors	NA	
3. RISK FACTORS		
3.1 Risk Factors	4.1	198
4. INFORMATION ABOUT THE ISSUER	6	
4.1 Corporate and business name of the issuer	6	284
4.2 Place and registration number and Legal Entity Identifier (LEI) of the issuer	6	285
4.3 Date of incorporation and lifetime of the issuer	6	284
4.4 Registered office and legal form of the issuer, applicable law, country of incorporation, address and telephone number of the registered office and website	6	284
5. BUSINESS OVERVIEW		
5.1 Main activities	1.3 ; 1.4 ; 3.2 ; 3.5	9 ; 14 ; 66 ; 155
5.2 Main markets	6	284
5.3 Important events in the development of activities	1.5	16
5.4 Strategy and objectives	1.4	14
5.5 Degree of dependence of the issuer on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	NA	
5.6 Elements on which any statement by the issuer regarding its competitive position is based	1.3	9
5.7 Investments	1.2 ; 1.5 ; 3.5	7 ; 16 ; 164
6. ORGANISATIONAL SET-UP		
6.1 Description	1.1	4
6.2 List of significant subsidiaries	1.3 ; 3.5 ; 3.6	9 ; 159 ; 180
7. REVIEW OF FINANCIAL POSITION AND RESULTS		
7.1 Financial position	3.2 ; 3.5 ; 3.6	66 ; 74 ; 166
7.1.1 Development and results of the issuer's activities and its situation, in relation to the volume and complexity of its activities	3.1 ; 3.2	64 ; 66
7.1.2 Probable future development of the issuer's research and development activities	NA	
7.2 Operating results	3.2 ; 3.5 ; 3.6	66 ; 74 ; 166
7.2.1 Material factors significantly affecting the issuer's operating income		
7.2.2 Significant changes in net sales or revenues	3.5	78-79
8. CASH AND CAPITAL RESOURCES	3.5	80
8.1 Information on the issuer's capital	3.3 ; 3.5 ; 4.5	68 ; 121 ; 231
8.2 Source and amount of issuer's cash flows	NA	
8.3 Information on the issuer's financing requirements and funding structure	3.3 ; 3.5 ; 4.5	

Headings of Annex I of the Delegated Regulation (EU) n°2019/980		Sections	Pages
8.4	Information concerning any restrictions on the use of capital that have materially affected or may materially affect the issuer's business	NA	
8.5	Information on the expected sources of funding that will be needed to meet the commitments referred to in points 5.7.	NA	
9.	REGULATORY ENVIRONMENT	4.1	201
10.	TREND INFORMATION		
10.1	Principal recent trends affecting production, sales and inventories, costs and selling prices since the end of the last fiscal year Any significant change in the Group's financial performance or provide an appropriate negative statement	3.4 ; 4.1	72 ; 200
10.2	A trend, uncertainty, constraint, commitment or event that is reasonably likely to have a material effect on the issuer's prospects, at least for the current financial year.	3.4 ; 4.1	72 ; 200
11.	PROFIT FORECASTS OR ESTIMATES	6	285
12.	ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT		
12.1	Board of Directors and Executive Management	2.2 ; 2.3 ; 2.4	24 ; 40 ; 41
12.2	Conflicts of interest at the level of the administrative, management and supervisory bodies and the Executive Management	2.6	43
13.	PAY AND BENEFITS		
13.1	Amount of remuneration paid and benefits in kind	2.8 ; 3.5	49 ; 156
13.2	Total amounts provided for or recognized for the payment of pensions, retirement or other benefits	2.8 ; 3.5	49 ; 156
14.	FUNCTIONING OF THE ADMINISTRATIVE AND MANAGEMENT BODIES		
14.1	Expiry date of current terms of office	2.2	24
14.2	Information about any service contracts binding the members of the administrative bodies to the issuer or any of its subsidiaries and providing for the granting of benefits under such contracts	2.5	42
14.3	Information on the issuer's Audit Committee and Compensation Committee	2.2	37-38
14.4	A statement as to whether or not the issuer complies with the corporate governance regime.	2.1	23
14.5	Potential significant impacts on corporate governance, including future changes in the composition of administrative and management bodies and committees	2.9	60
15.	EMPLOYEES		
15.1	Number of employees	3.5 ; 5.5 ; 5.6	139 ; 269 ; 276
15.2	Shareholdings and stock options of corporate officers	NA	
	Agreement providing for employee shareholding in the issuer's share capital	NA	
16.	MAJOR SHAREHOLDERS		
16.1	Shareholders holding more than 5% of the share capital or voting rights	5.4	249
16.2	Existence of different voting rights	2.2	24
16.3	Control of the issuer	2.2 ; 5.4	24 ; 249
16.4	An agreement known to the issuer, the implementation of which could, at a later date, result in a change in control of the issuer.	NA	
17.	RELATED PARTY TRANSACTIONS	3.5	156
18.	FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND RESULTS OF THE ISSUER		
18.1	Historical financial information, including financial statements	1.1 ; 13.5 ; 3.6	6 ; 74 ; 166
18.2	Interim and other financial information	6	285
18.3	Audit of historical annual financial information	7	289
18.4	Pro forma financial information	NA	
18.5	Dividend distribution policy	NA	
18.6	Legal and arbitration proceedings	4.4 ; 6	224 ; 284
18.7	Significant change in the issuer's financial position	6	285
19.	ADDITIONAL DETAILS		
19.1	Share capital	3.5 ; 3.6	122 ; 187
19.2	Memorandum and Articles of Association	2.1 ; 6	23 ; 284
20.	LARGE CONTRACTS	6	285
21.	AVAILABLE MATERIAL	6	285

