

Crédit Mutuel

ARKEA

Crédit Mutuel
ARKEA

Universal
registration
document **2020**

Including the Annual Financial Report

Contents

1. Presentation of Crédit Mutuel Arkéa	3	5. Statement of non-financial performance	237
1.1 Crédit Mutuel Arkéa's Raison d'être (Purpose)	4	5.1 Crédit Mutuel Arkéa's business model	238
1.2 Group profile	6	5.2 Crédit Mutuel Arkéa's corporate social responsibility	238
1.3 Crédit Mutuel Arkéa in a few dates	9	5.3 The group's main challenges and non-financial risks	241
1.4 Crédit Mutuel Arkéa's business lines	12	5.4 Supporting clients and territories in societal, social and environmental transitions	248
1.5 Crédit Mutuel Arkéa's strategy	16	5.5 A responsible corporate approach	264
1.6 2020 highlights	17	5.6 Summary table of indicators	280
1.7 Solidarity relations	20		
2. Corporate governance	23	6. Additional information	287
2.1 Conditions for the preparation of the corporate governance report	25	General information	288
2.2 The Board of Directors of Crédit Mutuel Arkéa	26	Declaration of the person responsible	290
2.3 Executive corporate officers	42	Statutory auditors	291
2.4 The bodies and work of the executive management	43		
2.5 Agreements for the benefit of corporate officers	44	7. Statutory auditors' reports	293
2.6 Conflicts of interest at the level of administrative and management bodies	45	7.1 Statutory auditors' report on the consolidated financial statements 2020	294
2.7 Internal control	46	7.2 Statutory auditors' report on the aggregate financial statements 2020	299
2.8 Compensation of corporate officers	52	7.3 Statutory auditors' special report on regulated agreements and commitments	303
2.9 Statutory auditors' report on the corporate governance report	60	7.4 Report of the independent third party body on the non-financial performance statement information	305
3. Financial information	61	8. Cross-reference tables and alternative performance measures	311
3.1 Activities	62	Cross-reference table of the Universal Registration Document	312
3.2 Financial results	65	Cross-reference table for Crédit Mutuel Arkéa's 2020 annual financial report	314
3.3 Capital and regulatory ratios	67	Cross-reference table with international commitments	315
3.4 Recent trends and outlook	70	Alternative performance measures - Article 223-1 of the AMF general regulation	316
3.5 Consolidated financial statements for the year ended December 31, 2020	73		
3.6 Aggregate financial statements for the year ended December 31, 2020	164		
4. Risks	193		
4.1 Risk factors	194		
4.2 Risk management function	209		
4.3 Credit risk	211		
4.4 Operational risk	218		
4.5 Structural interest rate and liquidity risks	225		
4.6 Risks specific to the insurance business	229		
4.7 Market risk	231		

More information on

cm-arkea.com

Crédit Mutuel

2020 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.

10,846
employees

€2.2 Bn
revenues*

€356 M
Net profit
attributable to equity
holders of the parent



This Universal Registration Document was filed on 19 April 2021 with the AMF, as competent authority under Regulation (EU) No. 2017/1129, without prior approval pursuant to Article 9 of that Regulation. The universal registration document may be used for the purpose of a public offer of securities or the admission of securities to trading on a regulated market if it is supplemented by a securities note and, where applicable, a summary and any amendments to the universal registration document. to the universal registration document. The whole is approved by the AMF in accordance with Regulation (EU) No. 2017/1129.

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 2020.

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

Crédit Mutuel

1.

Presentation of Crédit Mutuel Arkéa

1.1	Crédit Mutuel Arkéa's Raison d'être (Purpose)	4	1.5	Crédit Mutuel Arkéa's strategy	16
1.2	Group profile	6	1.6	2020 highlights	17
1.3	Crédit Mutuel Arkéa in a few dates	9	1.7	Solidarity relations	20
1.4	Crédit Mutuel Arkéa's business lines	12	1.7.1	Solidarity links within Crédit Mutuel Arkéa	20
1.4.1	Retail banking for individuals and professionals and non-banking activities	12	1.7.2	Solidarity links within Crédit Mutuel	20
1.4.2	Retail banking for businesses and professionals	13			
1.4.3	Subsidiaries dedicated to the BtoB (Business-to-Business) market	14			
1.4.4	Insurance and asset management businesses	15			

1. PRESENTATION OF CRÉDIT MUTUEL ARKÉA

Crédit Mutuel Arkéa's Raison d'être (Purpose)

1.1 Crédit Mutuel Arkéa's Raison d'être (Purpose)

"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 territories and their stakeholders, that is sustainable and helps everyone to achieve their potential.

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 develop, in collaboration with our stakeholders, innovative solutions to support our members and clients in their life projects and meet their aspirations."

In accordance with the recommendations of the PACTE law on business growth and transformation, **Crédit Mutuel Arkéa⁽¹⁾ wanted to express and formalise its Raison d'être.**

The Raison d'être is the deep meaning that a company like Crédit Mutuel Arkéa gives to its business and the way it defines its interactions and its usefulness to society and the planet.

Crédit Mutuel Arkéa's contribution cannot be summed up in terms of economic and financial performance alone, but also includes taking into account the challenges posed by social, environmental and technological change, to which Crédit Mutuel Arkéa intends to respond.

Co-constructed with more than 1,900 employees, directors and representatives of the group's stakeholders, the Raison d'être draws on the group's history, identity and values of respect, openness and daring. It is the reflection and expression of what constitutes its cooperative and collaborative DNA: close relationships, local anchoring, responsibility in action, a culture of long time, innovation in the service of customer projects and solidarity with all stakeholders...

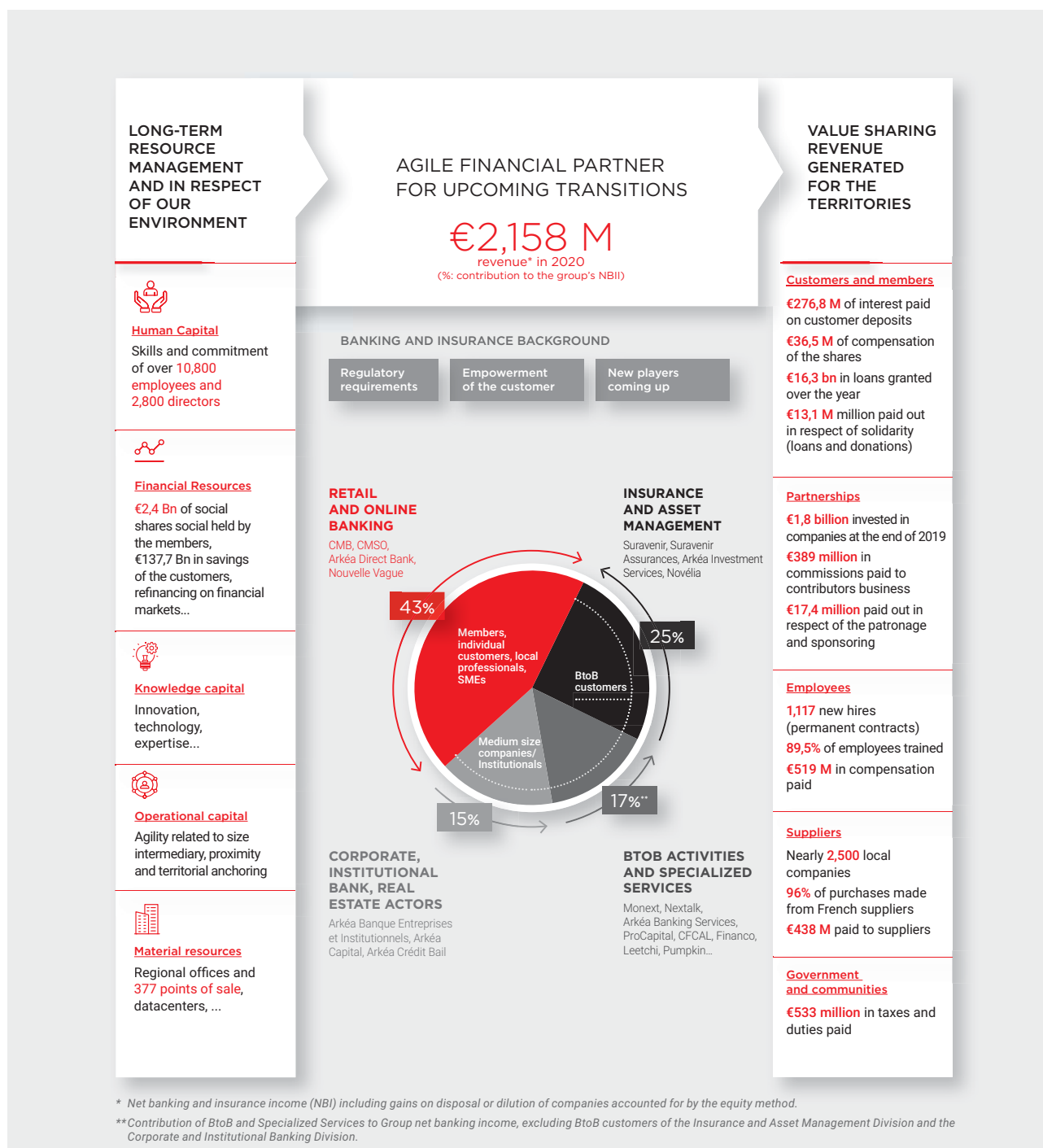
Crédit Mutuel Arkéa has associated five commitments with its Raison d'être to guide the transformation of its business lines and the development of practices in a concrete manner:

- Aiming for a positive environmental and territorial impact through its decisions;
- Supporting each of its stakeholders in their environmental transition;
- Developing territorial cooperation and committing to local vitality;
- Cultivating a lasting relationship of trust with all its members and clients, from precursors to the most fragile;
- Fostering employee commitment to the collective interest.

The Raison d'être is therefore both a driving force for action and a source of inspiration for all the initiatives taken within the group. Adopted by the group's Annual General Meeting in May 2020, Crédit Mutuel Arkéa's Raison d'être was first put into practice with the launch of the medium-term strategic plan: Transitions 2024 (see 1.5 Crédit Mutuel Arkéa's strategy).

(1) Crédit Mutuel Arkéa brings together Crédit Mutuel Arkéa, the Crédit Mutuel de Bretagne and Sud-Ouest networks and some 40 specialised subsidiaries.

1.2 Group profile



Crédit Mutuel Arkéa, a cooperative group, is not listed on the stock exchange. The member, as in any cooperative organisation, is at the heart of corporate governance. As the holder of at least one share in the company, he or she is both a shareholder and a customer.

Crédit Mutuel Arkéa is a **well-balanced and diversified group** covering all banking and insurance activities. It combines financial strength, a dynamic approach to innovation and openness, a local presence and sustainable, responsible growth. Crédit Mutuel Arkéa aims to be a banking partner for a world that looks to the long term, putting **its overall performance at the service of the financing of the real economy, of regions and their players, and of the life projects of its 4.9 million members and customers in order to increase the scope of possibilities and help everyone to achieve their potential.**

A **benchmark player** in all its markets – from retail banking to white label services for major financial and retail accounts – Arkéa **aims to**

develop a cooperative and collaborative banking model that provides the best response to aspirations and lifestyles. **Crédit Mutuel Arkéa is thus opting for open innovation**, sharing and pooling its expertise with that of its ecosystem – companies, finance and insurance startups, etc. – to provide the best possible response to its customers' aspirations and lifestyles. – to offer solutions that create value for all. **Crédit Mutuel Arkéa is convinced that this collaborative approach is, today and tomorrow, the main source of progress and the best response to societal, technological and environmental challenges.**

1.

377

outlets

in Brittany and the South-West

20

regional business centres

for Arkéa Banque Entreprises et Institutionnels

8

regional branches

for Financo

8

regional branches

for Arkéa Investment Services

A regional base and activities across Europe...

...with Leetchi and Mangopay (United Kingdom, Germany Spain and Luxembourg), ProCapital (Belgium), Keytrade Bank (Belgium, and Luxembourg) and Monext (presence in 25 countries)



- Subsidiaries offices
- CMB* & CMSO* networks

*CMB (Crédit Mutuel de Bretagne) & CMSO (Crédit Mutuel de Sud-Ouest)

1. PRESENTATION OF CRÉDIT MUTUEL ARKÉA

Group profile

As a regional group, Crédit Mutuel Arkéa is committed to maintaining regional decision-making centres and employment areas.

It is by deploying its cooperative and collaborative financial services model from its regional bases that the group is now spreading throughout France and serving customers throughout Europe through its online banks and services as well as its subsidiaries specialising in the business-to-business market.

- a network of 290 reception points in Brittany (including 216 local banks) and 87 sales outlets in the South-West (including 80 local banks);
- 20 regional business centres for Arkéa Banque E&I;

- 7 regional offices for Arkéa Capital;
- 8 regional offices for Arkéa Investment Services;
- 8 regional branches for Financo;
- a presence in Belgium with Keytrade Bank and ProCapital.
- Leetchi and Mangopay are present in the United Kingdom, Germany, Spain and Luxembourg;
- a Europe-wide activity with Monext, the subsidiary specialising in electronic payments, which provides services in 25 countries.

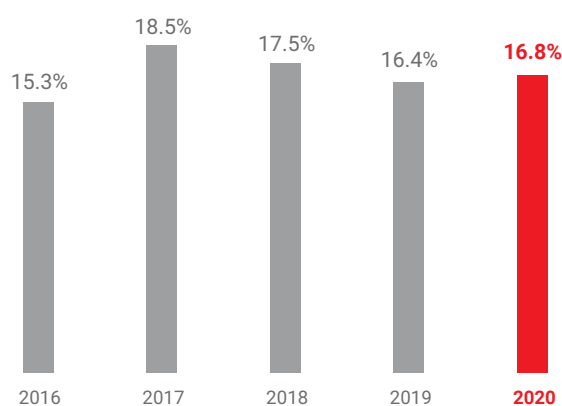
Key figures

(in € millions)	2016	2017	2018	2019	2020
Revenues*	1,852	2,090	2,146	2,303	2,158
Gross operating income	570	662	632	724	665
Net income attributable to equity holders of the parent	336	428	437	511	356
Total asset	120,393	128,385	134,920	157,142	169,376
Equity attributable to equity holders of the parent	6,070	6,449	6,704	7,348	7,726

* Revenues: Net Banking Income – Insurance (NBI) including gains on disposal or dilution of companies accounted for by the equity method.

Solvency and ratings

Common Equity Tier 1 Ratio



At 31/12/2020		
	Moody's	Fitch
Issuer	Aa3	A-
Short Term Rating	P-1	F1
Long Term Rating	Aa3	A-
Outlook	Negative*	Negative

*Outlook changed to stable on April 9, 2021

Crédit Mutuel Arkéa's extra-financial rating

ISS-Oekom Premium (2018)

1.3 Crédit Mutuel Arkéa in a few dates

Crédit Mutuel Arkéa 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.

Crédit Mutuel 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 modernisation of the Breton countryside. A central purchasing office for farmers, the Office Central then succeeded in federating all the mutual, cooperative and social organisations in the department. The cooperative then sought to meet the multiple needs of farmers in the areas of credit, insurance and vocational training. **The Office Central presided over the creation of several cooperative groups including Eureden, Groupama and, of course, Crédit Mutuel de Bretagne.**

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

From the 1980s onwards, the needs of banking-insurance diversified, both for 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 banking) and Financo (consumer credit).**

The Crédit Mutuel du Sud-Ouest federation, set up in 1975, has its origins in a banking cooperative launched in 1963 at 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, Crédit Mutuel Arkéa was officially constituted.

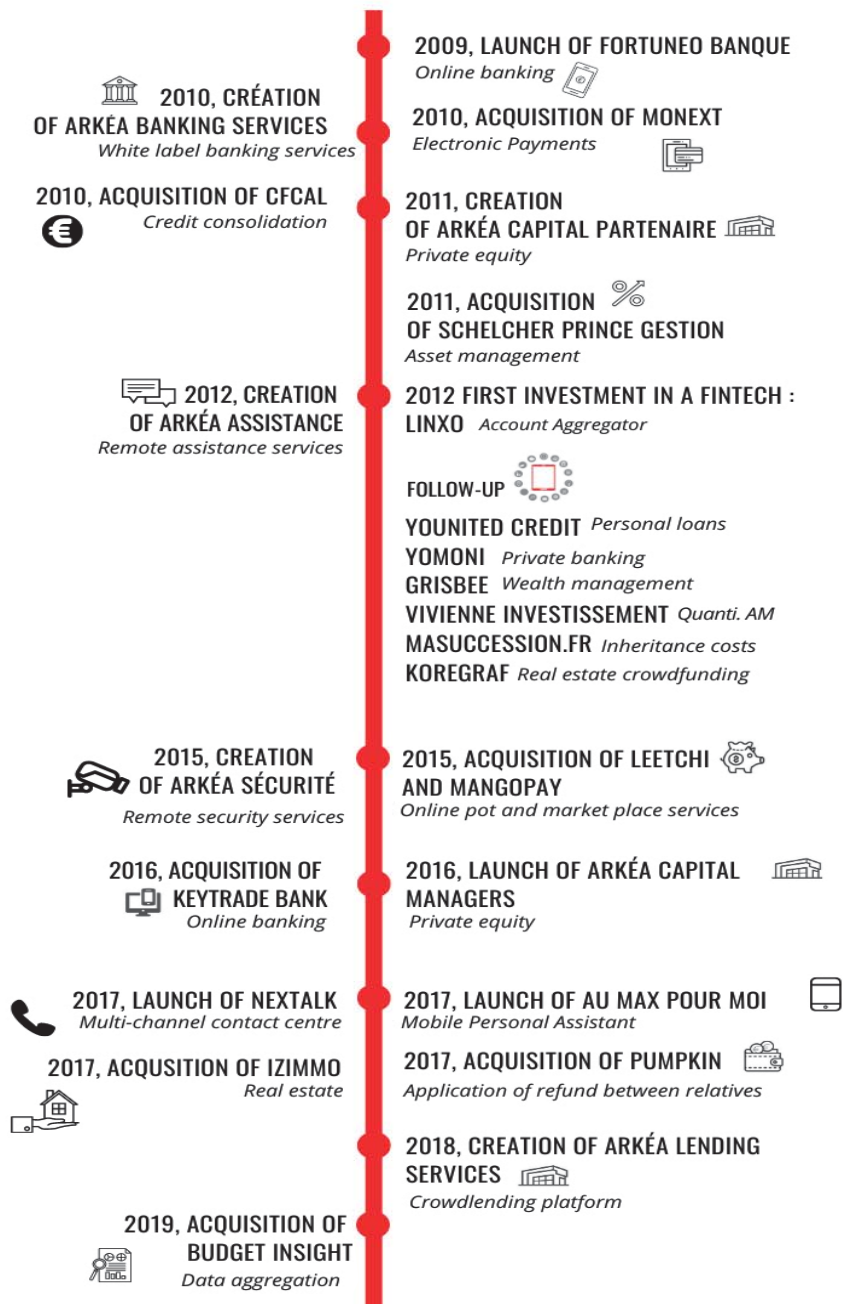
In 2008, the Horizons 2015 corporate project marked a new key stage in Crédit Mutuel Arkéa's development. Through this project, the group confirms its leading role in local banking and insurance, while developing online activities and services, strengthening its positions in the corporate and institutional market and enhancing its know-how, notably 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 in the service of territories and their players, 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 notably resulted in:

- the successful launch of the online bank **Fortuneo Banque** in 2009 and the acquisition of **Keytrade Bank** in 2016;
- the creation of new subsidiaries such as **Arkéa Banking Services** (white label banking services), **Arkéa Capital Partenaire** and **Arkéa Capital Managers** (private equity), **Arkéa Assistance** (remote assistance) and **Arkéa Sécurité** (remote surveillance), **Nextalk** (multi-channel contact centre), **Lending Services** (participative financing platform through loans or crowdlending), **Nouvelle Vague** with its mobile personal assistant **Aumax pour moi**, and **AS2D**, a joint venture specialising in connected services, in partnership with the Delta Dore group;
- the acquisition of **Monext** (electronic payments), **CFCAL Banque** (credit restructuring), **Schelcher Prince Gestion** (asset management). All these new areas of expertise complete and expand the group's offer and enable it to serve new customer groups;
- 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 management), **Grisbee** (wealth 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.

MAIN CREATIONS, ACQUISITIONS AND INVESTMENTS SINCE 2009



Arkéa 2020 has enabled Crédit Mutuel Arkéa to achieve a **remarkable trajectory** with strong growth in NBI while maintaining its profitability and strengthening its financial strength. The strategic plan has also enabled the group to take a step forward in the development of its business lines and to position itself as a forerunner in **new market trends** by testing new uses and developing partnership activities, particularly in BtoB. In 2020, the group's resilience in the face of the health crisis demonstrates the relevance of a **strategy of opening up its** business model and **diversifying** its sources of revenue, especially since these performances were achieved in a **difficult environment** where the acceleration of **change and the strengthening of regulations have put** banks under long-term pressure. These bold choices have made Crédit Mutuel Arkéa a **solid, innovative and recognised** player in its business lines.

At the same time, in January 2018 the group's Board of Directors mandated its managers to take all necessary steps 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. Crédit Mutuel Arkéa is now committed to the operational implementation of its independence by defining, in conjunction with the supervisors, the practical and detailed arrangements for its future organisation. This will then be submitted to a vote by the local banks (see also 1.7.2).

In May 2020, Crédit Mutuel Arkéa's Annual General Meeting adopted the group's *Raison d'être*, the result of collective discussions by directors, employees and representatives of stakeholders: members, customers, suppliers and institutional partners (see also 1.1 "Crédit Mutuel Arkéa's Raison d'être").

In January 2021, the Group's Board of Directors validated the new Transitions 2024 strategic plan. This plan embodies the ambition to make Crédit Mutuel Arkéa the agile financial partner for future transitions (see also 1.5 "Crédit Mutuel Arkéa's strategy").

1.4 Crédit Mutuel Arkéa's business lines

Complete and diversified, Crédit Mutuel Arkéa, with the support of the expertise developed in its specialised subsidiaries and central departments, has a comprehensive and competitive range of products and services. In a constantly changing environment, driven in particular by the digital transformation, changes in consumer habits and environmental concerns, Crédit Mutuel Arkéa remains particularly attentive to the emergence of new business lines and activities, relying in particular on open partnerships.

Crédit Mutuel ARKEA



www.cm-arkea.com

1.4.1 Retail banking for individuals and professionals and non-banking activities

1.4.1.1 Retail banking for individuals and professionals

Crédit Mutuel Arkéa's historical business, retail banking for individuals and professionals (farmers, craftsmen, shopkeepers, self-employed 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 their dense network of outlets, they remain the direct and natural link with their 2.2 million members and customers.

The ongoing quest for relational excellence is reflected in the implementation of a new local cash register format, which demonstrates in a very concrete manner the importance the group attaches to the close ties that unite it with 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 adviser, while using the most modern technology to enliven the relationship and facilitate decision-making. In addition, the group has, with **Arkéa Banque Privée**, a structure specially dedicated to wealth management for customers located in Brittany and the South-West of France.

A pioneer in multi-channel banking, Crédit Mutuel Arkéa, alongside its traditional physical networks, has made mobile banking one of the driving forces behind its strategy of conquest.

The continuous development of new online services, the dematerialisation of procedures and subscriptions, banking applications for connected objects and new payment methods are illustrations of this. The great success of **Fortuneo Banque** and **Keytrade Bank** is another. Fortuneo Banque and Keytrade Bank – the two commercial brands of Arkéa Direct Bank – now have nearly 900,000 customers in France, Belgium and Luxembourg.

Leetchi, which designs online payment solutions for individuals and businesses, further anchors Crédit Mutuel Arkéa's presence in the world of digital and online finance. With nearly 12 million customers, leetchi.com is the leader in online money pot in Europe. Another fintech acquired by the group is **Pumpkin**, which has developed a mobile application that facilitates repayment between close relations and is now positioned in the neo-banking market with a current account offer. Le Crédit Mutuel Arkéa has also launched its own fintech, called **"Aumax pour moi"**, a mobile personal assistant, whose aim is to provide a simple and effective response to consumers' everyday needs. The "AuMax" application, which already has more than 150,000 users, offers a wide range of banking, concierge and personalised advice services.

The group, in partnership with *Le Télégramme*, is also the initiator of **Kengo**, a platform for participatory finance (or crowdfunding) by donation, designed to support projects in Brittany. Since its creation, 703 projects and €2.7 million have been collected from 46,000 contributors. More than 45% of the projects are in the economic field, mainly local business start-ups.

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



1.4.1.2 Non-banking activities for private individuals

Crédit Mutuel Arkéa offers its retail customers innovative solutions, outside the strictly banking sector, through its subsidiaries dedicated to connected services: **Arkéa Assistance**, specialising in remote assistance services for individuals, and **Arkéa Sécurité** for remote home surveillance. Their services are marketed under the **Arkéa On Life** brand. Nearly 20,000 people subscribe to its services throughout France.

In a completely different area, **Arkéa Immobilier Conseil** selects, on behalf of the networks of the three federations, new and renovated property products and programmes throughout France that are eligible for the main tax incentives. Crédit Mutuel Arkéa has also acquired the **Izimmo** group, a national expert in the valuation and marketing of investment and acquisition property products.

Finally, **Armorique Habitat**, a social enterprise for housing, manages a stock of more than 6,400 housing units in 250 Breton municipalities, which it owns.



1.4.2 Retail banking for businesses and professionals

Crédit Mutuel Arkéa is a leading player in the retail banking market and supports all those involved in regional economic development, including businesses, local authorities, health care institutions, property 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 turnover of less than €10 million.

Crédit Mutuel Arkéa also relies on a centre of expertise based on a commercial bank (**Arkéa Banque Entreprises et Institutionnels**), which brings together all the skills required by this clientele. A comprehensive range of solutions is offered to companies and local authorities, including financing, cash management and valuation, leasing with **Arkéa Crédit-Bail**, insurance, cash flow processing, factoring under the **Arkéa Factoring** brand, and management of business assets.

Arkéa Banque E&I works with more than 12,000 clients (companies, local authorities and institutions) and supports the public sector throughout France. Priority is given to supporting public policies in favour of housing, economic development, health and environmental transition by directly financing local authorities as well as their satellites that provide local services to the population (low-rent housing, semi-public companies, public institutions, public utilities, etc.). Thus, the group is 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 contact 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 stakes in 35 low-income housing companies.

The group is also very active in the health sector: hospitals, private health establishments of collective interest, medico-social associations for the frail (elderly, disabled, etc.), but also mutual health insurance companies, URSSAF, etc. Arkéa Banque E&I thus participated in the financing of 2 out of 3 university hospitals. In 2020, Arkéa Banque E&I created a dedicated environmental transition financing channel to accelerate and structure the development of territorial financing for renewable energy, renovation and energy efficiency projects. It has also granted its first impact loans (known as Pact loans), which include a subsidy of up to 20% on financial costs if the client company improves its ESG (environmental, social and governance) performance according to predetermined criteria.

Arkéa Lending Services was launched in 2018. Based on the participatory financing model, 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 territories.

The group is also a major player in private equity in France, with €1 billion devoted to financing and developing companies. Crédit Mutuel Arkéa, which groups all its private equity activities under the **Arkéa Capital** brand, is able to support managers at all stages of their company's development, from start-up to mid-cap companies (ETI). Arkéa Capital has 7 offices covering the whole of France.

1. PRESENTATION OF CRÉDIT MUTUEL ARKÉA

Crédit Mutuel Arkéa's business lines

Arkéa Capital Partenaire, which provides equity and long-term support to major unlisted companies, embodies the strength and conviction of Crédit Mutuel Arkéa's long-term commitment. In this way, it plays a direct role in maintaining regional economic decision-making centres and boosting employment in promising industrial sectors in its core regions. With a €400 million investment capacity, Arkéa Capital Partenaire works alongside the managers of major ETIs (mid-cap companies) to support them in their development projects or in the organisation of their succession. The subsidiary has already carried out several 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 ETIs).

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

Crédit Mutuel Arkéa has set up an additional investment vehicle to meet the specific needs of ETI's managers: **Arkéa Capital Managers**. Its purpose is to provide long-term support to management teams in their plans to expand or take control of their companies. It provides equity capital, with tickets in excess of €10 million, via minority shareholdings. Arkéa Capital Managers has already invested in the Malherbe (transport), CWF (children's ready-to-wear) and Piriou (shipbuilding and ship repair) groups.

Arkéa Capital Gestion completes the system. In conjunction with Arkéa Capital Investissement, it manages venture capital mutual funds (FCPR) and professional private equity funds (FPCI), i.e. alternative investment funds (FIA) invested, up to a minimum of 50%, in securities of unlisted companies. Arkéa Capital Gestion also manages the **West Web Valley 1**, **We Positive Invest** and **Breizh Armor Capital** funds. **West Web Valley 1**, with a €34 million endowment, aims 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 social entrepreneurship. We Positive Invest has already invested in nine 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 company coffee rooms), Ascor Communication (distance learning), Andjaro (HR) and TokTokDoc (telemedicine). Arkéa Capital also manages the €10 million **Breizh Armor Capital** fund, dedicated to financing projects related to the Breton fishing economy (fishing, aquaculture, seafood).

In 2019, Crédit Mutuel Arkéa acquired a minority stake in **Pytheas Capital Advisors**, a young financial investment consultancy. Fintech is developing a reverse factoring solution that enables corporate customers to reduce their payment times to suppliers. Crédit Mutuel Arkéa also has a stake in **Koregraf**, a specialist in real estate crowdfunding, and a stake in **Clearwater International France**, an investment bank specialising in corporate mergers and acquisitions.



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

Crédit Mutuel Arkéa is developing commercial, technical and even capital-intensive partnerships with other financial institutions, mass retailers and e-commerce players.

This white-label banking activity is growing steadily within the group. For the client company, the outsourcing of business processes deemed non-strategic not only enables it to significantly reduce costs, but also provides a competitive edge by allowing it to focus on its core business while benefiting from state-of-the-art products and services that comply with regulations. For Crédit Mutuel Arkéa, these partnerships enable it to capitalise on its know-how and technological expertise and to consolidate its development at national and European level. 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. It works with Allianz Banque, La Banque Postale, Adyen, Brink's France, Système U and AXA Banque, with which it signed a long-term partnership in 2020. Arkéa Banking Services also collaborates with several fintechs including Currencycloud, Railsbank...

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 offering, from account management and execution of their clients' orders to the creation of transactional websites. It manages more than 6 million transactions per year on behalf of some thirty financial institutions.

Monext is the leader in its market, specialising in electronic transactions combining payment technologies and services. It supports more than 12,000 merchants and processes nearly 40% of e-commerce transactions in France (Amazon, Française des Jeux, Le Mouvement Leclerc, Rue du Commerce, Voyage Privé, Ventes Privées, PMU, Carrefour, Intermarché...). In 2020, Monext processed more than 4 billion transactions.

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 assistance. This white-label service makes it possible to maintain human contact and build customer loyalty among traditional, digital and mobile bank customers.

Mangopay, a subsidiary of Leetchi, publishes turnkey payment solutions for marketplaces, collaborative consumption platforms, participatory financing and fintechs. More than 2,500 platforms use its API (Application Programming Interface) as a white label.

In 2019, Crédit Mutuel Arkéa 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. Crédit Mutuel Arkéa, which believes that collaboration between traditional players and fintechs creates added value, is thus successfully pursuing the transformation of its business lines.

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.).



1.4.4 Insurance and asset management businesses

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

1.4.4.1 Life insurance and protection insurance

With nearly 3 million individual and professional customers, **Suravenir** is one of the leading players in the life insurance and protection savings market in France. Suravenir specialises in the design, manufacture and management of life insurance (individual and group life insurance), protection insurance (loan insurance, temporary death insurance) and company retirement savings contracts. Its contracts are marketed by a large number of distribution partners: banking networks, Internet channel, independent wealth management advisers, brokers, etc.

1.4.4.2 Non-life insurance

Suravenir Assurances covers all the needs of private individuals in terms of damage insurance: home and private life, car, motorbike, health, dependency, life accident cover... It manages more than 2.2 million contracts on behalf of more than 785,000 policyholders. In

response to the health crisis, which in 2020 left many families in a precarious situation, Suravenir Assurances redistributed €3.5 million, including almost €2.4 million in contributions, to its policyholders in Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest and froze car insurance rates for its 190,000 customers. A wholesale broker, **Novélia** is active in corporate risk coverage, designing products for the general public and for major business customers. Nearly 4,000 brokers and general agents distribute its products throughout France.

1.4.4.3 Asset and wealth management

Federal Finance ⁽¹⁾ leads all the asset management specialists of the group in which it 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 Crédit Mutuel Arkéa's networks and directly to institutional investors, major accounts, private banks, fund managers and independent asset management advisers. Arkéa Investment Services has more than 5,000 corporate customers in employee savings plans and manages €60 billion in assets under management.

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

Swen Capital Partners, created in partnership with the OFI Group, is a leading player in unlisted responsible investment with €5.6 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 extra-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.

Crédit Mutuel 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 the markets. Crédit Mutuel Arkéa is also a shareholder in **Mandarine Gestion**, an independent company specialising in equity fund management and asset allocation.



(1) Under the brand Arkéa Investment Services.

1.5 Crédit Mutuel Arkéa's strategy

On January 28, 2021, the Board of Directors of Crédit Mutuel Arkéa validated Crédit Mutuel Arkéa's four-year medium-term plan (PMT), known as Transitions 2024. This plan is a resolute continuation of the previous plan – Arkéa 2020 – which initiated a dynamic transformation of the group's business lines and positioned it on a long-term growth path. It is also fully in line with the Liberté project, which aims to achieve independence from the Crédit Mutuel.

Action-oriented, it aims to translate the Group's Raison d'être into concrete action in its business lines.

In an unprecedented societal context, where the health crisis has revealed the urgency of environmental, social and territorial transitions, the medium-term plan has been built around the following priorities:

- the operational implementation of the five commitments of the Raison d'être;
- the group's development issues;
- developments in the banking and insurance sector;
- the reality of the territories and customers;
- and finally the expectations of citizens towards companies, so that they participate in the economic, ecological and solidarity revolution.

The aim of this plan is to make Crédit Mutuel Arkéa the agile financial partner for future transitions, serving local authorities and their stakeholders. The aim is to choose a responsible growth strategy and to seek overall performance, in a balanced approach between financial performance and positive impact.

Conceived in a participative way and anchored in the reality of our businesses, Transitions 2024 accentuates the group's long-term trajectory and reaffirms the originality of its model:

It is in line with its long-standing strengths:

- a local anchorage and proximity to the territories;
- a collaborative and cooperative identity;
- an agile and entrepreneurial spirit;
- an opening to the world around;
- the vitality of its partnership ecosystem;
- its values of humanity and solidarity;
- its culture of innovation.

It builds on the solid foundations of the previous Strategic Plan, Arkéa 2020, which extended its cooperative model in a logic of openness to the ecosystem and as a skills assembler. Finally, it is fully consistent with Crédit Mutuel Arkéa's plan to become independent.

In concrete terms, Transitions 2024 aims to demonstrate its commitment to supporting environmental and territorial transitions, through its offers, business lines, practices and relationships with its customers, directors and employees. It is structured around 4 strategic axes, supported by 5 implementation levers:

The strategic axes are priorities for action to guide its business model:

- **expanding the range of positive-impact offers and services to support the environmental and social transitions of its stakeholders and enable them to initiate their own transformation.** It also means proposing offers that promote inclusion and facilitate access to housing, education and health...;
- **promoting and supporting the responsible sustainable development of territories which are the essential link in the balance and successful transformation of society.** Crédit Mutuel Arkéa already has a strong presence in the region and intends to further intensify its contribution, notably through financing levers and partnerships;
- **offering an increasingly personalised customer experience and aiming for relational excellence.** Members and customers, individuals, professionals and companies, are looking for a more attentive ear, availability and responsiveness. In this area, the group wishes to innovate in the use of the data at its disposal to better understand its customers and enrich its value proposition;
- **developing its partnership model by strengthening its commitment to the innovative ecosystem and by deploying new BtoB and external distribution partnerships.**

Execution levers are the means to support this business model and make these ambitions a reality. Crédit Mutuel Arkéa thus intends to build on the singularity of its cooperative, socially responsible and ethical business model, playing a differentiating social role for its employees and directors in its territories, and setting an example for its own transition. It also aims to further strengthen cooperation and cross-functionality between the group's entities in order to enhance operational efficiency and cultivate its agility while, at the same time, developing new solutions through open partnerships with its ecosystem (fintechs, assurtechs, BtoB, etc.) and its culture of innovation.

This plan contributes very actively to the vitality of the territories, companies and employment areas and is intended to generate sustainable, qualitative growth that cares about people and their living environment. It is the action plan of a group that is attentive and committed to its ecosystems, faithful to its cooperative corporate DNA, mobilised to defend its convictions and values beyond short-term success, and to take up the social, environmental and territorial challenges of our time.

1.6 2020 highlights

Covid-19: Crédit Mutuel Arkéa fully mobilised

Since the start of the health crisis, Crédit Mutuel Arkéa has been fully mobilised to ensure the continuity of essential activities and to support its members and customers, whether individuals, professionals, companies or public authorities, affected by the major economic consequences of the pandemic.

Remote payment solutions were adapted and deployed to enable merchants and craftsmen, who were able to do so, to maintain their business. More than 59,000 business, property or consumer loans were subject to maturity extensions for an amount of more than €5.8 billion and more than 11,000 government-guaranteed loans (PGE) were granted for a total amount of approximately €1.8 billion.

The group has also doubled the Solidarités budget, to €4 million, made available to the local CMB and CMSO banks to help the most vulnerable families or give a financial boost to project leaders and associations. Nearly 3,700 people have already received financial aid.

€3.5 million in premiums collected were paid to customers of its networks and car insurance rates were frozen for 2021.

Finally, the group continued its recruitment drives, which are a real singularity in the world of banking and insurance field. Nearly 1,000 employees were recruited on permanent contracts in 2020 and more than 1,000 interns and work-study students were hired.

January

Arkéa Capital, via the Arkéa Capital Managers fund, increases its stake in the capital of the **Piriou** group. Based in Concarneau (29), Piriou is the French leader in the construction and maintenance of civil and military vessels. It has more than 900 employees and a turnover of more than €150 million. This fund-raising will enable it to continue implementing its strategic project with the ambition of tripling its turnover by 2023.

February

Crédit Mutuel Arkéa has joined forces with the Nouvelle-Aquitaine Capital-Investissement 1 (NACI 1) fund. This professional private equity fund (FPCI), set up by the Nouvelle-Aquitaine region, is designed to provide equity financing to regional SMEs and ETIs (mid-cap companies) with a view to promoting their development or transfer. Unit investments will be between €3 and €10 million with a horizon of 5 to 8 years. Digital transformation, energy transition and international development are the priority areas of intervention.

Hélène Bernicot has been appointed Chief Executive Officer of Crédit Mutuel Arkéa. She was previously Head of the General Secretary and Corporate Communications. She succeeds Ronan Le Moal, who has decided to devote himself to a new entrepreneurial project.

Arkéa Banque Entreprises et Institutionnels is launching, under the name "Pact", its first impact loans for SMEs and small and medium-sized enterprises engaged in their societal and environmental transformation. These are loans whose remuneration is indexed to the borrower's ESG (Environment, Social and Governance) performance according to predetermined criteria. Charier, a public works specialist based near Saint-Nazaire (44), inaugurated the "Pact" scheme with a loan to partially finance its new head office, a passive building.

March

Faced with the Covid-19 crisis, Crédit Mutuel Arkéa ensures the continuity of banking and insurance activities and services for its members and customers, while deploying the necessary protective measures to safeguard the health of its employees, with the large-scale deployment of teleworking. Specific measures are being taken to support professional and business customers directly affected by the effects of the health crisis: cash management solutions, deferred loan repayments (principal and interest), government-guaranteed loans (PGE), etc.

April

Crédit Mutuel Arkéa, which is concerned about the societal issues related to training and employment, is investing €1 million in **Ascor Communication** through its social innovation fund **We Positive Invest**. This specialist in distance vocational training trains some 6,000 people a year.

May

The Group's Board of Directors welcomes 4 new members, elected for a renewable three-year term. Valérie Barlois-Leroux joins the Board of Directors as an independent director. Valérie Blanchet-Lecoq, Philippe Chupin and Dominique Trubert all come from the Crédit Mutuel de Bretagne federation. The Board of Directors of Crédit Mutuel Arkéa comprises 19 directors, nine of whom are women.

Sophie Violleau is the new Chairwoman of the Crédit Mutuel du Sud-Ouest (CMSO) federation. Sophie Violleau has been a director of the CMSO federation and Crédit Mutuel Arkéa since 2016. CMSO, which has 87 outlets in the Charente, Gironde and Dordogne departments, serves more than 450,000 members and customers.

June

Crédit Mutuel Arkéa is doubling its "Solidarités" budget with an additional €2 million. The Solidarités schemes are managed locally by the local banks of Crédit Mutuel de Bretagne and Sud-Ouest and are designed to provide financial assistance to individual and business customers and associations that have been weakened, in particular by the Covid-19 crisis. Aid is allocated by the Boards of Directors of each local bank, after studying the specific situation in the field as closely as possible.

Fortuneo completes its range of services and launches a personal loan solution in partnership with fintech Younited Credit. Consumers can finance their projects such as the purchase of a vehicle, home improvement work, a wedding, a trip, etc. thanks to a 100% online route, attractive rates, reduced application fees and a definitive response within 24 working hours.

Crédit Mutuel Arkéa carries out a second social bond issue. This €750 million fund-raising operation will contribute to the economic development of the regions through the financing/refinancing of loans to SMEs and to the health and education sectors in particular.

Arkéa Banque E&I has taken another step forward in its CSR commitment⁽¹⁾ with the **creation of a dedicated channel for financing environmental transition**. This will in particular accelerate and structure the development of regional financing for renewable energy, renovation and energy efficiency projects and optimise the bank's privileged links with all the players (public and private sector) involved in an environmental transition process.

Breizh Armor Capital, a private equity fund launched at the initiative of Crédit Mutuel Arkéa, Banque Populaire Grand Ouest-Crédit Maritime and the Brittany regional government, is active in the sea economy in Brittany. With a €10 million investment and managed by Arkéa Capital, **Breizh Armor Capital has just invested in Symbiomer**, a young company set up in 2017 and specialising in macro-algae production and aquaculture.

Crédit Mutuel Arkéa announces several appointments to its Executive Committee. Véronique Crouzier and Laurent Jurrius have been appointed respectively Head of Human Resources and Head of Innovation and Operations Division. Frédéric Laurent, a member of the Executive Committee since 2016 and Deputy Chief Executive Officer, takes over responsibility for the Retail Customers Division.

July-August

Suravenir Assurances, Crédit Mutuel Arkéa's property and personal insurance company, **is providing concrete support to its policyholders most affected by the coronavirus crisis by redistributing part of the premiums collected.** A total of more than €3.5 million will be paid out in 2020 to customers of its distribution networks.

Arkéa Capital takes a minority stake in Airfan, a company based near Toulouse. Specialising in the design and manufacture of fans for respiratory assistance devices, Airfan has seen its business grow strongly in recent months due to the Covid-19 crisis.

Crédit Mutuel Arkéa announces the launch, on an experimental basis, of mobile **payment by QR-Code via transfer initiation**, aimed at its business customers, particularly small businesses and the self-employed. Crédit Mutuel Arkéa is the first bank in France to offer this payment channel via credit transfer initiation, the result of cooperation with Budget Insight, the fintech acquired by the group in 2019.

The European Investment Bank (EIB) and Crédit Mutuel Arkéa have announced a special financial package to help French ETIs and small and medium-sized businesses weakened by the health crisis. The €200 million package will enable Crédit Mutuel Arkéa to step up its actions alongside small and mid-cap enterprises and SMEs, via its Crédit Mutuel de Bretagne and Sud-Ouest federations, as well as the customers of its subsidiary Arkéa Banque Entreprises et Institutionnels.

Frédéric Diverrez is taking over as Head of the Division in charge of BtoB activities and Specialized Services for Crédit Mutuel Arkéa, and is joining the group's Executive Committee. Since 2017, he has been Chairman of the Management Board of Monext, a subsidiary specialising in electronic payments.

September

PhiNOE, an endowment fund serving the regions and employment, is carrying out its first actions with two structures that are highly committed to responsible development and societal commitment: MéGO (recycling of cigarette butts) and Café Joyeux (solidarity coffee shops and restaurants). The endowment fund is backed by the Arkéa Capital 2 investment fund: each subscriber allocates 5% of his or her investment to PhiNOE, to which Arkéa Capital also returns 30% of the management fees received.

A partner since the creation of fintech, Crédit Mutuel Arkéa has reinvested in Yomoni, a key player in online delegated savings management. Yomoni has more than 25,000 customers and more than €300 million in assets under management.

AXA Banque, a subsidiary of AXA France, has become a long-term partner of Crédit Mutuel Arkéa by entrusting the management of part of its activities to its subsidiary Arkéa Banking **Services (ABS)**. **AXA Banque** is thus transferring its IT and part of its back-office activities to ABS. Nearly 180 AXA Banque employees are joining ABS. Crédit Mutuel Arkéa's recognised experience and technical expertise in retail banking will give a new impetus to AXA Banque, its network and its customers. The signing of this partnership follows a collaboration initiated in 2015 by Monext. For the past ten years, Arkéa Banking Services has put its experience and technical expertise at the service of financial institutions, insurers and fintechs, enabling them to focus on two priority issues: their core business and customer relations, with the assurance of benefiting from the latest innovations and proven service quality.

Pumpkin is launching a current account offer and aims to increase the purchasing power of its customers from 200 to 300 euros per year. The Pumpkin card stands out thanks to its cashback offer: a portion of the amount of purchases made at partner retailers is paid directly into the customer's account in real time.

Heroiks, France's leading independent communications group, and Arkéa Banque Entreprises et Institutionnels are launching a **credit offer to finance advertising investments: LeCréditPub**. Objective: to contribute to the post-Covid economic recovery by promoting a rebound in consumption via advertising investments.

October

The Board of Directors of Crédit Mutuel Arkéa reaffirms its determination to continue working towards its independence. In January 2018, the Board of Directors of Crédit Mutuel Arkéa mandated its managers to take all necessary steps 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 steering vote held in April 2018. At the end of June 2018, Crédit Mutuel Arkéa's Board of Directors validated the broad outlines of its target scheme. Since then, Crédit Mutuel Arkéa has been resolutely committed to the operational implementation of its independence.

The Crédit Mutuel Arkéa banking group is to set up an IT site in Bordeaux, in conjunction with Onepoint, to complement its site in Brest. Over the next two years, **more than 150 experts will reinforce Crédit Mutuel Arkéa's know-how in the area of service platform development** and continuous improvement of the customer experience. Crédit Mutuel Arkéa is particularly attached to the vitality of the regions, and is banking on the attractiveness of Nouvelle-Aquitaine and the synergies of the Tech ecosystem to attract talent to the region.

(1) Corporate Social Responsibility.

The Breizh Ma Bro fund, dedicated to the development, support and revival of the economy in Brittany and Loire-Atlantique, has just been awarded the “Label Relance” as part of the French economic recovery plan. Breizh Ma Bro was co-created by Arkéa Capital, which manages the company, and Financière d’Orion, a wealth management consultancy platform, which is in charge of distribution.

November

Crédit Mutuel Arkéa is rolling out its “instant payment” API to its corporate customers and financial institutions. This is a new “brick” in the platform of its information system, making it possible to display and communicate the information needed to issue and receive payments in real time. For corporate customers, connecting to this API is a quick and simple solution that enables them to make transfers for their own account. For banks, payment institutions, payment service providers (PSPs) and affiliated fintechs, the IP service – offered under a white label – enables them to enhance their payment offer via a turnkey solution that is easy to integrate, based on Crédit Mutuel Arkéa’s technical infrastructure.

Arkéa Capital takes a minority stake in the capital of La Compagnie du Catamaran, a company based in La Rochelle. Having become a key player in the leisure boating market, the Fontaine-Pajot group intends to pursue an ambitious development strategy, driven by genuine technical know-how, a policy of sustained innovation and the quality of its products.

December

Jean-Luc Brunat has been appointed Chairman of the Management Board of Arkéa Crédit Bail. The subsidiary offers a comprehensive range of property leasing solutions to finance property for professional use and equipment leasing, leasing with purchase option (LOA) and long-term leasing (LLD) solutions to finance capital goods for professional use as well as vehicles. Jean-Luc Brunat was previously Sales Manager of CMB.

The Grand Port Maritime de Bordeaux (GPMB) signs a €5 million impact loan with Arkéa Banque Entreprises et Institutionnels. For the bank, this is the first “PACT” loan concluded with a public institution and in Nouvelle-Aquitaine. This loan is structured around subsidised financing and strategic support aimed at the borrower’s societal and environmental transformation.

Home builder Trecobat and Crédit Mutuel Arkéa have jointly built a platform dedicated to reinventing the path of a property project. **The interface, called Treckea, centralises all the stages of a property project and secures all the information shared thanks to the blockchain.** During the 2020 Innovative Habitat Challenge, **Treckea received the “Internet users’ favourite” award and the silver medal in the “New Digital Approaches” category.**

In partnership with Europ Assistance, Crédit Mutuel Arkéa is adding teleconsulting to the range of assistance services already included in its “premium” cards for all its distributors, including BtoB. This new service is proving particularly useful in the context of the pandemic.

1.7 Solidarity relations

1.7.1 Solidarity links within Crédit Mutuel Arkéa

The solidarity mechanism provided for within Crédit Mutuel Arkéa 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 caisse for itself and for all the caisses affiliated to it "when the liquidity and solvency of the local caisses are guaranteed as a result of this affiliation".

Crédit Mutuel Arkéa benefits from this collective approval for itself and for all the local banks that are members of the Crédit Mutuel de Bretagne and Sud-Ouest federations, as the 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 rules specific to the federations of Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest, and the internal regulations of Crédit Mutuel Arkéa. It is binding only on the member local banks, these federations and Crédit Mutuel Arkéa. Furthermore, it does not create any obligations of the member local banks vis-à-vis third parties. In other words, Crédit Mutuel Arkéa members are not bound by any passive solidarity with third parties, and creditors of a local mutual member bank can only turn to that bank and not to any other or to Crédit Mutuel Arkéa in any other way.

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. 1-2020 of the Confédération nationale du Crédit Mutuel ("CNCM").

The federal fund is fed by allocations from local funds and includes the federal solidarity fund and the federal reserve fund.

1 – The federal solidarity fund ensures the equalisation of the results of the member local banks by means of endowments and subsidies. Any local mutual fund that has been in deficit for a period of three (3) 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 set out in the plan, if the deficit is confirmed, the federation concerned, 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 member funds whose net position is negative or whose result is negative, as well as in favour of those that have been victims of an exceptional disaster.

The federation decides each year 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 can also intervene directly in the form of advances, subsidies or loans granted to local member banks in difficulty.

In addition, Crédit Mutuel Arkéa provides support to its subsidiaries within the framework of prudential supervision on a consolidated basis (Articles 7 and 8 of EU regulation 575/2013 as amended, supplemented by ad hoc intra-group financial agreements on the scope of liquidity), the provisions of the French Monetary and Financial Code (Article L.511-42 of the CMF) as well as the supplementary supervision obligations described in the Order of November 3, 2014 on the supplementary supervision of financial conglomerates and transposing European Directive 2002/87/EC as amended.

1.7.2 Solidarity links within Crédit Mutuel

1.7.2.1 Current context of disaffiliation

The Crédit Mutuel group, within the meaning of Article 511-20 of the CMF, is governed by the CMF, 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 level of the organisation) to CNCM and the central Crédit Mutuel bank (3rd level) 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 these institutions. It exercises administrative, technical and financial control over the organisation and management of the affiliated Crédit Mutuel banks.

National solidarity is laid down in CNCM General Decision no. 1-2020. In addition, General Decision 2-2020 provides for the implementation of measures in phases of proven financial difficulty or resolution within Crédit Mutuel.

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

It is also specified that, as part of the application of General Decision no. 2-2020, Crédit Mutuel Arkéa may be required to participate in mechanisms for the prevention and management of banking crises within Crédit Mutuel.

On January 17, 2018, Crédit Mutuel Arkéa's Board of Directors gave its management a mandate 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 local roots, its culture of innovation and its agility.

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

Crédit Mutuel Arkéa has begun the operational implementation of its disaffiliation. The Board of Directors of Crédit Mutuel Arkéa, on June 29, 2018, approved the target organisational structure of the future independent group and called on the local banks to give their opinion on the implementation of this structure. Work to define the detailed technical details of the project has been under way for several months and discussions are currently under way with the supervisory authorities.

Disaffiliation operations will then be initiated in conjunction with the CNCM, within the limits of the powers granted to it by law.

Following this disaffiliation, Arkéa (currently Crédit Mutuel Arkéa) would still be authorised as a cooperative bank and directly supervised by the ACPR and the ECB. The local banks would become the Coopératives Locales, which would no longer be credit institutions, retaining their status as sociétés coopératives à capital variable and forming a union of cooperatives, Arkéa, pursuant to Article 5 of law no. 47-1775 of September 10, 1947 on the status of cooperatives.

In addition, a cooperation pact between all Local Cooperatives and Arkéa will be concluded for a period of ninety-nine (99) years with a view to implementing solidarity, mutual aid and support mechanisms to promote the fulfilment of the primary mission of Local Cooperatives, namely to promote access to banking, financial and insurance services for all.

In the context of the General Decision (DCG) no. 1-2019, relating to the disaffiliation of the Crédit Mutuel branches at their request, the operational implementation of the disaffiliation of Crédit Mutuel Arkéa remains subject to the approval and vote of the Boards of Directors of the Local Banks.

Local banks that vote against the disaffiliation of the Crédit Mutuel group, 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 prejudice the results of the future vote of the Local Banks on the operational implementation of this disaffiliation from the Crédit Mutuel group.

Each local bank will be called upon to give its opinion on the implementation phase of Crédit Mutuel Arkéa's disaffiliation, 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 approval.

For further details, investors should refer to section 4.1.3.3 of the Risk Factors.

At this stage, there is no certainty as to how this conflict with CNCM could evolve and/or the timeframe 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.

1.7.2.2 Current solidarity mechanism

Crédit Mutuel's solidarity system is designed to ensure the liquidity and solvency of all the institutions affiliated to Confédération Nationale du Crédit Mutuel (CNCM) at all times in order to prevent any default. It is based on a set of rules and mechanisms set up at regional group level and at confederal level.

As a reminder, the solidarity between CNCM affiliates is unlimited.

(i) Provisions applicable at the level of regional groups

The solidarity mechanism provided for within the Regional Federation concerned is a mechanism that is based on Article R.511-3 of the French Monetary and Financial Code, independently of the statutory provisions relating to the joint and several liability of Members within the limit of the nominal value of the shares subscribed by the Member.

Each federation must set up a solidarity system between the local banks within its territorial jurisdiction.

This system must enable a local bank to avoid a long-term deficit and/or to ensure the recovery of a deteriorated situation. It ensures the equalisation of the results of the member funds by means of a federal fund, through contributions, in the form of contributions or subsidies. The contribution obligation is imposed on all funds (including the federal or inter-federal fund), or only on funds with positive results, depending on the regulations of the federal fund concerned in force. The contributions, which ensure equalisation, and the subsidies must make it possible to cover the losses recorded in the financial year and any tax deficits carried forward. The equalisation subsidies must include the sums necessary to pay the remuneration of the shares. Subsidies paid by the Federal Fund are normally repayable.

Implementation of recovery measures at the level of “regional groups” within the meaning of the “GClS”. A system reviewed and updated annually enables the regional group to monitor a certain number of key indicators, included in the risk appetite framework adopted by the CNCM’s Board of Directors, and to implement the corrective measures provided for in the recovery plan if the indicators are exceeded.

In the event of difficulty and under the control of the CNCM, a regional group may request assistance from another regional group, particularly in the implementation of the recovery plan.

If no regional solidarity solution has been put in place or has not restored compliance with the key indicators within the timeframe set out in the recovery plan, or if objective elements allow for an early conclusion that the implementation of these solutions would prove insufficient, the national solidarity mechanism is implemented.

(ii) Provisions adopted at national level

Confédération Nationale du Crédit Mutuel is responsible, without limitation, for ensuring the cohesion of its network and the smooth operation of its affiliated institutions. To this end, it must take all necessary measures, in particular to guarantee the liquidity and solvency of each of these institutions and of the network as a whole (Article L.511-31 of the French Monetary and Financial Code).

According to the procedures laid down by the DCGs, the necessary interventions may be decided by the CNCM Board of Directors if it is found that the mechanisms existing at the level of the regional groups are insufficient to deal with any difficulties that a group may be facing.

Crédit Mutuel

2.

Corporate governance

2.1	Conditions for the preparation of the corporate governance report	25	2.8	Compensation of corporate officers	52
2.2	The Board of Directors of Crédit Mutuel Arkéa	26	2.8.1.	Compensation policies for executive officers for the year 2021	52
2.2.1	Composition of the Board of Directors	26	2.8.2	Fixed, variable and exceptional components of total compensation and benefits of any kind paid during the 2020 financial year or granted in respect of the 2020 financial year	56
2.2.2	Preparation and organisation of the work	37	2.8.3	Table of individual compensation of executive officers	58
2.2.3	The specialised committees	38	2.8.4	Table of compensation of the members of the Board of Directors	59
2.2.4	Review of the operation of the Board of Directors	41	2.9	Statutory auditors' report on the corporate governance report	60
2.3	Executive corporate officers	42			
2.4	The bodies and work of the executive management	43			
2.5	Agreements for the benefit of corporate officers	44			
2.6	Conflicts of interest at the level of administrative and management bodies	45			
2.7	Internal control	46			
2.7.1	Internal control procedures	46			
2.7.2	The committees	50			

Board of Directors



12 BOARD OF DIRECTORS MEETINGS	91% ATTENDANCE RATE
56 AVERAGE AGE YEARS	47% WOMEN

APPOINTMENTS COMMITTEE 5 MEMBERS 11 MEETINGS 96% ATTENDANCE RATE	FINANCIAL STATEMENTS COMMITTEE 6 MEMBERS 4 MEETINGS 85% ATTENDANCE RATE	COMPENSATION COMMITTEE 4 MEMBERS 12 MEETINGS 84% ATTENDANCE RATE
STRATEGY AND SOCIETAL RESPONSIBILITY COMMITTEE 6 MEMBERS 11 MEETINGS 86% ATTENDANCE RATE	RISK AND INTERNAL CONTROL COMMITTEE 5 MEMBERS 11 MEETINGS 95% ATTENDANCE RATE	



EXECUTIVE COMMITTEE 9 MEMBERS 1 MEETING EACH WEEK 44% WOMEN Chief Executive Officer Associate Executive Officer Deputy General Managers Division Heads.
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GENERAL COORDINATION COMMITTEE 20 MEMBERS 1 MEETING PER QUARTER 30% WOMEN Members of the Executive Committee Head of main strategic entities

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

The provisions of Article L.225-37 of the French Commercial Code stipulate that the Board of Directors shall present to the General Meeting referred to in Article L.225-27-4 a report on corporate governance attached to the management report referred to 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 may place on the powers of executive management. 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 Commercial Code by order no. 2019-1234 and Decree no. 2019-1235 of November 27, 2019, relating to the compensation of corporate officers of listed companies, the institution is no longer subject to the "say on pay" system for approving executive compensation as set out in the amendments made by the aforementioned texts.

Crédit Mutuel Arkéa complies with current regulations on corporate governance applicable to credit institutions. In this respect, it should be noted that the European Banking Authority issued guidelines on internal governance dated March 21, 2018 (EBA/GL/2017/11), with which the company intends to comply fully.

Since its creation, Crédit Mutuel Arkéa, the Crédit Mutuel Arkéa cooperative public limited company (the group's parent legal entity), has opted for an organisation that is separate from its governance, structured around a Board of Directors chaired by Jean-Pierre Denis and an Executive Committee headed by its Chief Executive Officer, Hélène Bernicot, assisted by Deputy Chief Executive Officer Anne Le Goff.

Crédit Mutuel Arkéa is a cooperative public limited company with variable capital (société anonyme coopérative à capital variable). 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.

2.1 Conditions for the preparation of the corporate governance report

The corporate governance report is 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 Board's work, 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 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 executive management.

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

General Secretary and Corporate Communications Department has received contributions for the preparation of this report:

- the General Inspection and Periodic Control Department, which is responsible for the general secretary of the Board of Directors' Risk and Internal Control Committee;
- the Finance Department responsible for the general secretary of the Financial Statements Committee;
- the Human Resources Department responsible for the general secretary of the Compensation Committee.