Cross-reference table of the 2019 Annual Financial Report relating to the Arkéa group

The information contained in the 2019 Annual Financial Report, represented by the headings in the table below, is reproduced in full in this Universal Registration Document.

Cross-reference table of the 2019 Annual Financial Report	Sections	Pages
Aggregate financial statements	3.6	166
Consolidated Financial Statements	3.5	74
Management report (see cross-reference table of the Management report)		308
Statement of the person responsible	6	286
Statutory Auditors' Reports	7	289

Cross-reference table of the 2019 Management Report	Sections	Pages
1. OVERVIEW OF ACTIVITIES	1 ; 3 ; 5	
1.1 Financial and non-financial key Indicators	1.1; 5.6	6; 276
1.2 Main activities of the Arkéa group	1.3; 1.4; 3.2; 3.5	9; 14; 66; 155
1.3 Information on the Group's locations and activities	6	284
1.4 Important events occurring between the closing date of the financial year and the date of preparation of the Management Report	2.9; 3.5; 3.6	60; 165; 195
2. RISK FACTORS	4.1	198
2.1 Description of the main risks and uncertainties facing the Group	4.1	198
2.2 Main characteristics of the internal control and risk management procedures implemented	2.7; 4.3-4.7	44; 214-238
3. TREND INFORMATION		
3.1 Statement on the Arkéa group's outlook since the date of its last-published audited financial statements	3.4	72
3.2 Trends or events likely to affect the Arkéa group's outlook for the current financial year	3.4, 4.1	72; 200
4. PROFIT FORECASTS OR ESTIMATES	6	285
5. REPORT ON CORPORATE GOVERNANCE	2	21
5.1 Compensation and benefits of any kind paid to each corporate officer	2.8	49
5.2 Mandates and functions exercised by each of these corporate officers	2.2; 2.3; 2.9	24; 40; 60
6. SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY	5	239
7. TABLE OF RESULTS FOR THE LAST FIVE FINANCIAL YEARS	1.1; 3.6	6; 171
8. INFORMATION ON PAYMENT DEADLINES FOR SUPPLIERS AND CUSTOMERS	3.6	170
9. GENERAL INFORMATION ON CRÉDIT MUTUEL ARKÉA	6	284

Cross-reference table with international commitments

	Global Compact Principles	Sustainable Development Objectives
5.1 THE ARKÉA GROUP'S BUSINESS MODEL		
5.2 SOCIAL RESPONSIBILITY OF THE ARKÉA GROUP		8, 10, 12, 13, 16
5.3 THE GROUP'S MAIN NON-FINANCIAL CHALLENGES AND RISKS	1 à 10	1 à 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 SUPPORTING CLIENTS AND TERRITORIES IN SOCIETAL, SOCIAL AND ENVIRONMENTAL TRANSITIONS		
5.4.1 The relationship and customer satisfaction		
5.4.2 Support for territorial development	1	1, 2, 4, 8, 9, 10, 11
5.4.3 The integration of ESG criteria in financing and investments	1 à 10	1 à 17
5.4.4 Products and services with a social and environmental impact	1, 8, 9	1, 2, 3, 7, 11, 12, 13, 15
5.4.5 Inclusion of clients in fragile situations	1	1, 10
5.5 A RESPONSIBLE BUSINESS APPROACH		
5.5.1 Data protection and security	2	
5.5.2 Business and governance leadership	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 relations	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 EXTRA-FINANCIAL INDICATORS		

Alternative performance measures – article 223-1 of the AMF General Regulation

Alternative performance measures	Definition	Justification for use
Other group operating income and expenses	Difference between the income and expenses of the other activities	Measures income excluding group financial margin and commissions
Other operating income and expenses for the scope of aggregate 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 Crédit Mutuel Arkéa accounts
Operating ratio	Ratio of management expenses to Net Bankinsurance Income	Measure of the group's operational efficiency
Net commissions	Difference between commissions (income) and commissions (expenses)	Measures income from commissions at group level
Cost of risk (in basis points)	Ratio of the cost of risk (in €) to customer loans outstanding 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/losses on financial instruments at fair value through profit or loss + at fair value through equity + at fair value through options + at amortized cost - 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 aggregate accounts	Under French accounting standards: interest and similar income - interest and similar expenses + net gains or losses on trading portfolio transactions + 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 rate of return of total balance sheet assets
Overall coverage ratio of non-performing loans (interest + capital)	Ratio of provisions 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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