The Statutory Auditors verify that the corporate governance report included in Crédit Mutuel Arkéa's 2020 Universal Registration 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 to the Annual General Meeting of Shareholders (the local banks of Crédit Mutuel de Bretagne et du 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 19 directors:

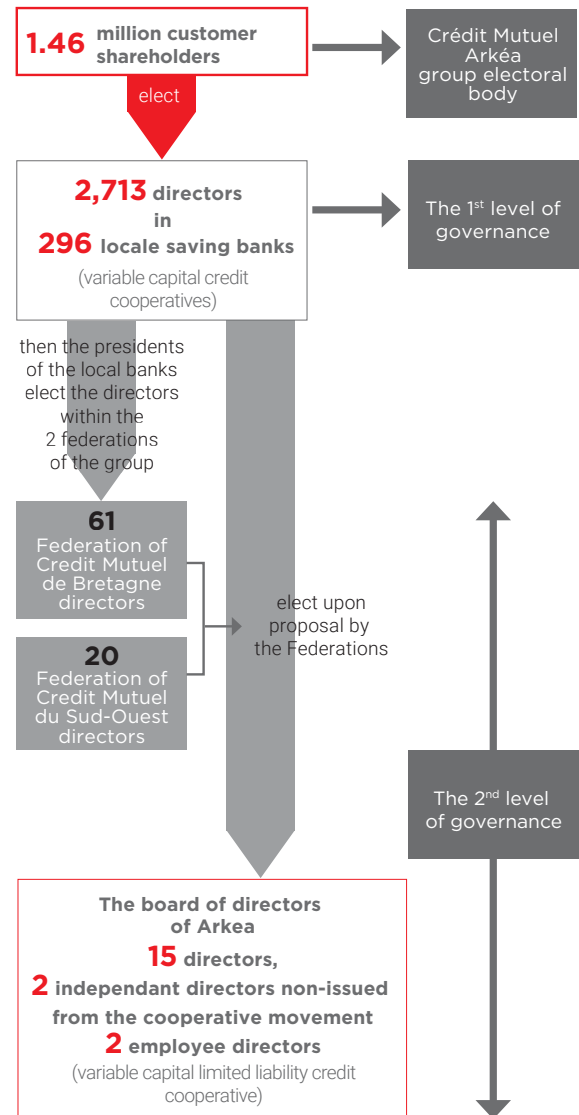
- 15 directors (6 women and 9 men) representing the members, elected by the member local banks and shareholders at the Annual General Meeting;
- 2 independent directors non-issued from the cooperative movement (2 women);
- 2 employee directors (1 woman and 1 man), appointed by the Social and Economic Committee.

Crédit Mutuel Arkéa’s directors are elected at the General Meeting from among the 2,713 directors of the local banks of the federations making up Crédit Mutuel Arkéa. These directors are themselves elected by the members, who are also customers, of their local banks at the General Meeting of their local banks in accordance with the cooperative model of “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 genuine customer representation on Crédit Mutuel Arkéa’s governing bodies and guarantees that the Board of Directors is independent from the company’s management.

The directors of the Board representing the members are of French nationality and are proposed by the federations that make up Crédit Mutuel Arkéa:

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



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

The Board of Directors has two directors who are not members of the cooperative movement. Elected by the Annual General Meeting, their candidacies are subject to pre-selection by the Appointments Committee and approval by Crédit Mutuel Arkéa's Board of Directors. 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. In addition, they hold no other offices in the subsidiaries. In 2020, Mrs Barlois-Leroux (replacing Mrs Grave) and Mrs Huet held these positions on the Board of Directors.

The employee directors are appointed by the Social and Economic Committee for a period of three years. The Social and Economic Committee appointed Mr. Guillaume Gloria and Mrs. Marie Vignal-Renault as employee directors on February 19, 2020.

In the context of the health crisis, in accordance with the provisions of Article 4 of Order no. 2020-321 of March 25, 2020, the General Meeting was held without the physical presence of shareholders. In accordance with the applicable provisions, in particular Article L.225-107 of the French Commercial Code and Article 3 of Decree no. 2020-418 of April 10, 2020, shareholders were invited to vote by mail in a dematerialised form between April 14, 2020 and May 12, 2020. Shareholders were given the opportunity to ask written questions and were given access to all the necessary documentation. The attendance rate at Crédit Mutuel Arkéa's 2020 Annual General Meeting was 91% (79% in 2019). The General Meeting made an extraordinary amendment to its Articles of Association to take account of the departure of the Crédit Mutuel du Massif Central federation. On an ordinary basis, it proceeded with the election of its directors, the approval of its accounts, the review of the compensation of corporate officers and risk takers and approved the *Raison d'être* of Crédit Mutuel Arkéa. It was also informed of measures relating to the management of the Covid-19 crisis and the activation of emergency and business continuity plans.

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

At the 2020 Assembly, the following developments were voted on:

- the departures of Christian David, Lionel Dunet (censor), Anne-Sophie Grave (director of the cooperative movement), Marie-Thérèse Groussard, Christian Péron and Christian Touzalin;
- Thierry Bougeard, Marta Crenn, Monique Huet and Patrick Le Provost have been reappointed for a further three years;
- the appointments of Valérie Barlois-Leroux (independent director), Valérie Blanchet Lecoq, Philippe Chupin and Dominique Trubert.

Thus, 47% of the Board of Directors is made up of 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 May 3, 2012, May 7, 2015 and May 16, 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 (ACPR), 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 Council and speak on its behalf. He may, in close cooperation with the Executive Management, represent Crédit Mutuel Arkéa in its high-level relations, particularly with major customers, partners and public authorities, at regional, national and international level. He or she drives the group's strategy towards autonomous, high-performance development, attached to its territorial roots and respectful of cooperative values and the company's *Raison d'être*.

On June 23, 2020, the Board of Directors elected Sophie Violleau, Chairwoman of the Crédit Mutuel du Sud-Ouest federation, as Vice-Chairwoman, replacing Christian Touzalin, who had reached the age limit at the General Meeting. The Vice-Chairwoman may represent Crédit Mutuel Arkéa on behalf of the Chairman.

The Board has no lead director.

A representative of the Central Social and Economic Committee also attends the 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 old for a first election and 70 years old for a renewal. The term of office is three years, renewable without limitation other than that linked to the aforementioned age limit.

The Board of Directors has internal operating rules and regulations. These rules confirm the essential missions of Crédit Mutuel Arkéa's directors, set out the operating procedures of the body and set out the rights and obligations of each director. In 2020, these internal operating rules were supplemented by the Crédit Mutuel Arkéa directors' charter, which sets out the duties of the Board's 19 directors. The purpose of this charter is to ensure that the members of the Board of Directors are independent and committed. It refers to the formal independence criteria set out by the European Banking Authority (EBA/GL/2017/11 and 2017/12 guidelines § 91 and 92) and lists the individual skills of Board members with a view to ensuring that the collective expertise of Board members is appropriate for the exercise of sound and effective governance of the company.

18 of the 19 Directors out of the 19 members of the Board of Directors meet at least 10 of the 11 formal independence criteria set out in the guidelines of the European Banking Authority (ABB/GL/2017/11 and 2017/12 § 91 and 92) and can therefore be considered as independent.

The Board of Directors of Crédit Mutuel Arkéa therefore fully exercises its role in accordance with the provisions of the Articles of Association, the internal regulations of a financial nature, its operating rules, its administrative charter and the charters specific to 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 at December 31, 2020 is as follows:

Composition of the Board of Directors as of December 31, 2020	Origin	Formal independence*	Age	First appointment	Renewal	Attendance	Financial statement Committee	Appointments Committee	Compensation Committee	Risk and Internal Control Committee	Strategy and Corporate Social Responsibility Committee
Jean-Pierre DENIS Chairman	C	No	60	2008	2021	100%					C
Sophie VIOLLEAU Vice-Chairwoman	C	Yes	48	2016	2022	100%		C			
Valérie BARLOIS-LEROUX Director not issued from the cooperative movement	I	Yes	51	2020	2023	71%					M
Valérie BLANCHET-LECOQ Director	C	Yes	55	2020	2023	100%				M	
Thierry BOUGEARD Director	C	Yes	63	2017	2023	100%	C	M	M		
François CHATEL Director	C	Yes	69	2015	2021	83%				C	M
Philippe CHUPIN Director	C	Yes	40	2020	2023	100%	M				M
Marta CRENN Director	C	Yes	44	2017	2023	100%				M	
Guillaume GLORIA Employee director	E	Yes	52	2017	2023	92%	M				
Michel GOURTAY Director	C	Yes	69	2008	2022	92%				M	
Monique HUET Director not issued from the cooperative movement	I	Yes	61	2017	2023	100%				M	
Anne-Gaëlle LE BAIL Director	C	Yes	47	2016	2022	75%	M				
Patrick LE PROVOST Director	C	Yes	64	2017	2023	92%		M	C		M
Yves MAINGUET Director	C	Yes	63	2018	2021	100%	M				
Luc MOAL Director	C	Yes	63	2018	2021	100%		M	M		
Valérie MOREAU Director	C	Yes	48	2019	2022	92%					M
Colette SÉNÉ Director	C	Yes	61	2015	2021	100%		M			
Dominique TRUBERT Director	C	Yes	60	2020	2023	71%	M				
Marie VIGNAL-RENAULT Employee director	E	Yes	41	2020	2023	56%			M		
MAIN INDICATORS		95%	56			91%	6	5	4	5	6

C From the cooperative movement

I Independent director not issued from the cooperative movement

E Employee director

M Committee member

C Chairman/chairwoman of the committee

* Formal independence criteria laid down by the European Banking Authority (ABB Guidelines/GL/2017/11 and 2017/12 § 91 and 92).

Composition of the Board of Directors at December 31, 2020 is detailed below.

Jean-Pierre DENIS

Chairman of Crédit Mutuel Arkéa,
60 years old
1st appointment:
09.12.2008
Expiration of term:
2021

Summary biography

A finance inspector, 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 senior positions in the French civil service (Deputy Secretary General of the French Presidency) and in 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 of the Crédit Mutuel de Bretagne federation.

Other positions held within Crédit Mutuel Arkéa

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

of which mandate in subsidiary

- Chairman of SAS Château Calon Ségur

Other mandates held outside Crédit Mutuel Arkéa

- 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
- Censor of the Supervisory Board of Tikehau Capital

2.

Sophie VIOLLEAU

Director then Vice-Chairwoman of Crédit Mutuel Arkéa since June, 23 2020,
48 years old
1st appointment:
04.21.2016
Expiration of term:
2022

Summarized 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 personal services company and since 2010, she has been in charge of customer service for the Grand Angoulême transport company.

She was elected Vice-Chairwoman of Crédit Mutuel de la Couronne in 2015 and became Chairwoman of the Crédit Mutuel du Sud-Ouest federation in 2020.

Other positions held within Crédit Mutuel Arkéa

- Director, then Chairwoman of the Crédit Mutuel du Sud-Ouest federation since May 28, 2020.
- Director since March, 26 2020, then Chairwoman of the regional branch of Crédit Mutuel du Sud-Ouest since May 28, 2020.
- Vice-Chairwoman, then director of Crédit Mutuel de la Couronne since June 23, 2020.

of which mandates in subsidiaries

- Director, then Chairwoman of the Board of Directors of Suravenir Assurances since May, 12 2020.
- Chairwoman of the Board of Directors of Nouvelle Vague
- Member of the Supervisory Board of Budget Insight since 06.24.2020
- Member of the Supervisory Board of Arkéa Capital since 04.22.2020
- Director of Arkéa Capital Investissement since 04.22.2020
- Director of Arkéa Capital Holding since 04.27.2020

Other mandates held outside Crédit Mutuel Arkéa

- Manager of Parenteo Services SARL
- Director of Entreprendre Au Féminin Charente since 02.11.2020
- Director of the Eric and Odette BOCKE foundation since 05.28.2020

2. CORPORATE GOVERNANCE

The Board of Directors of Crédit Mutuel Arkéa

Valérie BARLOIS-LEROUX

Independent director of
Crédit Mutuel Arkéa,
since 05.14.2020,

51 years old

1st appointment:
05.14.2020

Expiration of term:
2023

Summary biography

Valérie Barlois-Leroux is a graduate of the ESCP business school and a former top-level sportswoman and Olympic fencing medallist. She has held various positions in the human resources, Sales and Real Estate Departments of the Bouygues building group. She is Head of her consulting firm Kalymnos and has been Head of Development and Partnership Relations at Enéal (Action Logement group) since 2020.

Other mandates held outside Crédit Mutuel Arkéa

- Member of the Board of Directors of COJOP Paris 2024 (association)
 - Chairwoman of Ambition 2024 – New Aquitaine (association)
 - Chairwoman of the French Olympians Association (association)
 - Chairwoman of Kalymnos SAS
-

Valérie BLANCHET-LECOQ

Director of Crédit Mutuel
Arkéa since 05.14.2020,
55 years old

1st appointment:
05.14.2020

Expiration of term:
2023

Summary biography

Valérie Blanchet-Lecoq holds a degree in business law and a DESS (post-graduate diploma) in business law. She has been a lawyer since 1994. After having practised in various law firms, she is currently co-manager of the law firm JURILOR in Lorient.

She was elected director of Caisse de Crédit Mutuel de Lorient Porte des Indes in 2016.

Other positions held within Crédit Mutuel Arkéa

- Director of the Caisse de Crédit Mutuel de Lorient Porte des Indes

of which mandate in subsidiary

- Director of Suravenir

Other mandate held outside Crédit Mutuel Arkéa

- Co-Managing lawyer of SELARL Jurilor
-

Thierry BOUGEARD

Director of Crédit Mutuel Arkéa,
63 years old

1st appointment:
05.04.2017

Expiration of term:
2023

Summary biography

Thierry Bougeard holds a BP accountant's diploma and has held various positions at Organic Bretagne since 1983, then since 2007 at RSI Bretagne as regional manager of service relations.

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

Other positions held within Crédit Mutuel Arkéa

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

of which mandates in subsidiaries

- Director, then Chairman of the Board of Directors of Arkéa Lending Services since December, 8 2020.
- Chairman of the Board of Directors of Arkéa SCD
- Director of Federal Service
- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Board of Arkéa Banking Services since April, 30 2020.

François CHATEL

Director of Crédit Mutuel Arkéa,
69 years old

1st appointment:
05.06.2015

Expiration of term:
2021

Summary biography

A graduate of the ICN Business School and a chartered accountant/auditor, François Chatel, a KPMG partner, was Head Office Manager in Paris from 1993 to 2005 and Deputy Regional Manager in Rennes from 2005 to 2014.

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

Other position held within Crédit Mutuel Arkéa

- Vice-Chairman of Crédit Mutuel de Rennes Maurepas

of which mandates in subsidiaries

- Chairman of the Supervisory Board of Arkéa Banque Entreprises et Institutionnels
- Chairman of the Supervisory Board of ProCapital
- Director of Arkéa Capital Holding

Other mandates held outside Crédit Mutuel Arkéa

- Chairman of the ESC Rennes group (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)

Philippe CHUPIN

Director of Crédit Mutuel Arkéa since 05.14.2020, 40 years old

1st appointment:
05.14.2020

Expiration of term:
2023

Summary biography

Philippe Chupin holds a degree in agricultural engineering and a master's degree in international trade. He began his career at the Côtes-d'Armor Chamber of Agriculture. He currently holds the position of manager of Danbred France as a non-partner manager.

He became a director of Caisse de Crédit Mutuel de Saint-Brieuc Centre-ville in 2008, Vice-Chairman in 2011 and Chairman in 2012.

Other positions held within Crédit Mutuel Arkéa

- Chairman of Crédit Mutuel de Saint-Brieuc Centre-ville
- Director and member of the Board of the Crédit Mutuel de Bretagne federation

of which mandate in subsidiary

- Director of Arkéa Banque Entreprises et Institutionnels

Other mandate held outside Crédit Mutuel Arkéa

- Non-partner manager of Danbred France

Marta CRENN

Director of Crédit Mutuel Arkéa, 44 years old

1st appointment:
05.04.2017

Expiration of term:
2023

Summary biography

Marta Crenn holds a doctorate in management sciences after a specialised 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 Crédit Mutuel de Plougastel-Daoulas in 2010 and has been president of COMUT du Relecq-Kerhuon since 2015.

Other position held within Crédit Mutuel Arkéa

- Chairwoman 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

Guillaume GLORIA

Employee director of Crédit Mutuel Arkéa since June 15, 2017, 52 years old

1st appointment by the ECC: 06.15.2017

Expiry of term:
2023

Summary biography

A graduate of the Institut d'Études Politiques, Guillaume Gloria has held several positions in the banking sector since 1993. He has been a professional customer manager at Crédit Mutuel de Bretagne since 2000.

Employee of the territorial unit of St Malo centre

Other mandate

- Industrial tribunal adviser at the Saint-Malo industrial tribunal (Conseil de prud'homme)

Michel GOURTAY

Director of Crédit Mutuel Arkéa,
69 years old

1st appointment:
09.12.2008

Expiry of term:
2022

Summary biography

Michel Gourtay holds a DESS (post-graduate diploma) from the Rennes Institute of Business Administration. He began his career in 1974 with the BSN Gervais Danone group as plant manager, 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 Caisse de Crédit Mutuel du Relecq-Kerhuon in 2006.

Other position held within Crédit Mutuel Arkéa

- 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 mandates held outside Crédit Mutuel Arkéa

- Vice-Chairman of Brest Métropole
- Chairman of the Brest Iroise technology park
- Chairman and Managing Director of Sempi

Monique HUET

Independent director of Crédit Mutuel Arkéa,
61 years old

1st appointment:
05.04.2017

Expiration of term:
2023

Summary biography

A graduate of HEC, Monique Huet has spent her career in the energy sector, working for the EDF and then Gaz de France groups. She was Chief Financial Officer 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 mandate held outside Crédit Mutuel Arkéa

- Managing Director of OpenFields SAS

Anne-Gaëlle LE BAIL

Director of Crédit Mutuel Arkéa,
47 years old

1st appointment:
04.01.2016

Expiration 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 in the financial and accounting fields, in particular. Since October 2011, she has been in charge of accounting, tax and payroll within the STERIS Group.

She was elected Chairwoman of Crédit Mutuel d'Eysines in 2015.

Other positions held within Crédit Mutuel Arkéa

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

of which mandates in subsidiaries

- Member, then Chairwoman of the Supervisory Board of Monext since 04.28.2020
- Member of the Supervisory Board of Arkéa Direct Bank
- Member of the Supervisory Board of Arkéa Bourse Retail since 04.21.2020

Patrick LE PROVOST

Director of Crédit Mutuel Arkéa,

64 years old

1st appointment:
05.04.2017

Expiration of term:
2023

Summary biography

Patrick Le Provost is an agricultural engineer, then a graduate of the French Institute of Management. From 1980, he held various positions within the Côtes-d'Armor Health Defence Group, and then the position of General Manager of the Brittany Health Defence Group between 1994 and 2018.

He was elected director of Crédit Mutuel du Gouet et du Lie in 2003 and then Vice-Chairman in 2014.

Other positions held within Crédit Mutuel Arkéa

- Vice-Chairman of the Crédit Mutuel de Bretagne federation
- Vice-Chairman of 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
 - Member of the Supervisory Board of Arkéa Capital
-

Yves MAINGUET

Director of Crédit Mutuel Arkéa,

63 years old

1st appointment:
05.16.2018

Expiration of term:
2021

Summary biography

Yves Mainguet holds a Master's degree in accounting and financial sciences and techniques and is a certified public accountant.

Other positions held within Crédit Mutuel Arkéa

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

of which mandates in subsidiaries

- Member of the Supervisory Board of Federal Finance
- Member of the Supervisory Board of Federal Finance Gestion
- Member of the Supervisory Board of Schelcher Prince Gestion since 05.13.2020

Other mandates held outside Crédit Mutuel Arkéa

- Managing partner of the accounting firm Bolloré-Mainguet 35
 - Chairman of the joint management body Arcolib
-

Luc MOAL

Director of Crédit Mutuel Arkéa,
63 years old

1st appointment:
05.16.2018

Expiration of term:
2021

Summary biography

Luc Moal holds a master's degree in territorial public management and began his career with France Télécom before becoming manager of Citizenship for the city of Brest.

He was elected director of Caisse de Crédit Mutuel de Brest Recouvrance in 1996 and became Chairman in 2001. He is currently a director of Caisse de Crédit Mutuel de Brest Rive Droite.

Other positions held within Crédit Mutuel Arkéa

- Vice-Chairman of the Crédit Mutuel de Bretagne federation
- Vice-Chairman, then director of Caisse de Crédit Mutuel de Brest Rive Droite since June, 26 2020.

of which mandates in subsidiaries

- Member, then Permanent Representative of Crédit Mutuel Arkéa on the Supervisory Board of Arkéa Banque Entreprises et Institutionnels since April, 22 2020.
- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Board of Arkéa Banking Services until April, 30 2020.
- Permanent representative of Arkéa Banque Entreprises et Institutionnels on the Board of Directors of Novélia
- Vice-Chairman of the Supervisory Board of Arkéa Crédit Bail since 04.22.2020
- Member of the Supervisory Board since June 24 2020, then Permanent Representative of Crédit Mutuel Arkéa on the Supervisory Board of Budget Insight since 10.20.2020.

Valérie MOREAU

Director of Crédit Mutuel Arkéa,
48 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 specialises in human resources and management. After starting her career as a consultant at Pôle Emploi, she has been a branch manager since 2010.

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

Other positions held within Crédit Mutuel Arkéa

- Director of the Crédit Mutuel du Sud-Ouest federation
- Director of the regional branch of Crédit Mutuel du Sud-Ouest
- Vice-Chairwoman of the Caisse de Crédit Mutuel de Montpon Menesterol

of which mandates in subsidiaries

- Member of the Supervisory Board of Arkéa Banking Services
- Member of the Supervisory Board of Federal Finance since 05.15.2020
- Member of the Supervisory Board of Federal Finance Gestion since 05.15.2020

Colette SENE

Director of Crédit Mutuel Arkéa,
61 years old

1st appointment:

05.11.2001 (Caisse Interfédérale du Crédit Mutuel) 05.06.2015 (Crédit Mutuel Arkéa)

Expiration of term:
2021

Summary biography

Colette Séné has a two-year university degree in law and, after having worked in the civil service as a manager of social action and child protection systems, has held a position for 10 years in a social action area at the Morbihan Departmental Council as a socio-professional integration officer.

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

Other positions held within Crédit Mutuel Arkéa

■ Director, then Vice-Chairwoman of the Crédit Mutuel de Bretagne federation since September, 21 2020.

■ Vice-Chairwoman, then director of Caisse de Crédit Mutuel de Malestroit-Sérent since July, 9 2020.

of which mandate in subsidiary

■ Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Suravenir Assurances

Dominique TRUBERT

Director of Crédit Mutuel Arkéa since 05.14.2020,
60 years old

1st appointment:

05.14.2020

Expiration of term:
2023

Summary biography

Dominique Trubert holds a professional agricultural diploma, a certificate of specialisation in cattle and pig farming, as well as a BPA in accounting and management. He has been running his pig farm in Gévezé since 1984. He was elected director of the Caisse de Crédit Mutuel de Pacé-Vezin in 2006.

Since 2020, he has been Chairman of the Caisse de Bretagne of Crédit Mutuel Agricole, of which he had been Vice-Chairman since 2007.

Other positions held within Crédit Mutuel Arkéa

■ Director and member of the Board of the Crédit Mutuel de Bretagne federation

■ Director of Caisse de Crédit Mutuel de Pacé-Vezin

■ Chairman of the Caisse de Bretagne de Crédit Mutuel Agricole (CBCMA)

of which mandate in subsidiary

■ Permanent representative of Crédit Mutuel Arkéa on the Supervisory Board of Arkéa Banque Entreprises et Institutionnels until April 22, 2020.

Other mandate held outside Crédit Mutuel Arkéa

■ Manager of the GAEC du Verger Tixue

Marie VIGNAL-RENAULT

Employee director of Crédit Mutuel Arkéa since February, 19 2020, 41 years old

1st appointment by the ECC: 02.19.2020

Expiry of term: 2023

Summary biography

Marie Vignal Renault holds a Master's degree in Applied Foreign Languages with a major in Business and Commerce. She began her career at the Regional Tourism Committee of Brittany where she held various positions. She joined Crédit Mutuel Arkéa in 2007 as an account manager. Customer manager in the retail market at Crédit Mutuel de Bretagne.

Other mandate

■ None

2.2.2 Preparation and organisation of the work

The Board of Directors met 12 times in 2020 (11 meetings in 2019). Due to the health crisis, 8 of them were held by telecommunications in accordance with the operating regulations. The attendance rate of directors at Board meetings was 91% (90% in 2019).

Jean-Pierre Denis chaired the 12 Boards of Directors.

The Board of Directors relies on the resources of Crédit Mutuel Arkéa's General Secretary and Corporate Communications Department for the preparation and organisation of its meetings. Meeting agendas are drawn up by the Chairman after consultation with Executive Management. One week before the meeting, a file containing the items to be studied and discussed at the Board meeting is made available to the directors in their digital environment. In addition, the Chairman communicates information on the group's business and strategy to each director.

The meetings held by the Board of Directors were devoted in particular to:

■ Examining the consequences of the Covid crisis:

- organisational, regulatory and economic impacts of the crisis linked to the Covid epidemic;

■ To corporate governance:

- appointment of a new Chief Executive Officer,
- Adoption of the Crédit Mutuel Arkéa director's charter redefining the notion of independence,
- appointment of a new Vice-Chairwoman,
- review on a change in the way the company is administered and managed;

■ To the activity:

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

■ To the strategy:

- the adoption of the group's *Raison d'être* and its application in the various entities and business lines,
- the review of Crédit Mutuel Arkéa's Fintech commitments,
- monitoring developments and taking decisions concerning Crédit Mutuel Arkéa's application for independence,
- the tight monitoring of Suravenir's solvency ratio,
- setting the group's general guidelines for the year,
- decision making with regard to the acquisition and merger of companies, the acquisition of holdings, external growth operations and disposals. The Board was also kept informed of the various partnerships entered into and planned operations which, notwithstanding the resources deployed, could not be carried out,
- the adoption of an exceptional contribution to the solidarity budgets of the federations in the context of the Covid crisis;

■ To the accounts:

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

■ Risk limits and control systems:

- adapting the prudential framework and limits applicable to the group and all its components,
- reviewing the annual report on the 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 Crédit Mutuel Arkéa 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.

The Board of Directors defines Crédit Mutuel Arkéa's strategy. It met at a strategy seminar on November 27, 2020 to discuss the main lines of the future strategic plan for Crédit Mutuel Arkéa, known as "Transitions 2024", which was approved on January 28, 2021.

During this meeting, the directors notably reaffirmed the ambition of the plan, which is intended to be a version of the *Raison d'être* validated by the 2020 General Meeting and aims to:

- strengthen Crédit Mutuel Arkéa's role as a bank with a positive impact on its stakeholders;
- develop the group's overall performance by taking into account both financial and non-financial indicators.

In addition, the directors validated the framework of the plan, which must simultaneously aim at:

- the success of Crédit Mutuel Arkéa's independence project;
- the development of the group in the continuity of its existing activities;
- the development of synergies between Crédit Mutuel Arkéa's business lines;
- maintaining a high level of financial strength;
- maintaining a measured appetite for risk;
- maintaining the status of reference employer at local and national level.

As part of its task of defining Crédit Mutuel Arkéa's strategy, on November 27 the Board of Directors took part in a strategy workshop on the ambitions of the group's next strategic plan, "Transitions 2024". This plan was definitively adopted by the Board of Directors on January 28 2021. The directors also took part in a seminar on December 4, 2020, aimed at presenting to all the directors of Crédit Mutuel Arkéa subsidiaries the orientations of the next strategic plan.

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

In 2020, at the initiative of the Appointments Committee, a remote training platform was rolled out for the directors of Crédit Mutuel Arkéa and its subsidiaries. This has made it possible, in particular, to maintain training systems in the context of the health crisis.

Thus, in addition to any training courses attended individually by directors on the training platform, the entire Board of Directors was trained in 2020 on:

- the fight against money laundering and terrorist financing;
- detecting and fighting corruption;
- detection and prevention of conflicts of interest;
- climate risks;
- the Solvency 2 Directive.

2.2.3 The specialised committees

Five specialised committees complete the work and provide input 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 is carried out each year as part of the evaluation of the operation of the Board of Directors and formally as part of the triennial evaluation of the operation of Crédit Mutuel Arkéa's Board of Directors.

2.2.3.1 The Strategy and Corporate Social Responsibility Committee

The role of the Strategy and Corporate Social Responsibility Committee is to drive Crédit Mutuel Arkéa's strategic thinking and assist the Board of Directors in its work. Its role is to:

- to drive/coordinate the group's strategic thinking;
- to ensure that corporate social responsibility is at the heart of the group's strategy;
- assist the Board of Directors of Crédit Mutuel Arkéa in its work.

During the financial year 2020, it met 11 times (9 meetings in 2019). The average attendance rate over the year was 87%, with the following breakdown:

First name – Last name	Attendance at 2020 meetings
Jean-Pierre DENIS (Chairman) ⁽¹⁾	100%
Valérie BARLOIS-LEROUX ⁽²⁾	57%
Philippe CHUPIN ⁽²⁾	100%
François CHATEL	91%
Patrick LE PROVOST	91%
Valérie MOREAU	82%

(1) Member and Chairman of the committee since 05.27.2020.

(2) Member of the committee since 05.27.2020.

The subjects dealt with during the financial year were numerous. For example, the Strategy and Corporate Social Responsibility Committee analysed:

- partnership projects, external growth and capital restructuring of subsidiaries, in particular the project to implement the Middle Office and IT services of AXA Banque and the sale of Vermeg;
- the commitments of the Group's *Raison d'être* and its strategy of integrating social, environmental and governance issues into all of the group's activities;
- the initial work on framing the orientations of the strategic plan Transitions 2024;
- the ESG (environment, social and governance) roadmap, the climate strategy and the coal policy update;
- review of the group's fintech commitments.

2.2.3.2 The Compensation Committee

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

During the financial year 2020, it met 12 times (8 meetings in 2019). The average attendance rate over the year was 86%, with the following breakdown:

First name – Last name	Attendance at 2020 meetings
Patrick LE PROVOST (Chairman)	100%
Thierry BOUGEARD	100%
Luc MOAL	100%
Marie VIGNAL RENAULT	43%

The work of the Compensation Committee focused in particular on:

- the review of the group's compensation policy;
- the annual report on the group's compensation policy and practices;
- the report on directors' compensation;
- the compensation of Crédit Mutuel Arkéa's executive managers;
- the regulated population: compensation policy and scope;
- the variable compensation of the group's executives and senior managers;
- the compensation policies of regulated subsidiaries;
- the compensation of the actual executives of the group's regulated entities.

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 governing bodies of companies in which Crédit Mutuel Arkéa holds financial interests;
- reasoned opinions on the Chairman's proposals for the appointment of the Chief Executive Officer and Deputy Chief Executive Officers before validation by the Board of Directors.

It also evaluates the functioning of the Board of Directors.

During the financial year 2019, it met 11 times. (8 meetings in 2019). The average attendance rate over the year was 96%, with the following breakdown:

First name – Last name	Attendance at 2020 meetings
Sophie VIOLLEAU (Chairwoman)	100%
Thierry BOUGEARD	100%
Patrick LE PROVOST	91%
Luc MOAL	91%
Colette SÉNE ⁽¹⁾	100%

(1) Member of the committee since 05.27.2020.

The committee has, in 2020, proceeded to:

- the analysis of Hélène Bernicot's candidacy as Chief Executive Officer of Crédit Mutuel Arkéa and the confirmation of Anne Le Goff's appointment as Associate Chief Executive Officer;
- the selection of 2020 and 2021 candidates for renewal and/or appointment as members of the Boards of Directors and Supervisory Boards of group entities;
- the appointment of Crédit Mutuel Arkéa representatives to the governing bodies of companies in which the group holds an interest;
- examining the appointment of executive members in subsidiaries;
- In-depth studies to strengthen the selection and training of Crédit Mutuel Arkéa's corporate officers, notably by proposing a governance charter for the supervisory bodies of group subsidiaries and 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;
- coordination of the work on drafting the Crédit Mutuel Arkéa directors' charter and the revision of the second degree directors' charter (for directors of subsidiaries);
- in terms of training and enhancing the skills of the directors of the group's entities, supervising the deployment of the digital training tool dedicated to directors as well as the development of its catalogue.

The committee is responsible for proposing the composition of the corporate bodies of the group as a whole, the subsidiaries and Crédit Mutuel Arkéa.

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

- increase the number of people of the under-represented sex on the social bodies of group companies, particularly with regard to the provisions of the "Pact" law;
- seek a diversity and complementarity of profiles for an efficient and experienced functioning of the various Boards of Directors and Supervisory Boards;
- except in special cases, set up 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 consists of:

- to be informed about accounting principles and their evolution;
- assessing the quality of accounting procedures;
- examining the financial statements of Crédit Mutuel Arkéa before they are presented to the Board of Directors;
- monitoring the work programme of the Statutory Auditors and examine the conclusions of their work.

The committee held 4 meetings in 2020 (5 meetings in 2019). The average attendance rate over the year was 85%, with the following breakdown:

First name – Last name	Attendance at 2020 meetings
Thierry BOUGEARD (Chairman)	100%
Philippe CHUPIN	100%
Guillaume GLORIA	100%
Anne-Gaëlle LE BAIL	100%
Yves MAINGUET	75%
Philippe CHUPIN ⁽¹⁾	100%
Dominique TRUBERT ⁽¹⁾	33%

(1) Member of the committee since 05.27.2020.

The committee's work focused on:

- the closing of the 2019 financial statements and the 2020 plan;
- the opinion of the DIGCP (General Inspection and Periodic Control Department) on the CCM (Caisses de Crédit Mutuel/local banks) decree;
- the opinion of the Statutory Auditors on the annual financial statements;
- the presentation of the review of the 2019 internal control system;
- the presentation of the audit approach for 2020;
- the accounting principles and methods applicable to the half-yearly financial statements;
- the closing of the interim consolidated financial statements;
- the opinion of the Statutory Auditors on the half-yearly financial statements;
- accounting principles at the end of the period;
- the terms of office of the Statutory Auditors.

2.2.3.5 The Risk and Internal Control Committee

The role of the Risk and Internal Control Committee (RICC) is to assist the Board of Directors in its responsibility for monitoring Crédit Mutuel Arkéa's risks and internal control system.

11 meetings were held in 2020 (10 in 2019). The average attendance rate over the year was 95%, with the following breakdown:

First name – Last name	Attendance at 2020 meetings
François CHATEL (Chairman)	91%
Valérie BLANCHET LECOQ ⁽¹⁾	100%
Michel GOURTAY	91%
Marta CRENN	91%
Monique HUET	100%

(1) Member of the committee since 05.27.2020.

In 2020, the themes studied by the Risk and Internal Control Committee were as follows:

■ With regard to periodic inspection:

- summary presentation of 44 audit assignments finalised for the year 2020:
 - 40 audit assignments,
 - 4 missions to follow up on the recommendations;
- presentation of the 2019 annual summary of the network periodic control missions,
- review of the Annual Internal Control Report 2019,
- examination of the internal control report on the fight against money laundering and terrorist financing and the freezing of assets for the financial year 2019,
- review of the status of implementation of the recommendations as at November 30 2019 and May 31 2020:
 - formulated by the ACPR and the ECB,
 - issued by the DIGCP, including a dedicated follow-up of non-category recommendations,
- follow-up of old recommendations and impact of the exercise of the right to alert concerning recommendations that are more than 12 months overdue,
- presentation of the progress of the 2020 periodic inspection plan,
- presentation of the draft periodic inspection plan 2021:
 - draft plan of the Periodic Control Department,
 - draft plan of the Internal Fraud Prevention Department,
 - draft plan of the Periodic Network Monitoring Department,
 - work of the Account Certification team and the Technical Services and Projects team;

■ In terms of compliance and permanent control:

- Examination of the activity and results of permanent control and compliance monitoring (including the fight against money laundering and terrorist financing – AML-FT) and protection of personal data):
 - as at 12.31.2019,
 - as at 03.31.2020,
 - as at 06.30.2020,
 - as at 09.30.2020,
- annual review of AML-FT activity,
- presentation of the result of the annual cheque control programm 2019,
- evolution of the professional alert system,
- report of the AMF (Autorité des Marchés Financiers) on the Crédit Mutuel Arkéa credit institution and its response,

- summary of the 2019 annual report sent to the AMF,
- summary of ongoing controls on essential outsourced services,
- presentation and report of the ACPR's close monitoring meeting of 04.17.2020 on the asset freezing mechanism,
- presentation of the project validated by the Comex for the implementation of a single solution for the asset freezing filtering group;

■ In terms of risk monitoring and surveillance:

- presentation of risk reporting:
 - as at 12.31.2019,
 - as at 03.31.2020,
 - as at 06.30.2020,
 - as at 09.30.2020,
- 8 information points on the Covid crisis,
- review of the supervisor's correspondence regarding operational capacity to manage troubled debtors in the context of the pandemic,
- review of the ICAAP report⁽¹⁾ and declaration for the 2019 financial year,
- review of the ILAAP report⁽²⁾ and declaration for the financial year 2019 and presentation of the liquidity crisis management plan,
- review of the Pillar 3 report,
- review of adjustments to the group's risk appetite framework and limit framework for 2020,
- monitoring the solvency of Suravenir,
- review of the update of the risk appetite framework and presentation of the draft 2021 limits,
- assessment of the adequacy of the variable remuneration system to the risk profile,
- monitoring the profitability of the activities;

■ Examination of the group's equity transactions and exceptional transactions (including the partnership project with AXA Banque):

- presentation of operations and review of visas;

■ In terms of closing the accounts:

- examination of the observations made by the Audit Committee on the presentations of the financial statements at December 31, 2019 and June 30, 2020 (accounting principles, financial statements, summaries and analyses, work of the Statutory Auditors, etc.);

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

■ The work also covered:

- 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 2019,
- return of the members of the committee on the reports transmitted for the year 2019,
- updating of the periodic control Charter,
- updating of the internal control charter.

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 Crédit Mutuel Arkéa's Board of Directors is devoted to assessing the operation of the Board and its specialised 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 Secretary and Corporate Communications Department, notably on the basis of a questionnaire completed by the directors, which evaluated 207 control points relating to the performance of supervisory missions. The next formal evaluation will be carried out in 2021.

The summary of the analyses carried out confirms that the Board of Directors exercises effective supervision. The contribution of the specialised committees and the quality of the dossiers presented to the Board of Directors are seen as vectors for informed decision-making. Strategic orientation and risk management appear to be under control. 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 for the continuation of efforts to digitise the work of the Board and the use of digital tools, which during the 2019 seminar resulted in the provision of digital tablet computers to directors and the deployment of a digital environment for the holding of Board meetings, completed in 2020 by the deployment of a digital training platform for directors.

The annual review of the operation of Crédit Mutuel Arkéa's Board of Directors carried out in 2020 showed that:

- the Board of Directors is composed of experienced members and the members exercise their mandate with commitment;
- the members of the Board of Directors and the specialised committees have access to appropriate documentation and resources to carry out their duties. The tools made available to the Board of Directors are appreciated. The specialised committees perform high-quality work, and there is a high level of mutual trust between directors and respect for the roles of the supervisory body and the actual managers.

(1) Internal Capital Adequacy Assessment Process, focuses on the assessment of capital adequacy by risk.

(2) Internal Liquidity Adequacy Assessment Process, focuses on liquidity management.

2.3 Executive corporate officers

The executive corporate officers of Crédit Mutuel Arkéa at December 31, 2020 are:

Hélène BERNICOT



Chief Executive Officer of Crédit Mutuel Arkéa since 02.12.2020, 45 years old

Summary biography

A graduate of Sciences Po Paris and a chartered accountant, Hélène Bernicot began her career with eight years in financial audit at Mazars, where she led various audit assignments for major groups. She joined Crédit Mutuel Arkéa in 2004. She successively held various positions in the Finance Department and then in the Human Resources Department. In 2016, she will join the general coordination committee and in 2019 the group's Executive Committee, in charge of the General Secretary and Corporate Communications Department. In 2020, she was appointed Chief Executive Officer of Crédit Mutuel Arkéa.

Other positions held within Crédit Mutuel Arkéa

- Chief Executive Officer and permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Arkéa SCD since 03.05.2020.
- Director of the SAS Château Calon Ségur
- Director of the PhiNoé Foundation
- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Swen Capital Partners since 01.23.2020.

Other positions

- Member of the Board of the Brest Chamber of Commerce and Industry of Brest
- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Caisse Centrale de Crédit Mutuel until 04/02/2020.
- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Office of financial banking coordination since 04/22/2020

Anne LE GOFF



Associate Chief Executive Officer of Crédit Mutuel Arkéa, 47 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, Crédit Mutuel Arkéa's life insurance and provident savings subsidiary, in 1996 as an actuary and then Head of Actuarial Services. From 2006 to 2008, Anne Le Goff held responsibilities in the areas of group risk control and management. In September 2008, she joined the Chairman's office before being appointed General Secretary in early 2011. Since 2012, Anne Le Goff has held the position of manager of the Group's General Secretary and Corporate Communications.

Since May 2016, she has been Head of Crédit Mutuel Arkéa's Development Support Division, which covers the group's Finance, Financial Markets, Risks, Legal, Compliance and Permanent Control, Organisation and General Resources Departments. The Division's role is to support the group's development and ensure the tighter management of the Transitions 2024 strategic project.

Other positions held within Crédit Mutuel Arkéa

- Chairwoman of the Management Board of Arkéa Bourse Retail until 04.21.2020
- Chairwoman of the Board of Directors of Arkéa Public Sector SCF until 12.10.2020
- Chairwoman of the Board of Directors of Arkéa Home Loans SFH until 12.10.2020

The Executive Management (Chief Executive Officer and Associate Chief Executive Officer) is vested with the broadest powers to act in all circumstances on behalf of the company and to represent it in its dealings with third parties. It exercises its 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 executive management

Crédit Mutuel Arkéa's Executive Committee is responsible for assisting the group's Chief Executive Officer in strategic steering and performance development. Its role consists of:

- proposing to the Board of Directors of Crédit Mutuel Arkéa the group's strategic orientations and risk appetite framework;
- steering the implementation of the strategy defined by the Board of Directors and allocating the necessary resources for its implementation;
- setting the objectives of the group's components and ensuring that they are achieved;
- examining organisational issues and general interest of the group;
- monitoring the activity of the entire group;
- regularly reviewing the group's financial position and risk exposure;
- making decisions and taking action to improve the profitability of the group's activities;
- monitoring intra-group financial flows;
- introducing and proposing a document for the arbitration of the IT budget⁽¹⁾.

With the aim of seeking a balanced representation of women and men, a dedicated mission has been in place at Crédit Mutuel Arkéa 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.

Crédit Mutuel Arkéa's General Coordination Committee has the following tasks:

- defining certain general corporate policies and related decisions, in support of the guidelines set by the Executive Committee;
- constituting a space for exchange between the development and regalian functions, on current events and on recurrent or prospective themes;
- addressing possible topics related to the coordination of internal control.

The Executive Committee meets weekly and is composed, as at December 31, 2020, of:

Hélène BERNICOT⁽¹⁾	Chief Executive Officer of Crédit Mutuel Arkéa
Anne LE GOFF	Associate Chief Executive Officer, Head of the Development Support Division
Frédéric LAURENT⁽²⁾	Deputy General Manager, Head of the Retail Customers Division
Bertrand BLANPAIN	Head of the Corporate and institutional Division
Véronique CROUZIER⁽³⁾	Head of Human Resources Department
Frédéric DIVERREZ⁽⁴⁾	Head of the BtoB and Specialised Services Division
Laurent JURRIUS⁽⁵⁾	Head of the Innovation and Operations Division
Christelle LE BERRE	Head of Le Square d'Arkéa
Bernard Le BRAS	Head of the Product Offer Division

(1) Hélène BERNICOT replaced Ronan LE MOAL as CEO on 02.12.2020, she was previously Head of the General Secretary and Corporate Communications Division and member of the Executive Committee.

(2) Frédéric LAURENT replaced Sébastien MUSSET as Head of the Retail Customers Division on 07.01.2020, he was previously Head of the Innovation and Operations Division and a member of the Executive Committee. He was also appointed Deputy Chief Executive Officer on 01.29.2021.

(3) Véronique CROUZIER replaced Marc GOSSELIN as Head of Human Resources on 07.01.2020.

(4) Frédéric DIVERREZ replaced Tarak ACHICH as Head of the BtoB and Specialized Services Division on 09.14.2020.

(5) Laurent JURRIUS replaced Frédéric LAURENT as Head of the Innovation and Operations Division on 07.01.2020.

(1) IT: Information technology or computer science.

2. CORPORATE GOVERNANCE

Agreements for the benefit of corporate officers

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⁽¹⁾	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	Executive Manager of the Nouvelle Vague subsidiary
Antoine LEFEBVRE	Head of Compliance and Permanent Control Department
Alain TAROUILLY	Head of General Inspection and Periodic Inspection Department
Jean-Luc LE PACHE	Deputy Manager of the Development Support Division
Élisabeth QUELLEC	Head of Risk Management Department
Cédric MALENGREAU⁽²⁾	Head of the General Secretary and Corporate Communications Department
Sébastien BONFILS⁽³⁾	Legal manager

(1) Jean-Marc JAY has been replaced by Antoine MICHAUD as Chief Executive Officer of the Crédit Mutuel du Sud-Ouest federation with effect from 03.01.2021.

(2) Cédric MALENGREAU replaced Héléne BERNICOT as Head of the General Secretary and Corporate Communications on 04.01.2020.

(3) Sébastien BONFILS was appointed member of the General Coordination Committee on 05.01.2020.

Within the framework of its prerogatives and powers, in order to ensure the relevance and quality of its decisions, Crédit Mutuel Arkéa's General Management structures its organisation 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 Customer Commitments Committee;
- the Risk Oversight Committee;
- the Counterparty Committee;
- the Purchasing Committee;
- the Real Estate Committee;
- the Innovation Committee;
- the committee on the fight against money laundering and terrorist financing;
- the IT Risk Governance Committee.

2.5 Agreements for the benefit of corporate officers

During the financial year, no agreements were 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 in a company and, on the other hand, another

company in which the former directly or indirectly holds 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

Crédit Mutuel Arkéa 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 has been updated following the entry into force of the EBA (European Banking Authority) guidelines on internal governance as well as the "MiFID 2" and "DDA" (Insurance Distribution Directive) regulations. This update was validated by Crédit Mutuel Arkéa's Board of Directors on February 27, 2019.

The scheme covers 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 system also covers any situation which arises when the independent, impartial and objective exercise of a person's functions is liable to be influenced by another public or private interest distinct from that which he or she must defend in those functions.

A conflict of interest may arise from failure to comply with one 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 client's expense, interest in the result of a service provided, of a transaction carried out, etc.);
- fairness in the treatment of clients (privileged treatment of a client);
- the separation of activities (insufficient separation between certain activities within an entity or between entities of the group likely to facilitate the dissemination of confidential or privileged information);
- independence of functions (inappropriate influence resulting in depriving the person concerned of his or her freedom of judgement).

The framework mechanism defines the respective roles and responsibilities of the different actors, including those of the management body, which is responsible for setting up, approving, monitoring and implementing an effective mechanism for preventing and managing situations of proven, potential, apparent or perceived conflicts of interest.

A risk mapping determines 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 are implemented, in particular through enforcement:

- the rules of good conduct, the code of ethics, the rules of procedure and the code of professional 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 for appointing leaders (staff and non-staff) and permanent representatives to governance bodies.

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

- ethical commitment of the employee/manager in a conflict of interest situation to act honestly and loyally;
- abstention during a vote;
- implementation of the four-eyes rule;
- limitation of the possibility of subscribing to a mandate;
- compartmentalisation of committees.

Any actual, potential, perceived or apparent conflict of interest situation must be brought to the attention of the compliance officer without delay, who will identify and document existing conflicts of interest. In addition to the procedures for declaring conflicts of interest by e-mail, Crédit Mutuel Arkéa has deployed a dedicated conflict of interest declaration form, accessible on the group's intranet.

The Chief Compliance Officer issues 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.

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

The compliance officer is responsible for maintaining this register, identifying appropriate measures and updating the monitoring of conflict of interest situations.

Each group entity is responsible for implementing the policy within its own organisation in order to meet its 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 been made available in order to monitor compliance with this policy by the group's entities.

As part of its mission to steer and coordinate the group's compliance systems, the Compliance and Permanent Control Department conducted compliance control actions in 2020 on the methods used by group entities to implement the system for managing conflicts of interest in the context of a dedicated theme-based interview.

Crédit Mutuel Arkéa regularly carries out awareness-raising and training initiatives.

For example, awareness of how to manage conflicts of interest was provided to employees of central services in 2020. The Compliance and Permanent Control Department also provided training for second level directors during the directors' seminar held in January 2020 and was also deployed remotely in October and November 2020.

2.7 Internal control

2.7.1 Internal control procedures

The organisation of internal control is described in the group's internal control charter.

The internal control system is organised in each entity according to the "three lines of control" model, in accordance with the texts of the Basel Committee and the European Banking Authority:

- first line of control: all employees and operational management, in all entities. Operational staff are primarily responsible for the risks incurred during the execution of the process itself. Operational management is responsible for their prevention, management and the implementation of any corrective actions;
- second line of control: compliance, permanent control and risk management functions. These functions are responsible, by delegation from the actual managers, for ensuring that risk management systems are defined and implemented correctly. They define a general normative framework and implement their system for the part that concerns them;
- third line of control: periodic inspection function. It is organised centrally and hierarchically within a Department that operates directly within Crédit Mutuel Arkéa structures and through periodic control delegation agreements duly drawn up with each of the group's subsidiaries: the General Inspection and Periodic Control Department.

The internal control functions conduct their actions in accordance with the group's *Raison d'être*. They contribute, through their audit and control work, to the appropriation and respect of this *Raison d'être* by all group entities.

The actual managers of the group are responsible for effectively determining the direction of the business (Art. L.511-13 of the French

Monetary and Financial Code). In particular, they implement the internal control systems, 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 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 the 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 for 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 body 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 Crédit Mutuel Arkéa's risk and internal control committee on a quarterly basis, and provides a summary of compliance and permanent control work to Crédit Mutuel Arkéa's Board of Directors every six months,

The group's supervisory body is informed by Crédit Mutuel Arkéa's Risk Department of the measurement and monitoring of 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 decree 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 decree 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 Audit Committee analyses and controls the global and consolidated financial statements before they are presented to the Supervisory Board.

The supervisory body of each Crédit Mutuel Arkéa subsidiary validates the application of the charter's principles and their adaptation to the entity and entrusts their implementation to the actual managers.

2.7.1.1 Permanent control

The organisation of "permanent control" is based on the provisions of the group's internal control charter, which establishes two levels of permanent control within Crédit Mutuel Arkéa 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, defined by the permanent control channel, implemented a posteriori of the processes. This second level is in turn divided into two types of control depending on the independence of the person carrying it out:

- **permanent 2nd level trade controls:** permanent 2nd level control carried out by a person who does not belong to the "permanent control" channel;
- **RCP/CP second-level permanent control:** controls performed by the permanent control manager reporting directly to the head of the structure and assisted or not by a team, in the case of subsidiaries, and by the permanent controllers, reporting directly to the DCCP, in the case of Crédit Mutuel Arkéa, the group's parent company.

With this distinction in mind, the organisation of permanent control and compliance monitoring at Crédit Mutuel Arkéa is based on the following principles:

- the organisation of permanent control covers all risks for all the group's business lines, regardless of the legal organisation of the activities generating these risks;
 - ultimate responsibility for compliance with regulatory requirements in terms of permanent control lies with the actual managers of each entity and Crédit Mutuel Arkéa for the consolidated view;
 - each subsidiary entity, in accordance with the principles of proportionality and subsidiarity, organises the permanent control and compliance monitoring process within its own organisation and reports directly to Crédit Mutuel Arkéa;

- the actors in charge of the permanent second level control of a process do not intervene in the execution of this process to ensure a seal 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 organisation enables Crédit Mutuel Arkéa's decision-making bodies to guide risk-taking and control its potential effects with reasonable assurance.

Crédit Mutuel Arkéa's Compliance and Permanent Control Department (DCCP), which reports to the Associate Chief Executive Officer in charge of the Development Support Division, is responsible for supervising the permanent control and compliance control managers of the group's subsidiaries, for the permanent control of the structures within the global scope of consolidation 15589⁽¹⁾ and for the permanent control and compliance control system at 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 corpus of rules and an organisation based on complementary actions.

A compliance charter, which complements the internal control charter, defines the principles and rules applicable to prevent and control the risk of non-compliance within the group.

The charter thus reminds us that the scope of compliance is based on 4 major axes:

- financial security, including the fight against money laundering and terrorist financing (AML-FT);
- deontology and professional ethics;
- the protection of clients' interests including the protection of personal data;
- fiscal transparency.

The organisation of the system set up within the Group is therefore based on the complementary nature of the actions of the Compliance and Permanent Control Department (DCCP), the heads of compliance control for the entities and the business line operational staff, as well as on the close relationship maintained with the group's management bodies.

(1) Compliance and Control Committee Permanent.

2.7.1.2.1 The Compliance and Permanent Control Department (DCCP)

It reports to the Head of Compliance and Permanent Control Department, who in turn reports to the Associate Chief Executive Officer in charge of the Development Support Division, who is also a member of Crédit Mutuel Arkéa's Executive Committee.

In order to ensure consistent practices throughout the group, the Compliance and Permanent Control Department leads and coordinates the implementation of the group's compliance control systems, including the fight against money laundering and terrorist financing and the protection of personal data.

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

- identifies, assesses and maps the risks of non-compliance;
- develops, updates and coordinates the framework systems in line with legislative and regulatory changes affecting the group's activities;
- monitors the risks of non-compliance through:
 - monitoring any regulatory developments falling within the scope of compliance and likely to impact compliance control systems. The DCCP shares information with the compliance managers of the group's entities and participates in market meetings,
 - permanent control of compliance:
 - control of 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 2020, all the entities were met,
 - validation of the operational implementation of the systems by the entities,
 - coordination of the collection of the information needed to draw up activity reports for the supervisory authorities,
 - steering and monitoring of indicators related to the risk of non-compliance:
 - definition of key risk indicators,
 - definition of alert thresholds for major indicators;
- coordinates the group's compliance process:
 - advising and assisting the compliance officers of the group's entities in the implementation of their obligations,
 - the deployment of prevention, detection, control or reporting tools made available to group entities,
 - meeting with the entities through thematic discussions on compliance systems and the annual meeting as part of the annual review with the DCCP,
 - the continuous improvement of the quality of data collected on customers in the context of the fight against money laundering and terrorist financing and the fight against tax fraud (notably FATCA and OECD/CRS),
- training initiatives to help strengthen a common compliance culture within the group (training sessions on compliance control systems systematically offered to new compliance control managers and their teams when they take up their positions, training of new employees joining Crédit Mutuel Arkéa in the general principles of compliance, training of the management bodies of group entities in the risk of non-compliance, etc.);
- consolidates and monitors significant events of non-compliance within the group with the aim of:
 - to enrich the risk mapping,
 - inform the management bodies of the inadequacies and failures observed in the group's entities (CCCP⁽¹⁾, CRCI, Crédit Mutuel Arkéa's Board of Directors) and of the monitoring of indicators with alert thresholds defined in the risk appetite framework;
- advises, assists and raises the awareness of management bodies to the risks of non-compliance;
- reports on the activity and results of the audit to the management bodies:
 - every quarter, to the Compliance and Permanent Control Committee chaired by the Associate Chief Executive Officer in charge of the Development Support Division, who is also a member of Crédit Mutuel Arkéa's Executive Committee,
 - quarterly to the risk and internal control committee, whose role is to assist Crédit Mutuel Arkéa's Board of Directors in its risk control responsibilities. An annual report on the fight against money laundering and the financing of terrorism is also presented to the CRCI,
 - every six months, to the Board of Directors of Crédit Mutuel Arkéa, which ensures the quality of the systems implemented and the degree of control of the risks to which the group is exposed, as well as the efficiency of the related compliance controls,
 - each year, a specific point on the protection of personal data is sent by the DPO (Data Protection Officer) to the Executive Committee of Crédit Mutuel Arkéa.

2.7.1.2.2 The compliance officers of the group's entities

A compliance officer is responsible for ensuring that each entity complies with the principles laid down by the group in terms of prevention and control of the risk of non-compliance.

As direct line managers, the managers of the subsidiaries propose the appointment of a compliance officer for their entity, subject to validation by the group's compliance officer under a "reinforced functional link".

It identifies, assesses and monitors the risk of non-compliance within its entity. He applies the compliance framework defined by the group to his entity and defines the compliance measures specific to his entity's activity. It advises and reports on the performance of its mission to the entity's effective management and supervisory body.

The functional organisation thus set up within the group aims to strengthen business expertise as closely as possible to the activity and to give each entity manager a sense of responsibility.

(1) See definition in appendix 1.1 of chapter 3.6 Consolidated financial statements.

2.7.1.2.3 Operational staff

The operational structures must integrate, in their day-to-day action, the need to respect the principles set by the group in order to act in compliance with the rules set out for compliance within the group. Each group employee is thus a stakeholder 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 organisation centralises the key activities that guarantee the quality of accounting information within the group's scope of consolidation. The Finance and Accounting Department defines accounting rules and methods, designs and maintains accounting systems (validation of specific features related to insurance and leasing activities is delegated to dedicated business teams), implements the process of justification of accounts in conjunction with the group's management structures and the control and analysis procedures required to prepare and process accounting information for Crédit Mutuel Arkéa and all delegating subsidiaries. Accordingly, the Finance and 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 organisation of the production of accounting information is based on two activities: bookkeeping and group consolidation. Bookkeeping (preparation of corporate financial statements and related consolidation packages) and 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 decentralised organisation in which each contributing entity is responsible for the quality of the data it produces, and undertakes to provide quarterly certification to Crédit Mutuel Arkéa's Finance and Accounting Department on:

- the quality of individual accounts;
- respect for the group's principles;
- the conformity 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 that there are no major anomalies that could call into question the accuracy of the financial statements:

- 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 coordinates the management control system of the various group entities, which contributes to the security of financial data, particularly through the budget control and results analysis functions.

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 Crédit Mutuel Arkéa's Board of Directors 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 four times in 2020.

2.7.1.4 Periodic inspection

The periodic inspection is carried out by the Head of General Inspection and Periodic Control (DIGCP). It carries out its activities on all 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 DIGCP acts within the framework of duly regulated agreements delegating the exercise of periodic control. Throughout the group, DIGCP thus exercises its control in accordance with the terms, conditions and procedures set out in the provisions of the decree of November 3, 2014 on the internal control of companies in the banking, payment services and investment services sector subject to the supervision of the Autorité de Contrôle Prudentiel et de Résolution (French Prudential Control and Resolution Authority).

DIGCP's mission is to provide independent and objective assurance on the compliance of the group's activities and to provide consulting services that contribute to creating added value and improving the degree of control over the group's operations. It helps the group to achieve its objectives by assessing, using a systematic and methodical approach, its risk management, control and corporate governance processes to determine whether they are appropriate and operate in a manner that ensures that:

- risks are identified and managed appropriately;
- the interaction between the different actors in corporate governance takes place as it should;
- significant financial, management and operating information is accurate, reliable and issued in a timely manner to the management and supervisory bodies;
- employee actions comply with the rules, standards, procedures, laws and regulations in force;
- resources are acquired economically, used efficiently and adequately protected;
- programmes, plans and objectives are achieved;
- the quality and continuous improvement of the organisation's internal control processes are encouraged;
- significant legislative and regulatory issues impacting the organisation are identified and dealt with appropriately.

To carry out its missions, DIGCP has developed a body of procedures, particularly in the areas of periodic control of business and network risks. In 2020, these procedures were updated and strengthened; these updates concerned in particular the practical procedures for exchanging with the audited structures on the findings and recommendations made in the context of a business audit mission in order to facilitate exchanges in the context of the health crisis linked to Covid-19.

In addition, it should be noted that the function of coordinating Crédit Mutuel Arkéa's periodic control activities (CACPG), created in 2019 within DIGCP to strengthen the consolidated risk monitoring and compliance control activities carried out by Crédit Mutuel Arkéa as the parent company, was structured during the financial year 2020. To date, the coordination activity covers a scope of intervention consisting of 18 subsidiaries or branches of Crédit Mutuel Arkéa. The purpose of this function is to strengthen the management of periodic control throughout Crédit Mutuel Arkéa by favouring a differentiated approach, structure by structure, depending on its status, activities and size.

In order to carry out its missions, DIGCP has developed its own risk map; this 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:

- topics that the Head of risk management at Crédit Mutuel Arkéa and the Head of Compliance and Permanent Control at Crédit Mutuel Arkéa consider desirable to audit;
- the mission themes provided for in the plan and arbitrated or postponed;
- taking into account the areas of control of the Autorité de Contrôle Prudentiel et de Résolution, the Inspectorate General of the Banque de France, the European Central Bank, and the supervisory authorities involved in the scope of foreign subsidiaries and branches (National Bank of Belgium – NBB, and Financial Services and Market Authority – FSMA, CSSF, FINMA, etc.);
- the contribution of the members of the group Executive Committee and the managers of each of the group's reporting entities that have been formally requested by DIGCP to contribute to the development of their entity's periodic control plan.

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 mutuals and subsidiaries' branches, and a programme concerning the activities of the group's central management, companies and subsidiaries. This is part of a multi-year plan that ensures coverage of the main risk areas identified in DIGCP's mapping of private banking risks and of Crédit Mutuel Arkéa's development priorities.

The plan of periodic control missions thus drawn up is validated by the Risk and Internal Control Committee, which is an offshoot of the supervisory body, and adopted by Crédit Mutuel Arkéa's Board of Directors. It systematically includes annual audits of major risks in the areas of credit, capital markets, accounting processes, information technology and operational risks. A combined analysis is carried out between the assignments carried out over the last three financial years and the risk typologies defined by the Decree of November 3, 2014. This analysis makes it possible to assess the level of coverage of each of the risks.

When the 2020 periodic control plan was drawn up, this combined analysis 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 and the resolution concerning the certification of the annual financial statements of the Crédit Mutuel caisses, DIGCP carries out an annual audit of the financial statements of the local Crédit Mutuel Arkéa caisses before they are presented to the General Meeting of members, in accordance with accounting auditing standards.

Furthermore, in terms of control, DIGCP is specifically responsible for the detection and treatment of 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 area, DIGCP is specifically in charge of auditing employee accounts and ensuring that directors comply with their obligations, in accordance with applicable regulations and in compliance with the laws, standards and principles adopted by Crédit Mutuel Arkéa.

2.7.2 The committees

2.7.2.1 The group Compliance and Permanent Control Committee

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

It includes two other members of the Executive Committee: the Head of the BtoB and Specialised Services Division and the Head of the Retail Customers Division. In addition, the Deputy Manager of the Development Support Division and the group's legal manager are also members of the Committee. The Head of Compliance and Permanent Control is secretary to the CCCP and the Head of Risk Management and the Deputy Manager of General Inspection and Periodic Control are present as guests.

Its mission is to ensure:

- the quality of the permanent control system covering all risks related to the group's activities;
- the quality of the systems covering the risk of non-compliance within the Group's scope, in particular financial security (AML-FT and market integrity), protection of personal data, customer protection, tax transparency, ethics and professional conduct.

To this end, the committee:

- analyses the main indicators enabling it to assess the effectiveness of the permanent control and compliance systems;
- monitors inadequacies and deficiencies, indicators and alert thresholds defined in this appetite framework, and in case of overshooting, monitors the actions taken;
- validates the framework systems and requests for exemptions applicable to all group entities in the areas of permanent control and compliance;
- validates Crédit Mutuel Arkéa's permanent control plans and arbitrations during the year;
- can request any additional analysis or action contributing to better risk management.

It met four times in 2020, on 02/13, 05/12, 07/16 and 11/05.

2.7.2.2 The Periodic Control Committee

Chaired by the Chief Executive Officer, this Committee is responsible for assessing the quality of the periodic control, in particular the consistency of the systems for measuring, monitoring and controlling the risks incurred at the consolidated level, and for proposing additional actions as necessary. It is involved in defining the annual periodic control programme.

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 CEO (Chairperson);
- the Associate Head of the Development Support Division;
- the Head of the Corporates and Institutional Division;
- the Head of the Retail Client Division;
- the Head of the Product Offer Division;
- the Head of General Inspection and Periodic Control Department;
- the Deputy Manager of General Inspection and Periodic Control Department;
- the Head of the Periodic Control Department, who provides the secretary for the committee.

The frequency of meetings shall be set at a minimum of three times a year. The Periodic Control Committee met eleven times in 2020.

2.8 Compensation of corporate officers

This section updates pages 49 to 59 of the Crédit Mutuel Arkéa's 2019 Universal Registration Document.

2.8.1. Compensation policies for executive officers for the year 2021

2.8.1.1 General principles

The compensation policy for executive officers, i.e. the Chairman of the Board of Directors, the Chief Executive Officer, the Associate Chief Executive Officers and the members of the Board of Directors of Crédit Mutuel Arkéa, is defined by the Board of Directors on the basis of proposals from the Compensation Committee in accordance with the overall compensation policy of the Crédit Mutuel Arkéa group.

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

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

- the regulatory framework set by the Monetary and Financial Code (Articles L.511-71 et seq. and R.511-18 et seq.);
- the prudential provisions applicable to credit institutions and investment companies (CRD Package);
- the provisions of Law No. 47-1775 of September 10, 1947 on the status of cooperation;
- the provisions on public limited companies whose securities (other than shares) are admitted to trading on a regulated market of the Commercial Code applicable to compensation.

The compensation of the executive officers is decided annually by the Board of Directors, on the recommendation of the Compensation Committee.

The compensation policy for executive officers takes into account the following objectives in its principles:

- alignment with the Crédit Mutuel Arkéa group's Raison d'être as defined by the Board of Directors of Crédit Mutuel Arkéa and submitted to the General Meeting:
 - by being in line with the economic strategy, objectives, values and interests of the Crédit Mutuel Arkéa group,
 - by integrating both financial and non-financial assessment factors, so that the compensation policy implemented strives to maintain consistency between the overall compensation of executive directors and the performance of the Crédit Mutuel 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 Crédit Mutuel Arkéa group to attract, motivate and retain profiles that are recognised as high performers and particularly competent in the group's fields of activity;

- consistency with the compensation and employment conditions of the Crédit Mutuel Arkéa group's 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 management and regulatory compliance, and ensuring that conflicts of interest are avoided and that decisions are made fairly.

The fixed compensation (FC) is the only compensation received by the Chairman of the Board.

The compensation of the Chief Executive Officer and the Associate Chief Executive Officers is structured as follows:

- fixed compensation (FC), which makes it possible to retain and motivate managers and which values the experience and responsibilities exercised. It represents a significant part of total compensation and is used as a basis for determining the ceilings for variable compensation;
- annual variable compensation (AVC), which depends on the financial and non-financial performance of the year and the contributions of the executive directors to the success of the Crédit Mutuel Arkéa group's strategy.

In accordance with the provisions of the Monetary and Financial Code, the variable compensation may not exceed the fixed compensation. However, for the Chief Executive Officer and the Deputy Chief Executive Officer, who are not employees, the General Meeting may approve a higher maximum ratio provided that the overall level of the variable component does not exceed 120% of the fixed component.

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 Group to strengthen its equity capital.

In addition, the executive vice presidents benefit from an employee savings scheme.

The Crédit Mutuel Arkéa group is in the process of developing an approach aimed at a coherent and gradual integration of sustainability risks into its compensation policy. The paths that will be adopted within this framework will allow, in accordance with the sectoral legislation on compensation policies to which the Crédit Mutuel Arkéa group and its entities are subject, the taking into account of sustainability risks within the appropriate processes.

2.8.1.2 Fixed compensation

The Chairman of the Board of Directors, the Chief Executive Officer and the Associate Chief Executive Officers receive a 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 compared to a panel of executives in the banking and financial sector, as established by Willis Towers Watson;

- market practices and compensation observed for similar functions in comparable companies.

Chairman of the Board of Directors of Crédit Mutuel Arkéa

The compensation of the Chairman of the Board of Directors of Crédit Mutuel Arkéa is exclusively fixed and its amount, determined by the Board of Directors on the proposal of the Compensation Committee, takes into account:

- the professional experience required to assume the position of Chairman of the supervisory body of a credit institution such as Crédit Mutuel Arkéa, whose performance is sustainable without excessive risk-taking;
- the responsibilities for supervision, monitoring and control, including risk management, associated with this function;
- of the tasks entrusted, which largely exceed those provided for in Article L.225-51 of the Commercial Code, without encroaching on the tasks and powers incumbent by law or the Articles of Association on the General Management, which alone remains responsible for the direction and operational management of the company, notably:
 - the key role of the Chairman in initiating the Board's determination of the group's strategic direction,
 - representing the company in its high-level relations with public authorities, banking supervisors and the company's strategic stakeholders,
 - maintaining relations with the member local banks and federations making up the Crédit Mutuel Arkéa group,
 - ensuring the balance of the Board of Directors, in addition to its proper functioning.

For the Chairman of the Board of Directors, the fixed compensation for the financial year 2021 amounts to €530,000.

Chief Executive Officer of Crédit Mutuel Arkéa

The Chief Executive Officer of Crédit Mutuel Arkéa receives a fixed compensation, the amount of which is determined by the Board of Directors on the recommendation of the Compensation Committee and takes into account:

- the experience and scope of responsibilities of the Chief Executive Officer compared to a panel of executives in the banking and financial sector;
- market practices and compensation observed for similar functions in comparable companies.

For Hélène Bernicot, Chief Executive Officer of Crédit Mutuel Arkéa, the annual fixed compensation for the year 2021 amounts to €425,000.

Associate Chief Executive Officers of Crédit Mutuel Arkéa

The Associate Chief Executive Officers of Crédit Mutuel Arkéa receive a fixed compensation, the amount of which is determined by the Board of Directors on the recommendation of the Compensation Committee and takes into account:

- the experience and scope of responsibilities of the Associate Chief Executive Officers compared to a panel of executives in the banking and financial sector;

- market practices and compensation observed for similar functions in comparable companies.

For Anne Le Goff, Associate Chief Executive Officer of Crédit Mutuel Arkéa, the annual fixed compensation for 2021 amounts to €400,000.

Associate Chief Executive Officers - employees

The Associate Chief Executive Officers of Crédit Mutuel Arkéa, employees of Arkéa SCD, receive a fixed compensation, approved by the Compensation Committee and the Board of Directors, the amount of which takes into account:

- the experience and scope of responsibilities of the Associate CEOs compared to a panel of executives in the banking and financial sector;
- market practices and compensation observed for similar functions in comparable companies.

For Bertrand Blanpain, Associate Chief Executive Officer of Crédit Mutuel Arkéa as from February 1, 2021, in charge of the Corporate and Institutional division, the amount of the annual fixed compensation for the financial year 2021 is €305,000 prorated according to the length of the mandate, subject to the ratification of his appointment by the supervisor.

For Frédéric Laurent, Associate Chief Executive Officer of Crédit Mutuel Arkéa as from February 1, 2021, in charge of the Retail Customers Division, the amount of the annual fixed compensation for the year 2021 is €325,000 prorated according to the duration of the mandate, subject to the ratification of his appointment by the supervisor.

2.8.1.3 Annual variable compensation (AVC)

The Chief Executive Officer and the Associate Chief Executive Officers receive variable compensation according to the principles described below.

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 framework as well as, where appropriate, exceptional performance by executive officers or their very strong involvement in the performance of the tasks entrusted to them in view of the scope of their responsibilities.

For the CEO and the Associate CEO, the variable compensation can vary from 0% to 90% (target level) of the fixed compensation in case of achievement of all objectives and 120% (ceiling level) in case of exceptional performance.

For the Associate CEOs employed by Arkéa SCD, the variable compensation can vary from 0% to 80% (target level) of the fixed compensation in case of achievement of all the objectives and 100% (ceiling level) in case of exceptional performance.

The AVC indicators, which are set by the Board of Directors in line with the Group's annual plan, are established in accordance with the Crédit Mutuel Arkéa group's risk appetite framework, which seeks to set them at a level that is compatible with its overall performance objectives while ensuring that it is always able to control them through its expertise. The levels of risk and risk control are criteria that are subject to great attention and are particularly selective in the direction of the group's development.

Variable compensation is conditional on compliance with the thresholds defined in the Group's risk appetite framework for the three indicators below:

- the bank solvency ratio (CET1);
- the commitment ratio;

- the operating ratio.

Executive officers are subject to rules relating to the payment of a portion of their variable compensation, equal to 50% or 60% depending on the amount, deferred over five years.

Variable compensation and deferred variable compensation tranches in the course of acquisition may be reduced in whole or in part, up to 100%, in the event of behaviour likely to expose the Crédit Mutuel Arkéa group, or one of its entities, to an abnormal and significant risk, in particular because of the responsibility of the executives concerned in acts that have led to significant losses for the institution or in the event of failure to comply with the obligations of good repute and competence.

The payment of deferred variable compensation elements is also subject to compliance with the risk appetite threshold of the CET1 ratio at each payment date. If on a payout date the CET1 risk appetite threshold is not met, all deferred variable compensation to be received on that date is reduced to zero.

2.8.1.4 Benefits in kind

The benefits in kind for the Chairman of the Board, the Chief Executive Officer and the Associate Chief Executive Officers consist of the provision of a company car.

2.8.1.5 Financial instruments

As Crédit Mutuel Arkéa's share capital is not listed on a regulated market, the entire deferred component of the variable compensation is paid in cash instruments linked to shares, i.e. the amount of which reflects and evolves according to the credit quality of the institution. These cash instruments will thus be indexed to a composite indicator calculated on the basis of group consolidated criteria.

2.8.1.6 Employment contract and corporate mandate

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 Hélène Bernicot, Chief Executive Officer of Crédit Mutuel Arkéa, 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 for the calculation of the employee's rights under the law, the collective agreement and the employment contract.

Associate Chief Executive Officer of Crédit Mutuel Arkéa

The employment contract of Anne Le Goff, Associate Chief Executive Officer of Crédit Mutuel Arkéa, has been suspended since February 13, 2020 and for the duration of her term of office, to be automatically resumed at its end.

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.

Associate Chief Executive Officers of Crédit Mutuel Arkéa - employees

Associate Chief Executive Officers have an employment contract. The real nature of the contract is reflected in the subordination to the Executive management and, in addition, the Associate Chief Executive Officers are Executive Officers of divisions and as such have full technical functions.

2.8.1.7 Severance pay

Chairman of the Board of Directors of Crédit Mutuel Arkéa

In the event of termination of his employment contract for any reason whatsoever (excluding dismissal for serious or gross misconduct), Jean-Pierre Denis is likely to receive a termination indemnity, in addition to the legal or conventional provisions, in 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 compensation effectively received, including exceptional bonuses and the LTI).

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

It is specified that any termination payment would be calculated within the framework of the employment contract of the Chairman of the Board of Directors, with regard to the duties and responsibilities performed in this capacity.

Chief Executive Officer of Crédit Mutuel Arkéa

In the event of termination of her employment contract for any reason whatsoever (excluding dismissal for gross misconduct or gross negligence), Hélène Bernicot is likely to receive a termination indemnity, in addition to the legal or conventional provisions, of 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, plus the monthly average of all variable compensation actually received by Hélène Bernicot over the three years preceding the date of termination, including variable compensation, exceptional bonuses and the LTI).

Hélène Bernicot will also be entitled to receive this severance payment if her employment contract is terminated by agreement.

It is specified that any termination indemnity would be calculated within the framework of Hélène Bernicot's employment contract, with regard to the duties and responsibilities carried out in this capacity.

Associate Chief Executive Officer of Crédit Mutuel Arkéa

In the event of termination of her employment contract for any reason whatsoever (excluding dismissal for gross misconduct or gross negligence), 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 on the date of termination, benefits in kind included, plus the monthly average of all variable compensation actually received by Anne Le Goff over the three years preceding the date of termination, including variable compensation, exceptional bonuses and the LTI).

Anne Le Goff will also be entitled to receive this severance payment if her employment contract is terminated by mutual agreement.

It is specified that any severance pay would be calculated in the context of Anne Le Goff's employment contract, with regard to the duties and responsibilities performed in this capacity.

2.8.1.8 Retirement

Chairman of the Board of Directors of Crédit Mutuel Arkéa

On retirement, and if he has been with the company for at least five years, the Chairman of the Board of Directors of Crédit Mutuel Arkéa receives a retirement indemnity equal to seven twelfths of his annual compensation. In addition, he is entitled to end-of-career leave calculated on the basis of twenty-three days for each year of service as a senior executive.

As of January 1, 2020, the Chairman of the Board of Directors only benefits from a defined contribution pension scheme.

Chief Executive Officer of Crédit Mutuel Arkéa

On retirement, and provided she has been with the group for at least five years, the Chief Executive Officer of Crédit Mutuel Arkéa receives a termination benefit equal to seven twelfths of her annual compensation. The Chief Executive Officer is also entitled to end-of-career leave calculated on the basis of twenty-three days for each year of service as a senior executive of the Crédit Mutuel Arkéa group.

As of January 1, 2020, the Chief Executive Officer only benefits from a defined contribution pension scheme.

Associate Chief Executive Officer of Crédit Mutuel Arkéa

At the time of her retirement, and if she has been with the group for at least five years, the Associate Chief Executive Officer of Crédit Mutuel Arkéa receives a termination benefit equal to seven twelfths of her annual compensation. The Associate Chief Executive Officer is also entitled to end-of-career leave calculated on the basis of twenty-three days for each year of service as a senior executive of the Crédit Mutuel Arkéa group.

As of January 1, 2020, the Associate CEO has only a defined contribution pension plan.

Associate Chief Executive Officers of Crédit Mutuel Arkéa - employees

On retirement, and provided they have been with the group for at least five years, Crédit Mutuel Arkéa's Associate Chief Executive Officers receive a termination payment equal to seven twelfths of their annual compensation. The Associate Chief Executive Officers also receive end-of-career leave calculated at twenty-three days for each year spent as a senior executive of the Crédit Mutuel Arkéa group.

As of January 1, 2020, the Associate CEOs only benefit from a defined contribution pension scheme.

2.8.1.9 Loans, advances and guarantees granted to executive officers

Crédit Mutuel Arkéa's executive officers may be granted loans.

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

2.8.1.10 Compensation of the members of the Board of Directors

The rules for the allocation of compensation paid in respect of Board of Directors of Crédit Mutuel Arkéa were adopted by the Board of Directors of May 22, 2015 on the advice of the Compensation Committee and confirmed by the Board of Directors on March 3, 2020.

- a fixed annual compensation for each elected director of €7,150 (gross);
- an additional fixed annual compensation for the Vice-Chairwoman of €7,150 (gross);
- a variable attendance fee per meeting for each elected director present at a Board of Directors 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 committee meeting of €715 (gross).

In addition, the Board of Directors adopted, by resolution of June 2, 2017, on the proposal of the Compensation Committee, the rules for the allocation of compensation paid to directors who are not members of the cooperative movement:

- a variable attendance fee per meeting for each director who is not a member of the cooperative movement present of €3,575 (gross);
- a variable attendance fee per meeting of a specialised committee for each director who is not a member of the cooperative movement present at a Board meeting of €715 (gross); and
- no fixed compensation is paid.

In respect of their duties within Crédit Mutuel Arkéa's subsidiaries, the subsidiaries, the directors of Crédit Mutuel Arkéa also benefit from:

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

Finally, in addition to the allocation rules set out above, it is specified that the directors of Crédit Mutuel Arkéa may, in some cases, receive lump-sum compensation for their duties within federal bodies.

2.8.2 Fixed, variable and exceptional components of total compensation and benefits of any kind paid during the 2020 financial year or granted in respect of the 2020 financial year

2.8.2.1 Chairman of the Board of Directors of Crédit Mutuel Arkéa

Fixed compensation

The annual fixed compensation of Jean-Pierre Denis, in his capacity as Chairman of the Board of Directors of Crédit Mutuel Arkéa, for 2020, has been set at €530,000.

Variable compensation

In the context of the Covid-19 epidemic, the Chairman of the Board of Directors, Jean-Pierre Denis, decided in March 2020 to waive in advance the variable compensation that could have been awarded for the 2020 financial year, i.e. the annual variable compensation (AVC) and also the long-term incentive (LTI) for the 2020 financial year.

In addition, the variable components of the compensation of the Chairman of the Board of Directors of Crédit Mutuel Arkéa (annual variable compensation (AVC) and long-term incentive (LTI)), will not be paid.

As from 2020, the fixed compensation (FC) is the only compensation received by Jean-Pierre Denis, Chairman of the Board of Board of Directors.

Retirement

At December 31, 2020, the estimated actuarial amount of the individual pension (Article 39), crystallised at December 31, 2019, is €68,237, in accordance with Article D.225-104-1 of the French Commercial Code.

Benefits in kind

Jean-Pierre Denis, in his capacity as 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

The fixed annual compensation of Hélène Bernicot, in her capacity as Chief Executive Officer of Crédit Mutuel Arkéa since February 13, 2020, has been set at €425,000 for 2020, prorated according to the exercise of the mandate.

The annual fixed compensation of Ronan Le Moal in his capacity as Chief Executive Officer of Crédit Mutuel Arkéa until February 12, 2020, was set at €425,000 for 2020, prorated according to the exercise of his mandate

Annual variable compensation

In the context of the Covid-19 epidemic, Hélène Bernicot, decided in March 2020 to forego the AVC that could have been allocated to her for the 2020 financial year.

Due to Ronan Le Moal's resignation from his position as Chief Executive Officer on February 12, 2020, no annual variable compensation is due for the financial year 2020

Long-term incentives

In the context of the Covid-19 epidemic, Hélène Bernicot, decided in March 2020 to waive in advance the LTI that could have been allocated to her under the three-year plan for the 2018–2019–2020 financial years.

In view of the group did not meet the performance criteria for the long-term incentive scheme for the period 2018–2019–2020, the Board of Directors approved the principle of not paying the Chief Executive Officer of Crédit Mutuel Arkéa, Ronan Le Moal, the LTI for this period.

Long-term incentive performance criteria for the period 2018-2019-2020

Data in €m	NBII	OI
IFRS9 2018 plan	2,033	492
Annual growth rate 2018 - 2020	1%	1%
IFRS9 2020 goal	2,074	502
Achieved ⁽¹⁾	2,218	481
Achieved gaps compared to the target	144	(21)
Annual growth rate 2018 - 2020	4.4%	(1.1%)

Retirement

At December 31, 2020, the estimated actuarial amount of the individual pension (Article 39) for the benefit of the CEO, crystallised at December 31, 2019, is €22,802, in accordance with Article D.225-104-1 of the French Commercial Code.

As Ronan Le Moal did not complete his professional career within the Crédit Mutuel Arkéa group by liquidating his basic pension rights, he lost the benefit of the defined benefit pension scheme (Article 39)

Benefits in kind

Hélène Bernicot, in her capacity as CEO, is provided with a company car.

Ronan Le Moal in his capacity as CEO was provided a company car until the end of his mandate

(1) Including adjustments

2.8.2.3 Associate Chief Executive Officer of Crédit Mutuel Arkéa

Fixed compensation

The fixed annual compensation of Anne Le Goff, in her capacity as Associate Chief Executive Officer of Crédit Mutuel Arkéa, was set at €270,000 prorated for the period from January 1, 2020 to February 12, 2020 at €400,000 prorated for the period following the date on which the employment contract was suspended, i.e. from February 13, 2020 to December 31, 2020.

Annual variable compensation

In the context of the Covid-19 epidemic, the Associate CEO decided in March 2020 to waive in advance the AVC that could have been allocated to her for the 2020 financial year.

Long-term incentives

In the context of the Covid-19 epidemic, the Associate CEO decided in March 2020 to waive in advance the LTI that could have been

allocated to her under the three-year plan for the 2018–2019–2020 financial years.

Retirement

At December 31, 2020, the estimated actuarial amount of the individual pension (Article 39), crystallised at December 31, 2019, is €36,773, in accordance with Article D.225-104-1 of the French Commercial Code.

Benefits in kind

Anne Le Goff, in her capacity as Associate CEO, is provided with a company car.

2.8.2.4 Evolution of performance

Evolution of the compensation of each of the executive officers compared to the group's performance over the last 5 financial years (data in €m):

	2016	2017	2018	2019	2020
NBII	1,852	2,090	2,146	2,303	2,158
Net income	336	428	437	511	356
Compensation of the Chairman of the Board of Directors	1,600	1,600	1,600	1,601	0,541
Compensation of the CEO	NA	NA	NA	NA	0,380
Compensation of the Associate CEO	0,303	0,664	0,732	0,677	0,395

2. CORPORATE GOVERNANCE

Compensation of corporate officers

2.8.3 Table of individual compensation of executive officers

The gross compensation received by Crédit Mutuel Arkéa's executive officers is detailed in the tables below:

	2019 Paid on the exercise	2019 Due for the year	2020 Paid on the exercise	2020 Due 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	0	0	0
benefits in kind	11,342	11,342	11,289	11,289
TOTAL	1,601,342	541,342	541,289	541,289

	2019 Paid on the exercise	2019 Due for the year	2020 Paid on the exercise ⁽¹⁾	2020 Due for the year ⁽¹⁾
Hélène Bernicot CEO				
fixed compensation	0	0	373,641	373,641
variable compensation	0	0	0	0
benefits in kind	0	0	6,412	6,412
TOTAL	0	0	380,053	380,053

(1) In respect of the corporate mandate of CEO from 02.13.2020.

In addition, given the context of the economic shock linked to the Covid-19 crisis, the CEO will waive all variable compensation for 2020.

	2019 Paid on the exercise	2019 Due for the year	2020 Paid on the exercise	2020 Due for the year
Anne Le Goff Associate CEO				
fixed compensation	270,000	270,000	384,196	384,196
variable compensation	362,756	399,262	462,219	2,417
benefits in kind	8,007	8,007	8,537	8,537
TOTAL	640,763	677,269	854,952	395,150

In addition, given the context of the economic shock linked to the Covid-19 crisis, the Associate Chief Executive Officer will waive all variable compensation for 2020.

	2019 Paid on the exercise	2019 Due for the year	2020 Paid on the exercise	2020 Due for the year
Ronan Le Moal CEO				
fixed compensation	425,000	425,000	177,084	177,084
variable compensation	850,000	850,000	852,998	3,000
benefits in kind	11,199	11,199	4,630	4,630
TOTAL	1,286,199	1,286,199	1,034,712	184,714

Subsequent to the end of his term of office as Chief Executive Officer, in application of the contractual provisions concluded between Ronan Le Moal and Crédit Mutuel Arkéa as mentioned in the corporate governance report, Ronan Le Moal received indemnities due in respect of the termination of his employment contract amounting to €3,251,626, as well as indemnities in respect of his holiday savings amounting to €713,510.

2.8.4 Table of compensation of the members of the Board of Directors

2020 attendance fees (in €)	2020 fees				Total individual attendance fees paid in 2019
	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 in 2020	
Jean-Pierre DENIS* Chairman					
Sophie VIOLLEAU Vice-Chairwoman	18,590	10,015	68,808	97,413	37,260
Valérie BARLOIS-LEROUX Independent director	14,300	2,145	0	16,445	NA
Valérie BLANCHET-LECOQ Director	7,150	3,575	1,515	12,240	NA
Thierry BOUGEARD Director	15,015	18,595	21,350	54,960	50,245
François CHATEL Director	13,585	17,165	14,440	45,190	46,240
Philippe CHUPIN Director	7,150	5,005	6,825	18,980	NA
Marta CRENN Director	15,015	7,150	3,060	25,225	28,420
Guillaume GLORIA Employee director	0	0	0	0	0
Michel GOURTAY Director	15,015	7,150	2,160	24,325	25,035
Monique HUET Independent director	39,325	7,865	0	47,190	52,910
Anne-Gaëlle LE BAIL Director	13,585	2,860	41,160	57,605	48,075
Patrick LE PROVOST Director	14,300	22,170	37,465	73,935	70,196
Yves MAINGUET Director	15,015	2,145	3,605	20,765	22,715
Luc MOAL Director	15,015	12,155	18,455	45,625	37,180
Valérie MOREAU Director	14,300	5,720	10,600	30,620	17,765
Colette SENE Director	15,015	2,860	10,875	28,750	24,690
Dominique TRUBERT Director	5,720	0	8,025	13,745	NA
Marie VIGNAL-RENAULT Employee director	0	0	0	0	NA
Total	238,095	126,575	248,343	613,013	750737**
Christian TOUZALIN Vice-Chairman until 05.14.2020	11,440	0	85,543	96,983	124,370
Christian DAVID Director until 05.14.2020	7,865	7,865	9,990	25,720	47,710
Isabelle DARDE Employee director	0	0	0	0	0
Anne-Sophie GRAVE Independent director until 05.14.2020	14,300	2,145	0	16,445	32,890
Marie-Thérèse GROUSSARD Director until 05.14.2020	6,435	4,650	14,761	25,846	35,506
Christian PERON Director until 05.14.2020	7,865	0	13,710	21,575	33,790
Lionel DUNET Non-voting member until 05.14.2020	7,150	715	1,800	9,665	15,740
TOTAL PAID TO OUTGOING DIRECTORS	55,055	15,375	125,804	196,234	290,006

* Jean-Pierre Denis, in his capacity as corporate officer, receives compensation for the financial year 2020, the details of which are set out in section 2.8.2.1.

** The 2019 total includes the sums paid to directors whose term of office ended at the General Meeting.

2.9 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 (Section 7.2).

Crédit Mutuel

3.

Financial information

3.1	Activities	62	3.5	Consolidated financial statements for the year ended December 31, 2020	73
3.1.1	Customers	62		Balance sheet	73
3.1.2	Lending	62		Notes	79
3.1.3	Savings	63		Accounting principles and valuation methods	83
3.1.4	Shares	63		Consolidation principles and methods	96
3.1.5	Business-to-business services	63		Consolidation rules	97
3.1.6	Non-life insurance	64		Notes to the consolidated financial statements	100
3.2	Financial results	65		Notes to the balance sheet	102
3.2.1	Revenues	65		Notes to the income statement	134
3.2.2	Operating expenses	65		Notes on gains and losses recognized directly in equity (in thousands of euros)	152
3.2.3	Cost of risk	65		Other notes	154
3.2.4	Return on assets	66	3.6	Aggregate financial statements for the year ended December 31, 2020	164
3.3	Capital and regulatory ratios	67		3.6.1 Balance sheet	164
3.3.1	Internal capital adequacy assessment process	67		3.6.2 Income statement	166
3.3.2	Solvency ratios	67		Notes	170
3.3.3	Other solvency ratios monitored	68		Accounting principles and valuation methods	170
3.3.4	Solvency of group insurance companies	69		Information regarding balance sheet, off-balance sheet and income statement items	175
3.4	Recent trends and outlook	70			
3.4.1	Economic and regulatory environment in 2020	70			
3.4.2	Outlook 2021	72			
3.4.3	Post-balance sheet events	72			

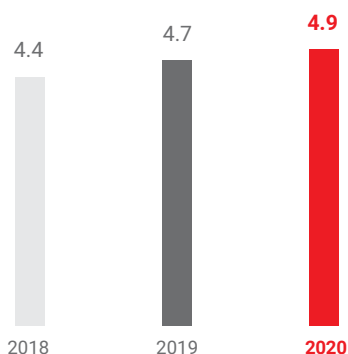
3.1 Activities

3.1.1 Customers

The customer portfolio increased by 4.0% in 2020, with more than 189,000 additional customers brought in by online banking (+79,000 customers), personal assistant Aumax (+53,000 customers) and insurers (+44,000 customers).

Customer portfolio

(in millions)



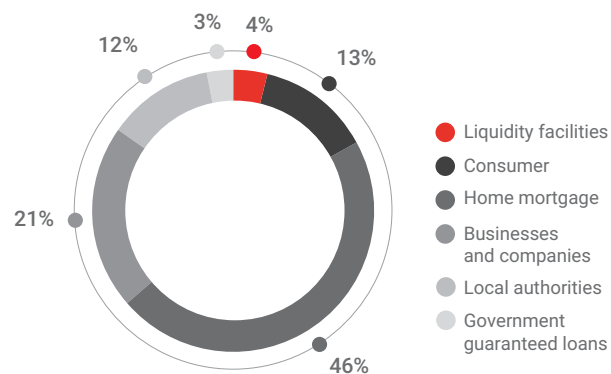
3.1.2 Lending

Outstanding loans⁽¹⁾ rose 7.6% to €67.7 billion.

Loan production in 2020 reached €16.3 billion, up 1.5% compared to 2019.

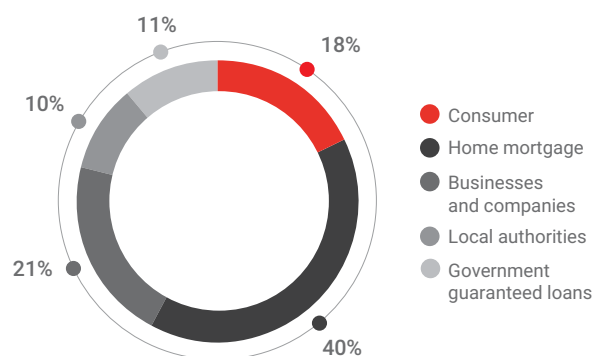
The growth in new lendings is driven by government-guaranteed loans with production of €1.8 billion over the year. Production on the other families of loans is down due to the health crisis and containment: housing loans (-8.3% to €6.5 billion), consumer loans (-12.1% to €2.9 billion) and loans to companies (excluding government-guaranteed loans) and local authorities (-9.9% to €5.1 billion).

Gross loans production by loan type in 2020

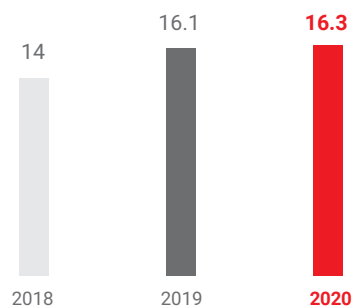


Gross loans outstanding by loan type in 2020

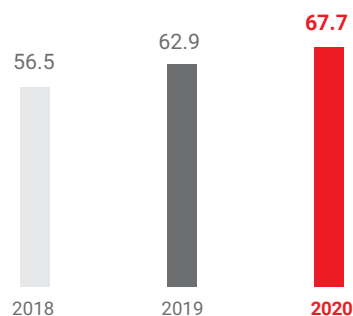
(in € billions)



Loan production (in € billions)



Gross loans outstanding (in € billions)

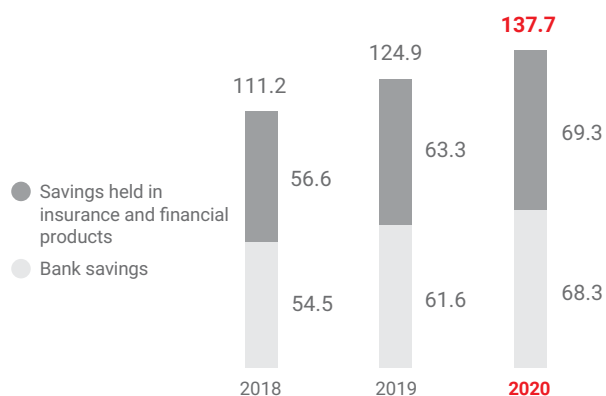


(1) Outstanding loans excluding related receivables and provisions

3.1.3 Savings

Total savings rose to €137.7 billion, up 10.2% compared with end 2019⁽¹⁾. On a comparable consolidation scope basis, it increased by 11.4%.

Savings outstanding (in € billions)

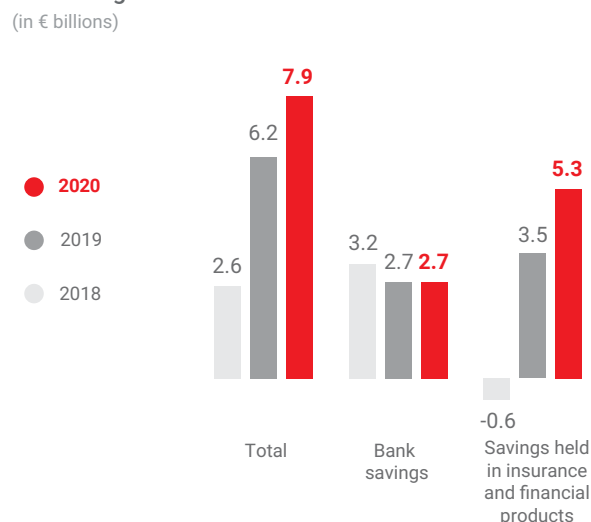


Net savings intake in 2020 totalled €7.9 billion, up 27.4% compared with 2019.

This one is marked by:

- stable net inflows into bank savings accounts at €2.7 billion compared with 2019;
- net inflows into insurance savings plans, down €1.1 billion to €1.2 billion;
- net inflows in financial savings increased by €2.9 billion to €4.1 billion.

Net savings intake (in € billions)



In addition, outstanding current accounts in credit increased by €5 billion to €20.8 billion.

3.1.4 Shares

Outstanding shares were up 1.1% to €2.4 billion. On a comparable consolidation scope basis ⁽²⁾, it increased by 5.6% to €2.4 billion.

3.1.5 Business-to-business services

Assets under custody grew by 9.0% to €41.9 billion in 2020.

The group processed a sharp increase in the volume of stock market orders, with 11.2 million orders, up 59.1% compared with 2019.

The portfolio of BtoB customers (managed by Monext, Nextalk, Arkéa Banking Services, ProCapital) was down slightly by 1.0% year-on-year to 1,663 customers.

	2020	2019	2018
Securities held in custody (€ millions)	41,926	38,463	37,624
Stock exchange orders traded (millions)	11.2	7.0	7.0
Number of BtoB customers	1,663	1,679	1,641

(1) Excluding exit from the CMMC federation on January 1, 2020.

3.1.6 Non-life insurance

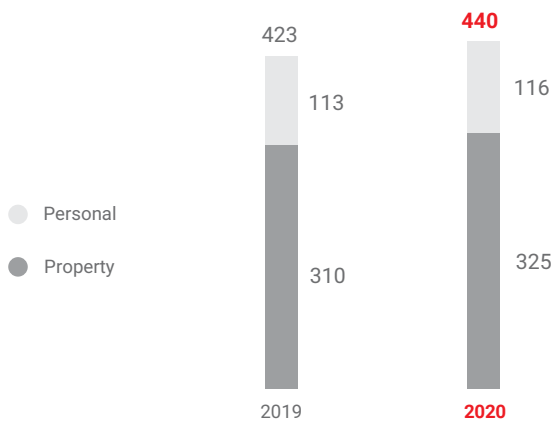
Non-life insurance policies are distributed through the group's own networks and through networks outside Crédit Mutuel Arkéa.

Earned premiums in the portfolio increased by 4.0% compared with 2019 to €440 million.

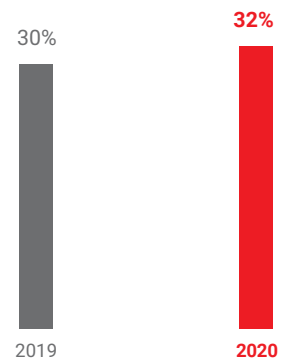
New business premiums were down 9.9% compared with 2019 at €53 million, reflecting the effects of the health crisis.

New business premiums brought in by external networks represent 58% of total new business premiums, up 2 points compared to 2019. At the end of 2020, premiums earned in the portfolio from external networks represent 32% of total premiums earned in property and personal insurance.

Earned premiums in the portfolio (in € millions)



Share of portfolio brought by external networks



3.2 Financial results

In 2020, Crédit Mutuel Arkéa's net income reached 356 million, down 30% after a record year in 2019. The cost/income ratio increased⁽¹⁾ by 0.7 points to 69.2%.

In € millions	2020	2019	Change 2019/2020	
			Abs.	%
Revenues	2,158	2,303	(146)	-6%
Operating expenses	(1,493)	(1,579)	86	-5%
Gross operating income	665	724	(60)	-8%
Cost of risk	(160)	(99)	(61)	62%
Pre-tax income	493	643	(150)	-23%
Income tax	(136)	(132)	(5)	4%
Net income attributable to the parent company	356	511	(154)	-30%
Cost-to-income ratio	69.2%	68.5%	0.7 pt	

3.2.1 Revenues⁽²⁾

Revenues correspond to Net Banking and Insurance Income including gains or losses on disposals – dilution of companies accounted for by the equity method.

Revenues were down 6.3% from 2019 to €2,158 million (€-146 million).

The analysis of NBII is based on the sector breakdown presented in the financial statements.

3.2.1.1 The banking sector

The banking sector comprises retail banking for individual customers (Crédit Mutuel's local banks, Arkéa Direct Bank (including Fortuneo and Keytrade), Financo and CFCAL), corporate banking (Arkéa Banque Entreprises et Institutionnels, Arkéa Crédit Bail, Arkéa Capital Investissement et Partenaire) and subsidiaries involved in BtoB and Business Process Outsourcing (Monext, Nextalk, Arkéa Banking Services, ProCapital Securities Services, Leetchi, Nouvelle Vague, Pumpkin, Budget Insight and Izimmo).

Banking sector revenues declined 5.8% compared with 2019 to €1,626 million.

On a like-for-like⁽³⁾ basis, revenues increased by €54 million to €1,533 million:

- the financial margin declined by €5 million to €669 million. The customer interest margin increased by €34 million, but the economic uncertainty generated by the health crisis had a significant negative impact on the valuation of private equity investments;
- net commissions received increased by €19 million to €635 million, driven by the dynamism of stock market brokerage activities;
- other operating income and expenses increased by €40 million to €229 million in line with a sustained level of activity in the BtoB business line.

3.2.1.2 The insurance and asset management sector

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

Revenues in the insurance and asset management sector were down €46 million to €532 million, marked by the underperformance of the financial markets and ad hoc measures (contribution to the solidarity fund, commercial measures for vulnerable people) in the context of the health crisis.

3.2.2 Operating expenses

Operating expenses and depreciation amounted to €1,493 million, down €86 million.

On a like-for-like⁽⁴⁾ basis, operating expenses and depreciation increased by €19 million to €1,533 million:

- personnel costs decreased by €18 million to €839 million;
- other expenses increased by €31 million to €555 million;
- depreciation, amortisation and provisions increased by €6 million to €138 million.

3.2.3 Cost of risk

In view of the uncertainties and the unfavourable evolution of the economic environment in the context of the health crisis, Crédit Mutuel Arkéa has set aside provisions for the business sectors considered to be the most vulnerable and has increased the rate of provisions on healthy outstandings by increasing the weighting of the pessimistic scenario used for the forward looking.

(1) Management expense ratio (general operating expenses plus depreciation, amortisation and impairment of intangible and tangible fixed assets) to revenues.

(2) Revenues correspond to Net Banking Income including gains or losses on disposals – dilution of companies accounted for by the equity method.

(3) Excluding changes in consolidation scope in 2020 (Crédit Mutuel Massif Central federation) and 2019 (Budget Insight and Leasecom) and excluding the remarkable Primonial, Younited and Linxo operations.

(4) Excluding changes in consolidation scope in 2020 (Crédit Mutuel Massif Central federation) and 2019 (Budget Insight and Leasecom), excluding the remarkable Primonial, Younited and Linxo operations and the crystallisation of the supplementary pension scheme following the implementation of the Pacte law.

3. FINANCIAL INFORMATION

Financial results

Thus, the cost of risk increased by €61 million to €160 million. On a like-for-like⁽¹⁾ basis, the cost of risk increased by €63 million:

- charges to provisions on healthy loans increased by €67 million to €89 million over the year;
- the cost of risk on doubtful and disputed customer loans fell by €4 million to €71 million.

3.2.4 Return on assets

The return on assets corresponds to the net accounting profit as a percentage of the balance sheet total on a consolidated basis. In 2020, it stood at 0.21%, down from 2019.

(1) Excluding changes in consolidation scope in 2020 (Crédit Mutuel Massif Central federation) and 2019 (Budget Insight and Leasecom).

3.3 Capital and regulatory ratios

3.3.1 Internal capital adequacy assessment process

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

- the regulations applicable to credit institutions result from the transposition into French law of the CRD 4 (Capital Requirement Directive 4) and the CRR (Capital Requirement Regulation), these texts corresponding 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 applicable regulations, in particular to the CRRD, CRD 4, with the majority of the provisions coming into force in mid-2021;
- since 2016, the regulations applicable to insurance companies have been derived from the transposition of the Solvency 2/Omnibus 2 directives into French law;
- the regulations applicable to financial conglomerates result from the transposition of the Financial Conglomerates Directive into French law. The purpose of this regulation is to ensure that all of the conglomerate's risks (aggregating banking and insurance activities) are covered by the group's consolidated shareholders' 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, based in particular on the level of capital requirements calculated by the Risk Department.

At the end of 2019, the European Central Bank (ECB) notified Crédit Mutuel Arkéa of a Pillar 2 (P2R – Pillar 2 mandatory) requirement of 2.75% applicable for the year 2020 from January 1.

For 2021, the requirement notified for the year 2020 is neither replaced nor modified by the ECB and remains in force. This means

that the requirements introduced by the SREP 2019 Decision continue to apply, including, in particular, the capital requirements.

Throughout 2020 Crédit Mutuel Arkéa met its minimum ratio requirements. Each quarter, the ratios are calculated on the basis of the accounts closing and then compared with the minimum requirements set by the supervisor for each ratio.

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

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

On the basis of regulatory statements, assumptions about the development of the group's business and appropriate capital requirement forecasts, the ALM Management Department makes projections of ratios over the coming years (minimum 3 years). These projections are presented regularly to Executive Management, notably at meetings of the Capital and ALM Management Committee, and are supplemented with stress scenarios. The objective is to anticipate the group's capital requirements and propose optimisation measures to ensure long-term compliance with internal and regulatory requirements.

3.3.2 Solvency ratios

3.3.2.1 Regulatory capital

"Common Equity Tier 1" (CET 1) capital amounts to €6.74 billion and represents 78% of total prudential capital. It increased by €0.58 billion in 2020, which mainly corresponds to the integration of the undistributed result for the year and the net inflow of shares on the new B shares realized over the year.

Tier 2 capital remains stable over 2020 in the absence of any emissions in the financial year 2020.

Prudential equity amounted to €8.64 billion, up €0.59 billion.

(in € millions)	12.31.2020	12.31.2019
Tier 1 capital net of deductions	6,767	6,199
of which Common Equity Tier 1 (CET 1)	6,744	6,164
Tier 2 capital, net of deductions	1,877	1,852
TOTAL CAPITAL FOR SOLVENCY RATIO CALCULATION	8,643	8,051

3. FINANCIAL INFORMATION

Capital and regulatory ratios

3.3.2.2 Risk-weighted assets

They are calculated on the basis of exposures on and off balance sheet assets. They are calculated and broken down by type of risk and are used in the calculation of solvency ratios.

At the end of 2020, capital requirements stood at €40.04 billion, 94% of which is made up of credit risk. The increase amounts to €2.43 billion due to the increase in outstanding loans and investments in insurance entities, and due to changes in certain risk calculation parameters.

(in € millions)	12.31.2020	12.31.2019
CREDIT RISK	37,561	35,152
Standardized approach	7,197	6,669
Central and public administrations	1,285	1,327
Credit institutions	45	171
Corporates	264	239
Retail customers	4,789	4,180
Shares, securizations and other non-credit obligation assets	815	751
Internal rating-based approach	30,365	28,483
Credit institutions	1,029	670
Corporates	12,787	12,132
Retail customers	3,296	3,523
Equities	12,697	11,798
Securization	0	0
Other non-credit obligation	556	361
MARKET RISK AND CVA (STANDARDIZED APPROACH)	76	117
OPERATIONAL RISK (ALMOST EXCLUSIVELY ADVANCED MEASUREMENT APPROACH)	2,403	2,345
TOTAL RISK-WEIGHTED ASSETS	40,040	37,614

3.3.2.3 Solvency ratios

The CET 1 ratio stood at 16.8% at the end of 2020 against 16.4% at the end of 2019. The 0.5 point increase in the ratio is explained by the increase in CET 1 equity, which is proportionally higher than that of weighted assets.

The overall solvency ratio increased by 0.2 point to 21.6% at the end of 2020; this increase is mainly linked to the increase in CET 1 equity capital over the year 2020.

	12.31.2020	12.31.2019
CET 1 ratio	16.8%	16.4%
Tier 1 ratio	16.9%	16.5%
Overall ratio	21.6%	21.4%

3.3.3 Other solvency ratios monitored

3.3.3.1 Leverage Ratio

The "Basel III" texts defined a ratio aimed at capping the leverage effect. The leverage ratio is intended both to calibrate the amount of Tier 1 capital (numerator of the ratio) and to control the group's leverage exposure (denominator of the ratio) in order to achieve the ratio level targets set by the group.

The European Commission has adopted in 2015 a delegated Regulation in order to specify the calculation modalities. The leverage ratio is currently subject to a public disclosure obligation by banks and will be subject to a minimum requirement from June 28, 2021, with a minimum level set at 3%.

At December 31, 2020, the leverage ratio was 6.8%, compared with 6.3% at December 31, 2019; it takes into account the provisions of the Delegated Regulations applicable automatically but does not include the provisions subject to prior approval by the supervisor.

3.3.3.2 Financial conglomerate ratio

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

At the end of 2020, consolidated shareholders' equity stood at €10.9 billion and requirements at €6.1 billion, representing a stable ratio of 181% compared with 183% at the end of 2019 (for a regulatory requirement of 100%).

3.3.3.3 Ratio derived from the Banking Recovery and Resolution Directive

The Banking 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 of a bank failure on the financial system and avoid burdening the taxpayer.

It provides for the introduction of the Minimum Requirement for own funds and Eligible Liabilities (MREL) ratio, which is the ratio of equity and other eligible liabilities to the institution's total liabilities and equity, after certain prudential adjustments (TLOF⁽¹⁾) or expressed in risk-weighted assets (RWA). Prudential equity, subordinated securities, non-preferred senior debt and certain preferred senior debt with a residual maturity of more than one year are eligible for the numerator of the MREL ratios.

The Confédération Nationale du Crédit Mutuel (CNCM) has chosen the "Single Point of Entry" (SPE) model because it is the most appropriate strategy for the French banking system according to the ACPR. If Crédit Mutuel Arkéa were to be wound up, CNCM would be the single point of entry because of its status as a central body.

In view of the solidarity mechanisms existing within the Confederation, a member or an entity affiliated to it cannot be resolved individually. As a result, the CRU (Conseil de Résolution Unique) has not notified Crédit Mutuel Arkéa of any minimum regulatory requirement for capital and eligible commitments (MREL ratio).

In 2020, the CNCM was notified of its first MREL requirement at the consolidated level. This requirement will be revised periodically by the resolution authorities, taking into account changes in the European regulatory framework (BRRD2).

Despite the lack of monitoring on an individual basis, Crédit Mutuel Arkéa monitors indicators based on total assets and weighted risks, taking into account subordination requirements (excluding senior preferential debt in the numerator). At the end of 2020, Crédit Mutuel Arkéa complies with the thresholds set in its appetite framework both as a percentage of RWA and as a percentage of TLOF.

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 shareholders' equity is made up of the entities' hard equity (capital tied up by Crédit Mutuel Arkéa: share capital and share premiums), the reconciliation reserve (net assets Solvency 2 less capital tied up 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 set out in the Solvency 2 regulation.

Since December 2019, Suravenir has applied the transitional measure on technical provisions provided for in the Solvency 2 regulation. No other transitional measures provided for by European legislation have been applied by the group's insurance subsidiaries. Insurance companies' own funds and regulatory capital requirements are reported quarterly and discussed with the group.

At the end of 2020, Suravenir and Suravenir Assurances will comply with regulatory requirements.

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 quantitative reporting templates (QRT) for the ACPR, EIOPA, ECB and FSB.

(1) Total Liabilities Own Funds, equivalent to the prudential balance sheet after netting of derivatives.

3.4 Recent trends and outlook

3.4.1 Economic and regulatory environment in 2020

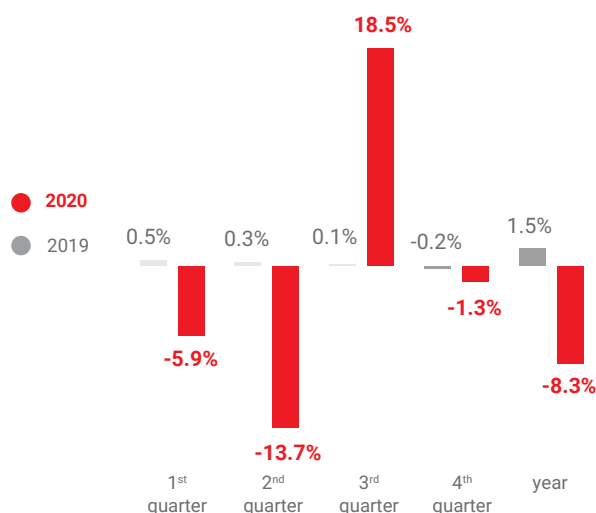
Affected by the Covid-19 epidemic crisis, many countries around the world have put in place sanitary containment measures to protect populations and slow the spread of the virus. The economic and social repercussions have been very significant. These measures have had a major impact on the macroeconomic expectations prevailing at the end of 2019.

Thus in France, after years of moderate growth (on average 1.4% over the 2010-2019 period), the economy plunged by -8.3% in 2020⁽¹⁾, a decline of a magnitude unknown in peacetime.

After a 13.7% decline in activity in the second quarter of 2020, the economic impact was less severe in the fourth quarter, with a 1.3% decline, due to more flexible containment rules in the autumn. The construction sector was thus able to continue its activity, contrary to the first containment (-1% of production only in November against -64% in April, according to Eurostat).

Over the whole of 2020, not all sectors have suffered in the same way. Industry, pharmaceuticals and agro-foodstuffs suffered less than metallurgy or mechanical engineering (automobile or aeronautics), while in services, food distribution and IT were less penalised than the hotel and catering industry, temporary employment agencies or air transport.

Trend in French GDP



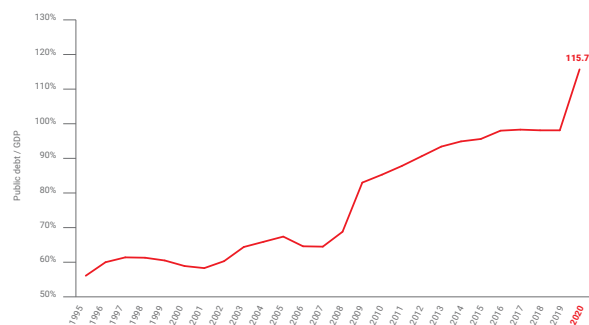
The temporary abandonment of the usual budgetary rules at the European level⁽²⁾ has allowed states to support their economies through an expansionary fiscal policy.

First of all, from March, emergency measures were put in place in France for €64 bn to help households' purchasing power and companies' cash flow. Among these measures, a €300 billion package of government-guaranteed loans (PGE) was proposed by the government and granted by the banks. The aim of the PGEs is to provide companies with liquidity very quickly and at attractive rates, up to a limit of 25% of annual turnover, with an amount strongly guaranteed by the State. Crédit Mutuel Arkéa has contributed to the implementation of this cash assistance, granting 11,000 loans for around €1.8 billion in 2020. Nationally, €130 billion of PGEs were distributed in 2020 by French banks. Crédit Mutuel Arkéa has also reported €5.8 billion in loans, mainly to companies.

In September, the government presented a €100 billion plan (5% of GDP) called "France relance". Its aim is to support the French economy around 3 axes: ecology (€30 billion), competitiveness (€34 billion) and social cohesion (€36 billion). In terms of impact, the government is aiming for 1.5 points of additional growth and 160,000 new jobs in 2021.⁽³⁾

The counterpart of all these support measures is the very clear deterioration of public finances, with a general government debt ratio of 115.7% at the end of 2020, due to an exceptional deficit of 9.2% in 2020 according to the Insee⁽⁴⁾.

Trend in public administration debt



(1) 1st INSEE estimate, January 29, 2021.

(2) The Maastricht Treaty set two limits for public expenditure management: 3% budget deficit and 60% debt.

(3) https://www.gouvernement.fr/sites/default/files/document/document/2020/09/dossier_de_presse_france_relance_-_03.09.2020.pdf

(4) INSEE, March 26, 2021.

Despite the increase in the deficit, the favourable financing conditions guaranteed by the action of the European Central Bank (ECB) and the new European solidarity make it possible to maintain very low or even negative rates.

Indeed, the ECB is massively supporting the liquidity of financial markets through a €1,850 billion "emergency pandemic purchase programme" (EPPP), offering governments exceptional borrowing conditions until March 2022. All German rates are moving into negative territory, and France has financed itself below 0% in 2020.

In this environment of low or even negative rates, the French have saved massively because they were unable to consume during the spring confinement. The savings rate reached 26.5% in Q2 2020, an all-time high. This savings surplus is estimated at €130 billion⁽¹⁾. A large part of this savings was invested in regulated bank savings accounts such as the Livret A and Livret Bleu passbook savings accounts for Crédit Mutuel Arkéa. The year 2020 also saw the return of individual investors active on the stock market. 1.4 million private individuals placed at least one stock market order, 410,000 of them for the first time or inactive since 2018⁽²⁾.

This negative interest rate environment weighs on the financial margins of the banking sector and is part of a long-term trend of eroding profitability.

Over the first nine months of 2020, in Brittany and Nouvelle-Aquitaine, the regions of the CMB and CMSO federations, the economic crisis had slightly different impacts.

Brittany was one of the regions least affected by the epidemic. The rebound of its economy after the 1st containment was very noticeable, both in terms of business and construction creation and job creation. The unemployment rate of 7.5% is fairly homogenous within the four departments of the region and is the lowest regional rate in France.

In Nouvelle-Aquitaine, consumption has picked up very well during the summer of 2020, thanks to a good tourist season in the coastal zone. The rebound in business start-ups or salaried employment is comparable to that of Brittany or the national average, while the rebound in new housing construction is more dynamic. However, the recent improvement in the labour market has not compensated for job losses in sectors linked to air transport, hotels and restaurants and culture. Regional airport traffic was down 66% at the end of August 2020 compared with the previous year. The INSEE estimates at 2,800 the jobs lost over the first nine months of 2020 in the "transport and warehousing" sector, to which must be added 1,650 job losses in the aeronautics and space sector. The unemployment rate stands at 8.3%, below the national average of 9% in the third quarter of 2020.

As far as the regulatory environment is concerned, the year 2020 was essentially marked by a permanent adaptation to the context of the Covid-19 crisis, operated at several levels:

- on a European legislative level with the adoption of the evolution of the CRR regulation known as "Quick fix" (including in particular an early implementation of measures on the deduction of software from prudential capital or making possible a temporary exclusion of central bank exposures for the leverage ratio);
- on a national legislative level with the measures taken with regard to moratoria and State Guaranteed Loans; on a regulatory level with the publication of the EBA Guidelines on the treatment of these moratoria and PGEs terms of credit risk;
- finally, in terms of supervision, with the relaxation of countercyclical cushions and liquidity and capital requirements, the anticipation of CRR2 measures on the composition of P2R, the declaration of exceptional circumstances authorising the implementation of the above-mentioned measure on the leverage ratio, and the issuance of recommendations on dividend distributions.

At the operational level, this adaptation also resulted in the rapid implementation of new reporting to the European supervisor on moratoria, PGEs and credit issues, while at the national level, the HCSF's recommendation at the end of 2019 on real estate lending led to significant changes in lending practices and reporting in this area.

(1) <https://publications.banque-france.fr/projections-macroeconomiques-decembre-2020>

(2) <https://www.amf-france.org/fr/actualites-publications/communiqués/communiqués-de-lamf/lamf-publie-un-tableau-de-bord-des-investisseurs-particuliers-actifs-en-bourse>

3.4.2 Outlook 2021

The rebound in the French economy expected in 2021 will depend on the speed of the vaccination campaign, the absence of further containment in 2021 and the continuation of budgetary support measures so as not to halt the recovery.

At the beginning of 2021, the Covid-19 epidemic was reinforced on Europe by the rapid spread of variants that appear to be more contagious than the first version of the virus. Despite the start of the vaccination campaign, the fear of saturation of the health systems still pushes the French Government to maintain measures of social distancing and reduced mobility of people, while preserving the economic fabric as much as possible, at the price in particular of the temporary sacrifice of certain service activities which must remain closed. In 2021, the latter will still benefit from various and necessary public aid. The economic situation is therefore not expected to improve in the short term and a further decline in GDP is expected in the first quarter of 2021.

However, the continuation of the recession at the beginning of this year would not prevent a marked rebound in activity in 2021. Assuming a gradual reduction in restrictive measures from the spring through to the summer, coupled with the completion of sufficient vaccination, growth in France would rebound by 4.7% in 2021, according to the central scenario of economists from Crédit Mutuel Arkéa's Financial Markets Department. The rebound in growth would be stronger in the spring and summer and then more moderate in the fourth quarter. However, this scenario is based on the main assumption of a single containment in the first half of 2021 (a single third wave).

Households have never saved as much as they did in 2020. This savings surplus of €130 billion could support household consumption in 2021. On the other hand, unemployment is expected to rise in 2021 from 9.7% at the end of 2020 to 11% at the end of 2021.

On the business side, the outlook for investment growth remains weak. The debt ratio of non-financial companies has risen to 85% of GDP, due in particular to the implementation of the PGEs. In 2020, business insolvencies fell by 40% compared with 2019, with 31,000 bankruptcies, and the situation should remain stable thanks to various public aid measures, which were reinforced at the beginning of 2021. Businesses eligible for the solidarity fund (sectors that are administratively closed or in serious difficulty) have access to direct monthly aid of €10,000 or 20% of their turnover (up to a limit of €200,000). For large groups (companies with a turnover of more than €1 million per month) with higher fixed costs, the Government covers up to 70% of these costs. In the end, the projected level of insolvencies in 2021 (45,000) would still be lower than in 2019 (52,000) and 2009 (63,000). The risk would thus shift to the year 2022. In addition, companies may find it difficult to finance the recovery in the most working capital-intensive sectors, while credit conditions have tightened. On the other hand, the €100 billion recovery plan includes a reduction in production tax to support cash flow from 2021 onwards.

3.4.3 Post-balance sheet events

Nil.

No normalisation of the ECB's asset purchase policy and the level of money market rates is expected before 2024. In the absence of returns from other asset classes, equity markets should remain well oriented, but with limited potential due to high valuations (19 times the expected 2021 earnings for the CAC 40 for example).

From a regulatory point of view, the Covid 19 crisis will obviously remain a major element for supervisors, with concerns centred on credit risk (management of the "cliff effect" linked to the end of moratoria and the start of repayment of PGEs, early detection of defaulting debtors and provisioning policies, treatment of the anticipated mass of new doubtful loans), on the profitability of banking institutions and their management of the digitalisation/cyber risk couple.

The year 2021 will also see the implementation of the main changes to CRR2, with the transformation of the leverage ratio and the NSFR long-term liquidity ratio into binding ratios and changes to risk assessment methods (excluding market risks) taking effect in June. The reform of the prudential regime for investment firms should take effect on the same date.

From a resolution point of view, 2021 will see a strengthening of the requirements of the single resolution board (CRU) and thus of the work of banks, begun in 2019, on the operational implementation of re-solvency, as well as the setting of MRO requirements according to the new rules of the bank resolution and turnaround directive (BRRD2).

At the national level, a further adjustment of reporting on mortgage lending will be made in light of the updated HCSF recommendation, and preparation for major changes in reporting to the ACPR (RUBA reform) will continue.

In terms of European regulations, the Commission is expected to announce in the second half of 2021 its proposal to transpose into EU law the final Basel III agreements, which essentially impact the calculation of risk-weighted assets (or RWA) and the corresponding minimum floor (output floor), and which should lead to a significant increase in capital requirements. The theoretical application date of these agreements has been postponed to January 1, 2023 by the Basel Committee, with a transitional period for the output floor until January 2028.

Finally, environmental issues will also be on the agenda, with the preparation of the application of European regulations relating to "sustainable finance" on the one hand (Disclosure, Taxonomy, Green Regulation, etc.) and the launch of the ECB's work on climate risk.

For Crédit Mutuel Arkéa, 2021 will be marked by the implementation of all the measures of the new strategic plan "Transitions 2024" validated at the end of January 2021. For more details on this strategic plan, see section 1.5 "Crédit Mutuel Arkéa's strategy", page 16.

3.5 Consolidated financial statements for the year ended December 31, 2020

Balance sheet

(in € thousands)

ASSETS	Notes	12.31.2020	12.31.2019
Cash, due from central banks	1	12,901,851	10,083,885
Financial assets at fair value through profit or loss	2	1,476,283	1,480,688
Derivatives used for hedging purposes	3	1,128,825	1,082,121
Financial assets at fair value through equity	4	11,922,563	9,654,975
Securities at amortized cost	5	640,787	635,489
Loans and receivables – credit institutions, at amortized cost	1	14,791,362	9,785,387
Loans and receivables – customers, at amortized cost	6	67,250,857	62,444,613
Remeasurement adjustment on interest-rate risk hedged portfolios		933,849	790,682
Placement of insurance activities	7	55,304,242	58,172,448
Current tax assets	8	174,300	240,252
Deferred tax assets	9	145,059	144,962
Accruals, prepayments and sundry assets	10	951,587	911,703
Non-current assets held for sale	27	94,958	5,336
Deferred profit-sharing		0	0
Investments in associates	11	167,698	197,630
Investment property	12	127,487	144,215
Property, plant and equipment	13	336,643	343,158
Intangible assets	14	477,403	457,604
Goodwill	15	550,017	566,776
TOTAL ASSETS		169,375,771	157,141,925

(in € thousands)

LIABILITIES	Notes	12.31.2020	12.31.2019
Due to central banks	16	0	0
Financial liabilities at fair value through profit or loss	17	1,362,942	1,173,150
Derivatives used for hedging purposes	3	1,208,376	1,043,663
Debt securities	18	19,348,474	16,533,888
Due to banks	16	12,579,835	7,767,767
Liabilities to customers	19	68,361,123	61,700,260
Remeasurement adjustment on interest-rate risk hedged portfolios		228,384	274,938
Current tax liabilities	8	135,727	84,580
Deferred tax liabilities	9	169,681	151,241
Accruals, deferred income and sundry liabilities	20	2,393,952	2,323,013
Liabilities associated with non-current assets held for sale	27	94,028	0
Insurance companies' technical reserves	21	52,736,780	55,708,402
Provisions	22	479,730	531,286
Subordinated debt	23	2,547,739	2,498,059
TOTAL EQUITY		7,729,000	7,351,679
Shareholders' equity, group share		7,725,770	7,348,433
Share capital and additional paid-in capital	24	2,378,428	2,353,416
Consolidated reserves	24	4,793,563	4,294,471
Gains and losses recognized directly in equity	25	197,537	189,810
Net income for the year		356,241	510,737
Non-controlling interests		3,230	3,246
TOTAL LIABILITIES		169,375,771	157,141,925

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2020

Income statement

(in € thousand)	Notes	12.31.2020	12.31.2019
Interest and similar income ⁽¹⁾	30	1,805,157	1,821,128
Interest and similar expense ⁽¹⁾	30	(1,154,498)	(1,230,230)
Commission income	31	647,475	618,714
Commission expense	31	(157,009)	(150,640)
Net gain (loss) on financial instruments at fair value through profit or loss	32	10,341	70,728
Net gain (loss) on financial instruments at fair value through equity	33	16,178	39,025
Net gain (loss) on derecognition of financial instruments at amortized cost	34	320	0
Net income from insurance activities	35	669,555	736,205
Income from other activities	36	299,086	261,032
Expense from other activities	36	(66,778)	(67,686)
NET BANKING INCOME		2,069,827	2,098,276
Gains (losses) on disposal – dilution in investments in associates	37	87,696	205,071
NET BANKING INCOME INCLUDING GAINS (LOSSES) ON DISPOSAL – DILUTION IN INVESTMENTS IN ASSOCIATES		2,157,523	2,303,347
General operating expenses	38	(1,353,257)	(1,445,910)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	39	(139,761)	(132,950)
GROSS OPERATING INCOME		664,505	724,487
Cost of credit risk	40	(160,071)	(98,650)
OPERATING INCOME		504,434	625,837
Share in net income of equity-accounted associates and joint ventures	11	1,106	(1,837)
Gains (losses) on other assets	41	(1,953)	18,512
Changes in goodwill		(10,974)	0
PRE-TAX INCOME		492,613	642,512
Income tax	42	(136,346)	(131,683)
Net income (loss) from discontinued operations		0	0
NET INCOME		356,267	510,829
O/w non-controlling interests		26	92
NET INCOME – GROUP SHARE		356,241	510,737

(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 € thousand)	Notes	12.31.2020	12.31.2019
NET INCOME		356,267	510,829
Revaluation of financial assets at fair value through recyclable equity (net of taxes)		26,401	(1,406)
Revaluation of available-for-sale financial assets (net of taxes)		20,960	71,294
Revaluation of derivatives used to hedge recyclable items (net of taxes)		1,040	397
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes)		368	(16)
ITEMS TO BE RECYCLED TO PROFIT OR LOSS		48,769	70,269
Actuarial gains (losses) on defined benefit plans (net of taxes)		(3,269)	(38,582)
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option (net of taxes)		(18,298)	(5,546)
Revaluation of equity instruments at fair value through equity (net of taxes) ⁽¹⁾		(6,564)	51,839
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes) not recycled to profit or loss		(12,912)	7,470
ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS		(41,043)	15,181
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY		7,726	85,450
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY		363,993	596,279
of which group share		363,968	596,174
of which non-controlling interests		25	105

(1) Of which the impact of the transfer to reserves of non-recyclable items €60 thousand in 2019.

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2020

Changes in shareholders' equity

(in € thousands)	Share capital and reserves	Consolidated reserves	Total gains and losses recognized directly in equity
POSITION AT JANUARY 1, 2019	2,266,390	3,896,396	104,373
Capital increase/reduction	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 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
Capital increase	125,942		
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		510,737	
Dividend paid in 2020 in respect of 2019		(37,010)	
Change in equity interests in subsidiaries with no loss of control			
SUBTOTAL OF CHANGES INVOLVING TRANSACTIONS WITH SHAREHOLDERS	2,479,358	4,768,198	189,810
Changes in gains and losses recognized directly in equity		21,935	4,856
2020 net income			
Subtotal	2,479,358	4,790,133	194,666
Impact of acquisitions and disposals on non-controlling interests	(100,930)	9,527	2,871
Share of changes in shareholders' equity from investments in associates and joint ventures		(1,703)	
Change in accounting methods			
Other changes		(4,393)	
POSITION AT DECEMBER 31, 2020	2,378,428	4,793,564	197,537

Net income attributable to equity holders of the parent	Shareholders' equity, group share	Non-controlling interests in equity	Total equity
437,288	6,704,447	3,153	6,707,600
	87,026		87,026
	-		-
	-		-
	-		-
(437,288)	-		-
	(39,505)	(4)	(39,509)
	-		-
-	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
	-		-
	(2,383)		(2,383)
	7,500		7,500
	(4,766)	(8)	(4,774)
510,737	7,348,433	3,246	7,351,679
	125,942		125,942
	-		-
	-		-
	-		-
(510,737)	-		-
	(37,010)	(5)	(37,015)
	-		-
-	7,437,366	3,241	7,440,607
	26,791	(43)	26,748
356,241	356,241	26	356,267
356,241	7,820,398	3,224	7,823,622
	(88,532)		(88,532)
	(1,703)		(1,703)
	-		-
	(4,393)	6	(4,387)
356,241	7,725,770	3,230	7,729,000

3. FINANCIAL INFORMATION

Consolidated financial statements for the year ended December 31, 2020

Net cash flow statement

(in € thousands)	12.31.2020	12.31.2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	356,267	510,829
Tax	136,346	131,683
PRE-TAX INCOME	492,613	642,512
Depreciation and amortization of property, plant and equipment and intangible assets	138,537	135,189
Impairment of goodwill and other non-current assets	10,762	(2,796)
Net additions to depreciations	104,616	196,454
Share of income (loss) from investments in associates	(3,197)	992
Net loss (gain) from investing activities	(114,900)	(207,415)
(Income)/expense from financing activities	0	0
Other changes	1,184,103	4,881,808
TOTAL NON-CASH ITEMS INCLUDED IN NET INCOME AND OTHER ADJUSTMENTS	1,319,921	5,004,232
Interbank transactions	484,361	(1,654,361)
Transactions with customers	2,179,644	688,115
Transactions involving other financial assets/liabilities	2,432,313	(5,176,357)
Transactions involving other non-financial assets/liabilities	(4,161,240)	2,802,486
Dividends from investments in associates	2,538	866
Taxes paid	(22,421)	(159,666)
NET DECREASE/(INCREASE) IN OPERATING ASSETS AND LIABILITIES	915,195	(3,498,917)
NET CASH FLOW FROM OPERATING ACTIVITIES	2,727,729	2,147,828
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets and investments	136,251	(264,669)
Investment property	40,851	(45,416)
Property, plant and equipment and intangible assets	(130,534)	(154,169)
Other	0	0
NET CASH FLOWS FROM INVESTING ACTIVITIES	46,568	(464,254)
NET CASH FLOWS FROM FINANCING ACTIVITIES		
Cash flows from/to shareholders	92,999	72,518
Other cash flows from financing activities	1,347,958	3,607,500
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,440,957	3,680,018
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,215,254	5,363,592
Cash flows from operating activities	2,727,729	2,147,828
Cash flows from investing activities	46,568	(464,254)
Cash flows from financing activities	1,440,957	3,680,018
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	9,195,374	3,831,782
Cash, central banks (assets & liabilities)	10,083,885	3,236,588
Deposits (assets and liabilities) and demand loans with credit institutions	(888,511)	595,194
CASH AND CASH EQUIVALENTS, END OF THE YEAR	13,211,933	9,195,374
Cash, central banks (assets & liabilities) (notes 1 and 16)	12,901,851	10,083,885
Deposits (assets and liabilities) and demand loans with credit institutions (notes 1; 7d; 16 and 21b)	310,082	(888,511)
CHANGE IN NET CASH AND CASH EQUIVALENTS	4,016,559	5,363,592

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

Highlights of the year

Crédit Mutuel Arkéa worked tirelessly throughout 2020 to serve all customers affected by the Covid-19 crisis. It has become apparent that the effects of the crisis on economic activity are largely correlated to the types of business sectors.

Crédit Mutuel Arkéa's diversified model, its close ties to local areas and its customers, and its financial soundness all put it at an advantage when dealing with the current crisis.

Revenues fell 6% to €2.158 billion from the all-time high posted for the year ended December 31, 2019, which included the €194 million capital gain on the sale of Primonial.

Operating expenses were kept under control at €1.493 billion, down 5% on the December 31, 2019 figure.

In an uncertain environment, a prudent impairment policy was introduced for the credit portfolio, which continued to be of a high standard: at €160 million, cost of risk rose by €61 million, or 62%, year on year.

After noting the value-in-use of its subsidiary Pumpkin and its equity interest in Finassemble, Crédit Mutuel Arkéa recognized goodwill impairment of €11 million and €1.4 million, respectively, at December 31, 2020.

These impairment charges have had no impact on the group's solvency ratios, which remain high.

In 2020, the changes in consolidation scope were as follows:

- the federation, the regional bank, and the local banks of Crédit Mutuel Massif Central were deconsolidated on January 1, 2020. This had the following impacts: -€89 million on group equity, -€1.451 billion on customer loans, and -€1.180 billion on amounts due to customers;
- in the second quarter of 2020, Crédit Mutuel Arkéa ceased to have significant influence over Younited. Pursuant to IAS 28, Younited, which was previously consolidated using the equity method, was deconsolidated. The transaction recognized under "Gains (losses) on disposal – dilution in investments in associates" generated a gain of €86 million;
- the Linxo divestment process that began in late 2019 was completed in the first half of 2020 and the company was subsequently deconsolidated;
- Crédit Mutuel Arkéa continued and confirmed the process of divesting the customer portfolio of Stratéo, the Swiss branch of Arkéa Direct Bank, earmarked for the first half of 2021. Stratéo's contribution to the consolidated financial statements for the year ended December 31, 2020 has been recognized in accordance with IFRS 5.

Covid-19 information

The information specific to Covid-19 health crisis is presented pages 79 and 80.

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, 2020 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of that date.

At December 31, 2020, the group applied the standards in force as at January 1, 2020 and adopted by the European Union. The group chose to forgo early application of other standards and interpretations adopted by the European Union whose application was optional in 2020. The group has elected to publish its Annual Financial Report 2020 using the European Single Electronic Format (ESEF) as defined by the European Delegated Regulation 2019/815 amended by the Delegated Regulation 2020/1989.

Amendment to IAS 1 and IAS 8

The aim of this amendment is to clarify the definition of "materiality" and to align the definition used in the Conceptual Framework and the standards themselves. According to this amendment, information is material (i.e., relatively significant) if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Amendment to IFRS 3

The aim is to clarify the accounting treatment of the acquisition of an interest in a joint operation (vs. acquisition of an asset, which is recognized under the standard applicable to it, for example IFRS 9). Only joint ventures, and not joint operations, apply to the group.

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

Health crisis related to Covid-19

The Crédit Mutuel Arkéa group is fully committed to confronting the Covid-19 health crisis. As a credit institution, it is offering its full support at the local level to business and corporate customers that may be experiencing difficulties, particularly small and medium-sized companies.

1. Covid-19 support measures

The group is participating in the government's economic support program. It offers government-backed loans (PGEs) to help its business and corporate customers maintain their cash flow.

This form of financing is a 12-months bullet loans which includes a deferred repayment clause over a period of one to five years. At the end of the first 12 months period, the beneficiary of the government-backed loan may set a new time period to the government-backed loan (with a limit of 6 years in total) and its repayment periods. The loan is first offered at an interest rate of 0% plus the cost of the government guarantee (charged through a fee paid by the customer).

These loans, which are held to collect cash flows and meet the "basic loan" criterion, are recognized at amortized cost using the interest rate method. At the initial recognition date, they are recognized at their nominal value, which is representative of the fair value.

At December 31, 2020, government-guaranteed loans distributed by the Crédit Mutuel Arkéa group totaled €1.8 billion on the balance sheet, with guarantees totaling €1.6 billion.

The measurement of expected credit losses on these loans factors in the effect of the government guarantee (implemented by Bpifrance) in the amount of 70% to 90% of the principal and interest outstanding. At December 31, 2020, the impairment amount of these loans was immaterial.

The Crédit Mutuel Arkéa group is taking concrete measures to support companies and individuals. It has offered loan repayment deferrals, mainly to companies, for up to six months (suspension of interest payments and/or deferral of principal repayment), with no penalties.

In particular, the repayment deferral measures were granted across the board without specific lending conditions. They are part of a financial scheme initiated by French banks, in accordance with the EBA's "Guidelines on payment moratoria".

These measures are not necessarily an indicator of a significant increase in the credit risk of the financial assets in question or of reclassification as restructured (forborne) assets.

However, transfer to bucket 2 or 3 may occur in accordance with the group's rules.

At December 31, 2020, the cash flow losses relating to loans benefiting from these support measures were immaterial. Accordingly, from an accounting perspective, these moratoria were not considered as substantial changes in the contractual cash flows of the loans to which they were applied, and therefore did not result in the derecognition of the loans. Outstanding loans subject to payment extensions amounted to €5.8 billion. For 94.9% of these outstandings, customers resumed payments in accordance with their repayment schedule. The schedules are still on hold for the remaining 5.1%.

2. Calculation of expected credit losses

In this context characterized by a novel degradation of the activity, provoked by the pandemic, combined to equally novel support measures, the Crédit Mutuel Arkéa group has implemented the necessary adaptations to its credit risk detection and measurement system, in order to take into account the characteristics and potential effects of the crisis.

The Crédit Mutuel Arkéa group considered the publications issued by the IASB (International Accounting Standards Board), the ECB (European Central Bank), the EBA (European Banking Authority) and the ESMA (European Securities and Markets Authority) for the calculation of expected credit losses.

It exercises judgment in recognizing expected credit losses in the special context of the Covid-19 crisis.

With respect to provisions for credit loss, the Crédit Mutuel Arkéa group took into account the unprecedented and brutal effect of the Covid-19 crisis on the macroeconomic environment. When confronting data from the financial sector (analysis by credit insurance companies, rating agencies and institutional investors) to the Crédit Mutuel Arkéa studies, the group anticipates a widespread financial crisis with a much stronger impact for companies of certain

economic sectors. In this context, the Crédit Mutuel Arkéa implemented developments around four main axes:

- the group changed the weightings of its forward-looking scenarios in 2020. At December 31, 2019, the pessimistic scenario was weighted at 60% and the neutral scenario at 40%. At June 30, 2020, the pessimistic scenario was weighted at 70% and the neutral scenario at 30%. At December 31, 2020, the pessimistic scenario was weighted at 75%, the neutral scenario at 24% and the optimistic scenario at 1%. As a result of these adjustments, the overall impact was -€36 million at December 31, 2020;
- the pessimistic scenario was also changed: the group now uses a method in which the probability of default is the higher of the observed default rate plus the maximum variation in the consecutive default rates over the historical observation period, and the maximum default rate over the historical observation period. Previously, the probability of default used by the group was the observed default rate plus the maximum variation in the consecutive default rates over the historical observation period;
- thirdly, the group changed the way economic sectors are analyzed. All NACE codes were examined in light of the effects of the pandemic on the different economic sectors and government measures to support the economy. On completion of this examination, carried out based on expert opinion, 59 sectors were selected. They were divided into three groups, depending on the degree to which they had been affected by the two waves of the epidemic. The outstanding loans in the selected sectors were essentially transferred to bucket 2 and a minimum provisioning rate was set and applied for each group. The provisioning rate is set in accordance with the Banque de France publications on the impact of the crisis by sector.

The selected sectors are subject to specific monitoring based on two elements:

- an expert element with the formation of an ad hoc committee in charge of providing an economic view of the business sectors and of expressing opinions to justify the entry or exit of vulnerable sectors,
- a quantitative element with monthly monitoring of internal indicators such as the rate of performing loans past due by more than 30 days out of the total performing loans.

The impact of changes implemented in the economic sectors analysis is estimated at -€17 million;

- lastly, the loss given default (LGD) of certain portfolios has been adjusted in order to better take into account the effects of Covid-19 crisis, in particular within its specialized subsidiaries (CFCAL, Financo and Arkéa Crédit Bail).

Alongside this, the probability of default (PD), credit conversion factor (CCF) and loss given default (LGD) parameters were updated in keeping with the group's customary annual revision practices, resulting in a €21 million increase in the cost of risk. The Crédit Mutuel Arkéa group made no other changes. The effects of all the developments implemented sum up to a €74 million increase in the cost of risk.

Finally, the group conducted a sensitivity test of the cost of risk. An increase of 10 points in the weighting of the pessimistic scenario would lead to an additional provision of 12.7 million euros, i.e. 3.2% of expected losses.

Information regarding risk management is provided in the section entitled "Risk factors".

3. Targeted longer-term refinancing operations – TLTRO III

Since September 2019, the TLTRO III program has enabled banks to benefit from seven new refinancing tranches, each with a maturity of three years, at an interest rate that varies depending on the period.

The TLTRO III amount that Crédit Mutuel Arkéa can borrow depends on the percentage of outstanding loans granted to non-financial companies and households at the end of February 2019.

The TLTRO III interest rate is set according to market conditions defined by the ECB and banks may benefit from a lower rate (the “special interest rate”) depending on their lending performance.

The rate is equal to the ECB’s deposit facility rate (DFR) if the volume of loans granted between March 1, 2020 and March 31, 2021 is at least stable. If this is not the case, the TLTRO III rate will range between the interest rate on the ECB’s main refinancing operations (MRO) and the DFR, subject to a stable or increasing volume of loans granted between April 1, 2019 and March 31, 2021. Otherwise, it will be equal to the MRO rate.

In the context of the health crisis, the ECB has relaxed the conditions of these refinancing operations twice to support the distribution of loans to households and businesses.

Banks’ borrowing capacity has been increased to 50% of eligible outstanding loans (from 30% previously) and the availability of the early repayment option on each operation has been shortened to 12 months.

An “additional special interest rate” has been introduced for the period from June 2020 to June 2021, resulting in a 50bp reduction in the TLTRO III interest rate.

At December 31, 2020, Crédit Mutuel Arkéa participated in TLTRO III refinancing operations in the amount of €9 billion. This involved variable-rate financial instruments recognized at amortized cost.

The effective interest rate on these operations has been calculated based on the refinancing rate that the Crédit Mutuel Arkéa group will secure based on the hypothesis of satisfying the lending performance threshold set by the ECB for the period from March 1, 2020 to March 31, 2021; it takes into account the spreading of the “special interest rate” over the term of the operation and the spreading of the 0.50% “additional special interest rate” over one year.

4. Amendment to IFRS 16 – Covid-19-Related Rent Concessions

This amendment, adopted by the IASB at the end of May, introduces a simplification measure for lessees benefiting from a reduction in rents in the context of the Covid-19 crisis.

It exempts lessees from accounting for Covid-19-related rent concessions as if they were not lease modifications, if the following conditions have been met:

- the rent concessions are substantially identical or lower than the rents provided for in the initial contract;
- the reduction in rent payments relates only to payments due until June 30, 2021;
- there are no material changes to the other terms and conditions of the contract.

If the lessee opts for this exemption, the rent reduction will generally be accounted for as a negative variable payment, not taken into account in the initial measurement of the liability.

Crédit Mutuel Arkéa group is not affected by these provisions.

Main standards not yet adopted by the European Union

IFRS 17 Insurance contracts

Date and methods of first-time application

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

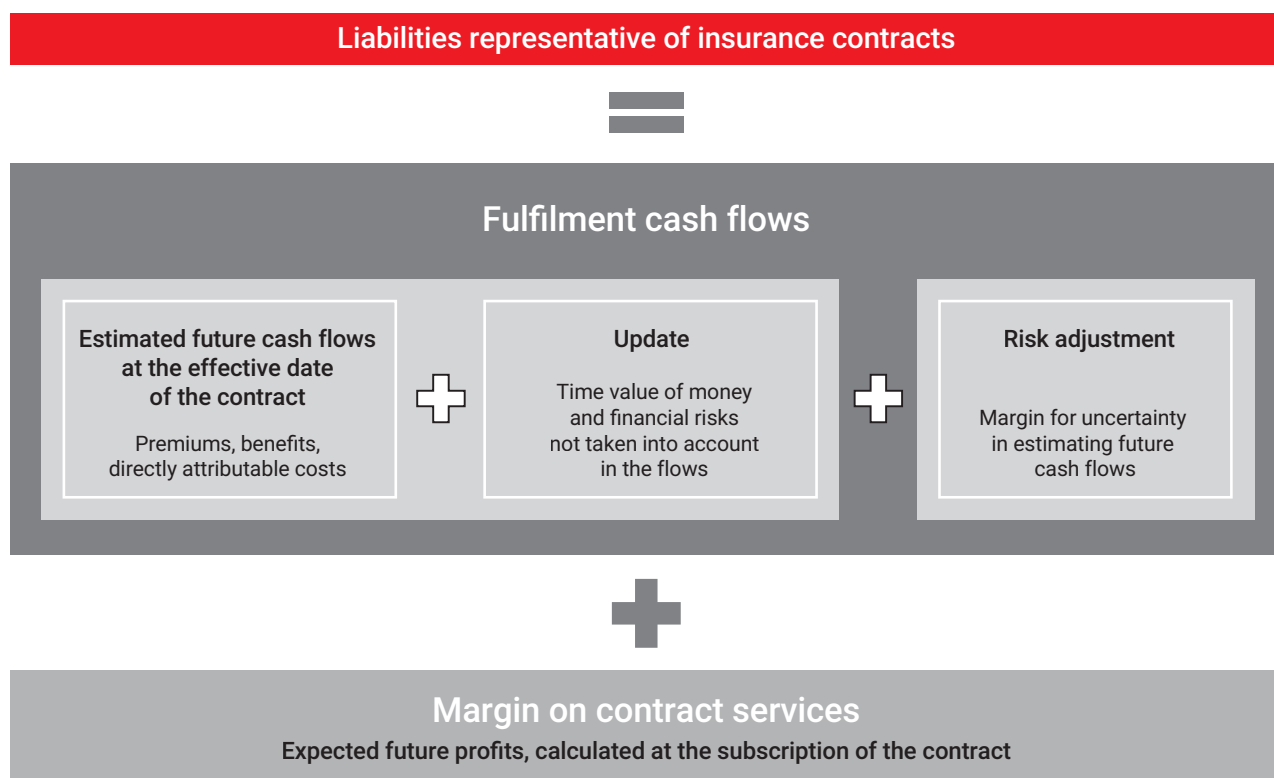
IFRS 17 offers a solution to the comparison problems created by IFRS 4 by requiring all insurance contracts to be recognized in a standardized manner.

The IASB has examined some of the implementation issues raised by various stakeholders since the publication of IFRS 17 and will determine whether it is necessary to amend IFRS 17. In addition, on June 26, 2019 the IASB published an exposure draft containing a number of amendments to IFRS 17 “Insurance Contracts”. The aim of the amendments is to facilitate implementation of the standard. The date of application, originally planned for 2021, was pushed back to January 1, 2023 through an amendment adopted on June 25, 2020.

Accounting policies under IFRS 17

IFRS 17 defines the new rules for the recognition, measurement and presentation of insurance contracts that fall within its scope (insurance contracts, reinsurance contracts and financial contracts with a discretionary profit-sharing component). The technical provisions currently recognized on the liability side of the balance sheet will be replaced by a valuation of the insurance contracts at current value.

The general model used to evaluate contracts shown as liabilities will be based on the aggregation of three components using a building blocks approach: discounted future cash flows, a risk margin and a margin on contractual services.



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 2020: 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.

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 €18.7 million was recognized on the balance sheet for valuation adjustments as at December 31, 2020.

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

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

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

Risks hedged

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

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

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

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

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

Fair value hedging

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

With respect to fair value hedging transactions, the change in fair value of the derivative is recorded on the income statement under the heading "Net gain (loss) on financial instruments at fair value through profit or loss" in symmetry with the revaluation of the hedged risk. The only impact on the income statement is the potential ineffectiveness of the hedge. This may result from:

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

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

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

Cash flow hedging

The goal of cash flow hedging is to reduce the risk related to a change in future cash flows from financial instruments. Derivatives

are used notably to hedge the interest rate risk on adjustable rate assets and liabilities.

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

As long as the hedge is effective, the amounts recorded in equity are transferred to the income statement under "interest and similar income (expense)" synchronized with the cash flows of the hedged instrument impacting profit or loss. If the hedging relationship is discontinued or is no longer highly effective, hedge accounting ceases. The accumulated amounts recorded in equity as part of the revaluation of the hedging derivative are transferred to the income statement under "interest and similar income (expense)" at the same time as the hedged transaction itself impacts the income statement, or when it has been determined that such transaction will not take place.

The group does not hedge net investments in foreign operations.

Benchmark rate reform

IBOR reform is a response to the weaknesses observed in the methodologies used to develop indices and set interbank rates, which are based on data reported by banks and on a significantly lower volume of underlying transactions.

In Europe, it takes the form of the Benchmark Regulation (BMR), which was published in 2016 and came into force in early 2018. The key element of this reform is the calculation of rates based on actual transactions to ensure the security and reliability of the indices used by the market.

Indices created on or after January 1, 2018 must now comply with the BMR regulation and be approved by the regulator. Existing indices can continue to be used until December 31, 2021. Eventually, the old benchmark indices (LIBOR, EONIA, EURIBOR, etc.) will no longer be accepted unless they comply with the new regulation.

To ensure a smooth transition, the group has identified the legal, commercial, organizational, tool-related and financial/accounting impacts. It began work in project mode in the first quarter of 2019.

Regarding the accounting aspects, the group is monitoring all the work carried out by the IASB on the effects of benchmark rate reform on financial information. The stakeholders were informed of the flexibility measures proposed in the Phase 2 exposure draft published in April 2020.

Since January 1, 2019, the group has applied the Phase 1 amendment to IAS 39, IFRS 9 and IFRS 7 published by the IASB, which allows it to maintain existing hedging relationships in this exceptional and temporary context until the uncertainty created by IBOR reform is resolved as to the choice of a new index and the effective date of this change.

The group believes that there are still uncertainties regarding the EONIA rate (date of transition to ESTER unknown), the EURIBOR rate (in the absence of contractual changes to financial instruments indexed to this benchmark (including fall-back clause)) and LIBOR rates (uncertainties about replacement rates).

3. FINANCIAL INFORMATION

Notes

At December 31, 2020, the derivatives notional amounts, all derivatives included, are the following:

(in € thousand)	Notional 12.31.2020
EURIBOR rate	70,042,380
ESTER rate	13,375,000
EONIA rate	2,588,239
LIBOR rate	22,812

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 Crédit Mutuel Arkéa's loans and receivables from credit institutions and customers, which are not intended for sale as soon as they are granted, are recorded in the category "loans and receivables at amortised 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:

- 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. As of December 31, 2020, the group is no longer concerned by this typology of fixed-income securities

Financial assets representing the technical provisions on unit-linked contracts are presented in "Financial assets at fair value through profit or loss" (insurance activities).

The accounting treatment described in the banking section also applies to derivatives.

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

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading "Interest and similar income" (insurance activities). Dividends from variable-income securities are recognized in the income statement under the heading "Net gain (loss) on financial instruments at fair value through profit and loss" (Insurance activity).

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

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

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, satisfies the definition of a derivative. It is designed to affect certain cash flows, much like a standalone derivative.

This derivative is split off from the host contract and accounted for separately as a derivative instrument at fair value through profit or loss when the following three conditions are met:

- the hybrid instrument that hosts the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and its related risks are not considered to be closely linked to those of the host contract;
- the separate measurement of the embedded derivative to be separated is sufficiently reliable to provide an accurate assessment.

Realized and unrealized gains and losses are recognized on the income statement under "Net gain (loss) on financial instruments at fair value through profit or loss" (insurance activity)

Derivative financial hedging instruments – assets and liabilities

The treatment described in the accounting principles for banking activities also applies to derivative financial hedging instruments.

Available-for-sale financial assets

IAS 39 defines available-for-sale financial assets (AFS) as a residual category containing both fixed- and variable-income securities that are neither financial assets at fair value through profit or loss, financial assets held to maturity nor loans.

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

Such unrealized gains or losses recognized in equity are only recognized in the income statement if the securities are sold or if there is permanent impairment.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading “Interest and similar income” (insurance activity) using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the financial asset or liability. Dividends from variable-income securities are recognized in the income statement under the heading “Net gain (loss) on financial instruments available-for-sale.”

Impairment of securities

Impairment is recorded when objective indicators of impairment for the securities exist. Such indicators are evidenced by a long-term, material decline in the value of shares or by the appearance of a material decline in credit risk due to default risk on debt securities.

In the case of equity securities, the group employs a quantitative criterion to identify material and long-term declines: impairment is recognized when a security has lost at least 50% of its value compared with its initial cost or over a period of more than 24 consecutive months. Analysis is performed line by line. Securities that do not meet the aforementioned criteria are nevertheless assessed for impairment if management believes that the amount invested cannot reasonably be expected to be collected in the near future. The loss is recognized in the income statement under “Net gain (loss) on financial instruments available-for-sale”. Any subsequent decline in value results in an increase in impairment charged against income. An increase in value does not lead to the provision being reversed through profit.

In the case of on debt securities, impairment is recorded in “Cost of risk,” (insurance activity) and may be reversed through profit when the market value of the security has increased due to some objective event that has taken place since the most recent impairment.

Held-to-maturity financial assets

Held-to-maturity financial assets are primarily fixed-income or determinable income securities with a fixed maturity that the insurance entities intend and are able to hold to maturity.

Initially, they are recognized at their acquisition price including acquisition costs – when material – and accrued dividends. At the end of the reporting period, they are valued according to the amortized cost method at the effective interest rate and may be the subject of impairment when necessary.

Loans and receivables due from credit institutions and loans and receivables related to the insurance activities

“Loans and receivables” are financial assets with fixed or determinable payments that are not quoted on an active market. All loans and receivables due from credit institutions and those related to the insurance activities which are not intended for sale from their origination are recognized in the “Loans and receivables” (insurance activity) category.

The treatment of these financial assets (excluding impairment) is identical to the treatment applied to loans and receivables due from credit institutions and from customers at amortized cost under IFRS 9.

Impairment of loans and receivables

Individually impaired receivables

Recorded in the cost of risk, impairment losses are recognized on all types of receivables, even those with guarantees, once there is an established credit risk corresponding to one of the following situations:

- there are one or more delinquent payments for three months;
- the position of a counterparty presents characteristics such that even in the absence of delinquent payments, we can conclude that there is a known risk;
- the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganization/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy and liquidation of property, including a summons to appear before an international court.

Impairment reflects the difference between amortized cost and the present value of discounted estimated future cash flows. Discounting is carried out at the initial effective interest rate of the loan for fixed-rate loans and at the last effective interest rate set according to the contractual terms and conditions for variable-rate loans. In the income statement, impairment loss movements are recorded under the heading “cost of risk” (insurance activities).

Financial liabilities

With regard to financial liabilities, the rules for the accounting treatment of financial liabilities at fair value through profit or loss, liabilities with credit institutions and customers, debt securities and subordinated debt are the same under IAS 39 and IFRS 9 (excluding recognition of renegotiated debts).

Insurance liabilities, representing commitments to policyholders and beneficiaries, are reported on the line “Insurance companies’ technical reserves”. They are valued, recognized and consolidated in accordance with French GAAP.

Technical provisions on life insurance contracts consist primarily of mathematical provisions representing the difference between the present value of the commitments undertaken respectively by the insurer and the policyholders. The risks covered include primarily death, disability and the inability to work (for borrower’s insurance).

Life insurance provisions are estimated conservatively on the basis of contractually-defined technical rates.

Technical provisions on unit-linked contracts are valued at the reporting date, based on the value of the assets used to support these contracts.

Technical provisions on non-life insurance contracts include unearned premiums (portion of premiums issued pertaining to later years), provisions for increasing risks (difference between the present value of the commitments undertaken respectively by the insurer and the policyholder) and claims payable.

Technical provisions are calculated gross of reinsurance, and the reinsurers' share is stated in assets.

Insurance contracts and financial contracts with a discretionary profit-sharing provision are subject to "shadow accounting." The provision for deferred profit-sharing represents the share of capital gains and losses on assets attributable to the policyholders. This provision is presented on either the liability or the asset side of the balance sheet. On the asset side, it appears as a separate item.

At the reporting date, an adequacy test is performed on the liabilities associated with these contracts (net of other items involving related assets or liabilities, such as deferred acquisition costs and the portfolio securities acquired). A verification is performed to ensure that the liability recorded is adequate to cover the future cash flows projected at that date. Any shortfall in the technical provisions is shown through a loss for the period (and potentially reversed at a subsequent date).

Common accounting principles for banking and insurance activities

Shareholders' equity

Difference between liabilities and equity

A debt instrument or financial liability is defined as a contractual obligation to deliver cash or another financial asset or to exchange financial instruments under potentially unfavorable conditions.

An equity instrument is defined as a contract containing a residual interest in an enterprise after subtracting all its debts (net assets).

Shares

Pursuant to these definitions, the shares issued by the Crédit Mutuel local banks are considered shareholders' equity within the meaning of IAS 32 and IFRIC 2 and are treated as such in the group's consolidated financial statements.

Measurement of the fair value of financial instruments

Fair value is defined by IFRS 13 as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date". Initially, fair value is usually the transaction price.

Financial assets and liabilities measured at fair value are assessed and recognized at fair value as of their first-time consolidation as well as at subsequent measurement dates. These assets and liabilities include:

- financial assets and liabilities at fair value through profit or loss;
- financial assets at fair value through equity;
- available-for-sale financial assets;
- derivatives

Other financial assets and liabilities are initially recognized at fair value. They are subsequently recognized at their amortized cost and are subjected to valuations whose methods are disclosed in the notes to the financial statements. These other financial assets and liabilities include:

- loans and receivables with credit institutions and with customers at amortized cost under IAS 39 and IFRS 9 (including loans and receivables related to the insurance activities);
- debt securities at amortized cost;
- held-to-maturity securities;
- liabilities to credit institutions and customers;
- debt securities;
- subordinated debt.

Assets and liabilities are also classified in three hierarchical levels corresponding to the level of judgment used in valuation techniques to determine fair value.

Level 1: Assets and liabilities whose fair value is calculated using prices quoted (unadjusted) to which the entity has access on the measurement date on active markets for identical assets or liabilities.

An active market is one which, for the asset or liability being measured, has transactions occurring with sufficient frequency and volume so as to provide price information on a continuous basis.

This category includes notably equities, bonds and shares of mutual funds listed on an active market.

Level 2: Assets and liabilities whose fair value is calculated based on adjusted prices or using data other than quoted prices that are observable either directly or indirectly.

In the absence of any such quotation, fair value is determined using "observable" market data. These valuation models are based on techniques widely used by market operators, such as the discounting of future cash flows or the Black & Scholes model.

This category includes notably the following financial instruments:

- equities and bonds listed on a market that is considered inactive or that are unlisted;
- over-the-counter derivative instruments such as swaps and options,
- venture capital funds, innovation funds and real estate investment vehicles;
- structured products.

The fair value of loans and receivables, liabilities to credit institutions and debt securities (including subordinated debt) are also included in this level.

Loans and receivables and liabilities to credit institutions are measured using two methods:

- the fair value of fixed-rate items, such as fixed-rate loans and deposits, is measured by discounting the expected future cash flows;

- the fair value of variable-rate items, such as adjustable-rate loans with a maturity of more than one year, is measured using the Black & Scholes model.

The fair value of traditional fixed-rate loans, borrowings, debt securities and subordinated debt is obtained by discounting future cash flows and using dedicated yield curve spreads.

The fair value of variable-rate loans, borrowings, debt securities and subordinated debt is obtained by discounting future cash flows with the calculation of a forward rate and the use of dedicated yield curve spreads.

The group's counterparty default risk is factored into the yield curve used to value debt securities and subordinated debt.

For current receivables and liabilities (less than one year), fair value is considered equivalent to their nominal value.

Level 3: Assets and liabilities whose fair value is calculated using information on assets or liabilities not based on observable market data.

Valuation methods using unobservable market data are used only in the following cases:

- loans and receivables, and liabilities to customers;
- equity securities not listed on an active market;
- certain specialized financings;
- securities held by private equity companies.

Thus, for example, equity investments not listed on an official market are measured internally:

- in most cases, these holdings are measured on the basis of their revalued net assets or their carrying amount, on an entity-by-entity basis.

Similarly, the valuation methods used by private equity companies generally include:

- the transaction price for recent acquisitions;
- the historical multiples method for mature companies;
- adjusted net asset value for portfolio companies (holding companies) and investment firms (funds).

In the context of the health crisis, the securities held in the group's venture capital portfolio were valued in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines. The following principles were applied:

- the group relied on information known at the measurement date and on what it considered to be reliable forecasts;
- a medium-term approach was followed in order not to focus solely on the fiscal year impacted by Covid-19 and to observe averages over several fiscal years in order to obtain the fairest possible measurement.

The group adopted an "investment-by-investment" approach and adapted its method to four different situations:

- investment materially impacted by the crisis;
- investment positively impacted by the crisis;

- investment minimally impacted;

- investment very heavily impacted and for the medium term.

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, particularly in the context of the Covid-19 pandemic.

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."

3. FINANCIAL INFORMATION

Notes

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
Roof and siding	Branches: 25 years
Technical work packages	25 years
Fixtures	20 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."

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 not 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 March 2019, noting a variety of practices, ESMA referred to IFRIC on the matter of determining the term of certain leases, and on the depreciation period for fixtures and fittings inseparable from the leased property. Following this referral, IFRIC called attention to the facts:

- that the enforceable period of a lease must be assessed from an overall economic point of view and not solely from a legal point of view;
- that there is a presumption of alignment of the depreciation period for the fixtures that are inseparable from the leased property and the duration of the corresponding lease.

Crédit Mutuel Arkéa has analyzed the impacts of the December 2019 IFRS IC decision on the assumptions used upon first-time application for 3/6/9 commercial leases and for leases with automatic renewal. The repercussions of this decision are not material at the group level.

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 2020 calculations used a discount rate of 0.48%, 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 0.06% and 8.13% and

a salary increase rate of between 2.62% and 4.30%⁽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

Consolidation scope and method

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 and Crédit Mutuel du Sud-Ouest federations;
- the Crédit Mutuel local banks that are members of these federations;
- Crédit Mutuel Arkéa.

Entities included in the consolidation scope are those over which the group exercises exclusive or joint control or significant influence and whose financial statements have a material impact on the group's consolidated financial statements, in particular with respect to total assets and net income contribution.

(1) UES Arkade and Arkéa-SCD rates, representing 96% of the obligation.

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

Linxo was sold in June 2020. Younited was deconsolidated following the loss of significant influence. Crédit Mutuel Arkéa began a divestment process for the customer portfolio of Stratéo, the Swiss branch of Arkéa Direct Bank. Stratéo's contribution to the consolidated financial statements is recognized under IFRS 5 on entities held for sale.

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.

Elimination of reciprocal 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.

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.

Under this approach, the measurement work is mainly based on the discounted dividend model (DDM) and the discounted cash flow (DCF) method, in accordance with the principles of IAS 36. The DDM method is selected for cash-generating units (CGU) that are subject to prudential capital requirements (credit institutions and insurance companies) and the DCF method is used for all other CGUs.

The cash flows used are determined based on each CGU's business plan over a specific time horizon of between four and five years. These business plans are drawn up based on a common macroeconomic scenario for all fully-consolidated entities. This scenario is notably based on the following assumptions:

- a 9.9% contraction in French GDP in 2020, followed by growth of 6.7% in 2021 and 1.6% in 2022;
- a sharp increase in the number of defaults and in job destruction from the second half of 2021 and in 2022. Capital spending and hiring would not resume until 2023;
- a weak labor market, with unemployment peaking at 12% at the end of 2021;
- very moderate inflation up to 2024, gradually rising from 0.3% in 2020 to 1.5% in 2024;
- persistently negative money-market rates for the entire 2021-2024 period, and French long-term rates moving just into positive territory from 2023. The ECB is not expected to raise interest rates between now and 2024;
- equity markets growing by 3% to 4% each year after registering a fall that is anticipated before the end of 2021.

The discount rates used correspond to the cost of capital determined using the Capital Asset Pricing Model (CAPM). 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 cash generating unit. This risk premium is the product of a sector beta, the equity risk premium and possibly a specific premium reflecting, for example, the execution risk or the fact that the company was only formed recently. The risk-free rate, the sector beta and the equity risk premium are market data. For its impairment tests, the Crédit Mutuel Arkéa group uses a two-year average of each parameter. The sector beta reflects the risk of the business sector compared with the rest of the equity market. It is calculated as the average beta of a sample of comparable listed stocks. If the company is in debt, the cost of debt is also taken into account. The discount rate then becomes the weighted average cost of capital according to the ratio between equity and debt. The discount rates used in 2020 ranged between 7.6% and 17.4%, while the growth rates to infinity were between 1.0% and 2.5%.

The public health and economic crises have prompted the Crédit Mutuel Arkéa group to extend the value-in-use sensitivity tests for the financial statements drawn up to December 31, 2020. The tests therefore consisted of measuring the change in the valuation of the exogenous parameters of the method (50 basis point change in the discount rate, 50 basis point change in the growth rate to infinity). Beyond that, a multi-scenario approach was taken to determine alternative financial trajectories used for the valuation of the assets,

factoring in a 200 basis point deterioration or improvement in the cost/income ratio at terminal value, as well as a one-year delay or advance in the achievement of the goals set out in the company's business plan. All these factors incorporate the various possible parameters for the creation or destruction of company value: the volatility of the financial markets, the actual growth of the French economy, profitability at the end of the forecast period and a delay in the execution of the business plan (i.e. favorable if the recovery is stronger than expected or adverse if the public health context reduces the intensity of the economic rebound in 2021).

These measures led to the following results:

- a 50 basis point increase in the discount rate would result in a 7.3% overall reduction in the recoverable amounts;
- a 50 basis point decrease in the growth rate to infinity would result in a 4.9% overall reduction in the recoverable amounts;
- a 200 basis point increase in the cost/income ratio at terminal value would result in a 6.4% overall reduction in the recoverable amounts;
- a one-year delay in achieving the goals of the company's business plan would result in a 7.9% overall reduction in the recoverable amounts.

At December 31, 2020, after noting the value-in-use of its subsidiary Pumpkin and its equity interest in Finassemble, Crédit Mutuel Arkéa recognized goodwill impairment of €11 million and €1.4 million, respectively.

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 21 interpretation "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.

Uncertainty over income tax treatments

In accordance with IFRIC 23, the group assesses the likelihood that the tax authorities will accept/not accept the position taken. It then estimates the impacts on taxable income, tax bases, losses carried forward, unused tax credits and taxation rates. In case of an uncertain tax position, the amounts to be paid are assessed on the basis of the most likely amount or the expected value based on the method that best predicts the amounts that will be paid or received.

Notes to the consolidated financial statements

Detailed contents of the notes

Note 1.	Cash, due from central banks	102	Note 15.	Goodwill	114
Note 2.	Financial assets at fair value through profit or loss	102	Note 16.	Central banks – Due to credit institutions	114
Note 2a.	Financial assets held for trading purposes	102	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	103	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 Derivatives used for hedging purposes	104	Note 18.	Debt securities	117
Note 4.	Financial assets at fair value through equity	105	Note 19.	Liabilities to customers	117
Note 5.	Securities at amortized cost	106	Note 20.	Accruals, deferred income and sundry liabilities	117
Note 6.	Loans and receivables due from customers	106	Note 21.	Liabilities – insurance activity	118
Note 6a.	Information on delinquent payments	107	Note 21a.	Financial liabilities at fair value through profit or loss	118
Note 6b.	Restructured outstandings by type	107	Note 21b.	Liabilities to credit institutions	119
Note 7.	Placement of insurance activities and reinsurers' shares in technical provisions	108	Note 21c.	Insurance companies' technical reserves	119
Note 7a.	Financial assets at fair value through profit or loss	108	Note 21d.	Other insurance liabilities	119
Note 7b.	Available-for-sale financial assets	109	Note 22.	Provisions	120
Note 7c.	Securities at amortized cost	109	Note 22a.	Pension obligations and similar benefits	120
Note 7d.	Loans and receivables – credit institutions	110	Note 22b.	Provisions for regulated savings product risks	120
Note 7e.	Loans and receivables linked to insurance activities	110	Note 22c.	Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope	121
Note 7f.	Investment property	110	Note 23.	Subordinated debt	121
Note 7g.	Share of reinsurers in technical provisions and other insurance assets	111	Note 24.	Share capital and additional paid-in capital – Consolidated reserves	122
Note 8.	Current taxes	111	Note 25.	Gains and losses recognized directly in equity	122
Note 9.	Deferred taxes	111	Note 26a.	Breakdown of financial liabilities according to maturity – banking activity	123
Note 10.	Accruals, prepayments and sundry assets	112	Note 26b.	Breakdown of financial liabilities according to maturity – insurance activity	123
Note 11.	Investments in associates	112	Note 27.	Non-current assets held for sale and related liabilities	123
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 38b. Average number of employees	139
Note 28b. Fair value ranking – insurance activity	126	Note 38c. Post-employment benefits	139
Note 28c. Fair value ranking – details of level 3 – banking activity	128	Note 38d. Share-based payments	143
Note 28d. Fair value ranking – details of level 3 – insurance activity	130	Note 38e. Other expenses	143
Note 29a. Fair value ranking of financial assets and liabilities recognized at amortized cost – banking activity	132	Note 39. Depreciation, amortization and impairment of property, plant and equipment and intangible assets	144
Note 29b. Fair value ranking of financial assets and liabilities recognized at amortized cost – insurance activity	133	Note 40. Cost of risk	145
Note 30. Interest and similar income/expense	134	Note 40a. Cost of risk – banking activity	145
Note 31. Fee and commission income/expense	134	Note 40b. Cost of risk – insurance activity	147
Note 32. Net gain (loss) on financial instruments at fair value through profit or loss	135	Note 40c. Banking activities – Information regarding changes in outstanding loans subject to provisions for expected losses for credit risk	148
Note 33. Net gain (loss) on financial instruments at fair value through equity	135	Note 40d. Banking activities – Information regarding changes in provisions for expected losses for credit risk	149
Note 34. Net gain (loss) on financial instruments at amortized cost	136	Note 40e. Banking activities – gross carrying amount of loans and receivables due from customers by credit risk category	150
Note 35. Net income from insurance activities	136	Note 41. Gains (losses) on other assets	150
Note 35a. Interest and similar income/expense	136	Note 42. Income tax	151
Note 35b. Fee and commission income/expense	137	Note 43a. Information on the recycling to profit or loss of gains or losses recognized directly in equity	152
Note 35c. Net gain (loss) on financial instruments at fair value through profit or loss	137	Note 43b. Tax on each component of gains or losses recognized directly in equity	153
Note 35d. Net gain (loss) on available-for-sale financial instruments	137	Note 44a. Commitments given and received – banking activity	154
Note 35e. Other income/expense from insurance activities	138	Note 44b. Commitments given and received – insurance activity	155
Note 35f. Gross margin on insurance activities	138	Note 45. Segment information	155
Note 36. Income/expense from other activities	138	Note 46. Information on related parties	156
Note 37. Gains (losses) on disposal – dilution in investments in associates	138	Note 47. Investments in unconsolidated structured entities	158
Note 38. Operating expense	139	Note 48. Scope of consolidation	159
Note 38a. Personnel expenses	139	Note 49. Events after the reporting period	163

Notes to the balance sheet

Note 1. Cash, due from central banks

(in € thousands)	12.31.2020	12.31.2019
CASH, DUE FROM CENTRAL BANKS		
Due from central banks	12,761,596	9,942,206
Cash	140,255	141,679
Accrued interest	0	0
TOTAL	12,901,851	10,083,885
LOANS AND RECEIVABLES – CREDIT INSTITUTIONS		
Current accounts	8,468,498	6,906,487
Loans	11,082	33,342
Other receivables	3,856,134	723,893
Guarantee deposits paid	645,160	669,857
Repurchase agreements	1,769,663	1,397,909
Individually impaired receivables (B3)	0	0
Accrued interest	43,243	56,090
Impairment on performing loans (B1/B2)	(2,418)	(2,191)
Other impairment (B3)	0	0
TOTAL	14,791,362	9,785,387
of which deposits and demand loans with credit institutions	625,166	452,241

Note 2. Financial assets at fair value through profit or loss

(in € thousands)	12.31.2020	12.31.2019
Assets held for trading purposes	628,691	565,109
Assets classified at fair value option	9,296	9,074
Other assets classified at fair value	838,296	906,505
TOTAL	1,476,283	1,480,688

Note 2a. Financial assets held for trading purposes

(in € thousands)	12.31.2020	12.31.2019
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	628,691	565,109
Loans and receivables	0	0
of which repurchase agreements	0	0
TOTAL	628,691	565,109

Trading derivatives are held for the purpose of hedging customer transactions.

Note 2b. Assets classified at fair value option

(in € thousands)	12.31.2020	12.31.2019
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	9,296	9,074
of which guarantee deposits paid	0	0
of which repurchase agreements	0	0
TOTAL	9,296	9,074

The maximum non-recoverable amount of loans classified at fair value option was €9,280,000. This amount was not hedged through the use of credit derivatives.

Note 2c. Other financial assets at fair value through profit or loss

(in € thousands)	12.31.2020	12.31.2019
Securities	835,242	855,646
■ Treasury bills, notes and government bonds	0	0
■ Bonds and other fixed-income securities	390,036	381,066
Listed	16,434	0
Unlisted	359,025	369,200
Accrued interest	14,577	11,866
Including UCI	161,989	173,483
■ Stocks and other variable-income securities	445,206	474,580
Listed	1,687	1,455
Unlisted	443,519	473,125
Loans and receivables	3,054	50,859
of which repurchase agreements	0	0
Guarantee deposits paid	0	0
TOTAL	838,296	906,505

**Note 3. Information relating to hedging
Derivatives used for hedging purposes**

(in € thousands)	12.31.2020			
	Fair value hedging		Cash flow hedging	
	Book value	Nominal value	Book value	Nominal value
Interest-rate risks:				
Hedging derivatives				
Hedging derivatives – assets	1,128,813	39,945,751	12	0
Hedging derivatives – liabilities	1,206,771	25,212,128	1,605	60,000
Change in the fair value of the hedging instrument	178,877		1,600	
Currency risk				
Hedging derivatives				
Hedging derivatives – assets				
Hedging derivatives – liabilities				
Change in the fair value of the hedging instrument				

(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				

Note 4. Financial assets at fair value through equity

(in € thousands)	12.31.2020	12.31.2019
Treasury bills, notes and government bonds	3,914,626	3,846,612
Bonds and other fixed-income securities	7,425,427	5,304,676
■ Listed	6,106,291	4,673,995
■ Unlisted	1,286,512	610,773
Accrued interest	32,624	19,908
SUBTOTAL GROSS VALUE OF DEBT INSTRUMENTS	11,340,053	9,151,288
Of which impaired debt instruments (B3)	0	0
Impairment on performing loans (B1/B2)	(8,561)	(6,195)
Other impairment (B3)	0	0
SUBTOTAL NET VALUE OF DEBT INSTRUMENTS	11,331,492	9,145,093
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	82,343	99,482
■ Listed	67,423	84,988
■ Unlisted	14,920	14,494
Accrued interest	0	0
Equity securities held for long-term investment	508,728	410,400
■ Long-term investments	427,151	347,309
■ Other long-term investments	81,394	62,783
■ Shares in associates	183	308
■ Translation adjustments	0	0
■ Loaned securities	0	0
Accrued interest	0	0
SUBTOTAL EQUITY INSTRUMENTS	591,071	509,882
TOTAL	11,922,563	9,654,975
Of which unrealized capital gains/losses recognized in equity	159,184	135,470
Of which securities sold under repurchase agreements	0	0
Of which listed long-term investments	133,049	113,894

Equity instruments at fair value through equity mainly include investments in associates and the group's other long-term investments.

Disposals of instruments classified at fair value through equity resulted in the reclassification to reserves of a cumulative gain at the time of the sale of €23,112,000 (gross of tax).

Note 5. Securities at amortized cost

(in € thousands)	12.31.2020	12.31.2019
Treasury bills, notes and government bonds	398,412	379,329
Bonds and other fixed-income securities	248,590	263,561
■ Listed	220,146	224,525
■ Unlisted	27,503	37,331
Accrued interest	941	1,705
GROSS TOTAL	647,002	642,890
of which impaired assets (B3)	5,556	6,059
Impairment on performing loans (B1/B2)	(748)	(1,431)
Other impairment (B3)	(5,467)	(5,970)
NET TOTAL	640,787	635,489

Note 6. Loans and receivables due from customers

(in € thousands)	12.31.2020	12.31.2019
Performing receivables (B1/B2)	65,023,235	60,289,153
■ Commercial receivables	128,032	130,755
■ Other loans to customers	64,772,459	60,036,416
Housing loans	35,337,606	33,418,261
Other loans and various receivables, including repurchase agreements	29,336,711	26,524,867
Guarantee deposits paid	98,142	93,288
■ Accrued interest	122,744	121,982
Individually impaired receivables (B3)	1,364,847	1,393,251
Gross receivables	66,388,082	61,682,404
Impairment on performing loans (B1/B2)	(323,566)	(249,415)
Other impairment (B3)	(754,922)	(809,439)
SUBTOTAL I	65,309,594	60,623,550
Finance leases (net investment)	1,920,121	1,790,927
■ Movable goods	1,076,545	1,025,516
■ Real property	843,576	765,411
Individually impaired receivables (B3)	73,673	68,811
Gross receivables	1,993,794	1,859,738
Impairment on performing loans (B1/B2)	(25,298)	(18,923)
Other impairment (B3)	(27,233)	(19,752)
SUBTOTAL II	1,941,263	1,821,063
TOTAL	67,250,857	62,444,613
Of which equity loans with no voting rights	9,606	9,606
Of which subordinated loans	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	304,240	125,785	0	241,768
Central governments	34,814	0	0	19,573
Credit institutions	3,925	0	0	2,207
Other financial companies	1,031	57	0	612
Non-financial companies	101,987	62,723	0	92,603
Retail customers	162,483	63,005	0	126,773
Other financial assets	0	0	0	0
TOTAL	304,240	125,785	0	241,768
Unallocated guarantees				0

This table includes outstandings considered performing but on which one or more delinquent payments have been observed.

The reported amount consists of the total value of the commitment on which a delinquent payment has been observed, not merely the delinquent payment amount.

The age of the delinquent payment is calculated from the date on which the first delinquent payment was observed on the outstanding amount in question.

Note 6b. Restructured outstandings by type

(in € thousands)	Renegotiation of contract	Total or partial refinancing of outstanding	Total
Restructured outstandings by type as of 12.31.2020			
Performing outstandings	107,929	39,348	147,277
Non-performing outstandings – gross amounts	313,686	116,986	430,672
Restructured non-performing outstandings – impairment loss	(144,063)	(44,258)	(188,321)
Net non-performing outstandings	169,623	72,728	242,351

Note 7. Placement of insurance activities and reinsurers' shares in technical provisions

(in € thousands)	12.31.2020	12.31.2019
Financial assets at fair value through profit or loss	27,890,440	30,486,386
Available-for-sale financial assets	26,077,885	26,384,069
Loans and receivables – credit institutions	5,559	458
Loans and receivables linked to insurance activities	508,491	481,087
Held-to-maturity financial assets	0	0
Investment property	357,026	377,727
Share of reinsurers in technical provisions and other insurance assets	464,841	442,721
TOTAL	55,304,242	58,172,448

Note 7a. Financial assets at fair value through profit or loss

(in € thousands)	12.31.2020	12.31.2019
Financial assets held for trading purposes	13	21152
Derivatives held for trading purposes	13	152
SUBTOTAL I	13	152
Assets classified at fair value option	27,890,427	30,486,234
Securities	27,890,427	30,486,234
■ Bonds and other fixed-income securities	7,969,194	7,564,659
Listed	6,667,072	6,735,465
Unlisted	1,244,588	767,367
Accrued interest	57,534	61,827
■ Stocks and other variable-income securities	19,921,233	22,921,575
Listed	13,185,543	13,448,737
Unlisted	6,718,851	9,447,950
Accrued interest	16,839	24,888
SUBTOTAL II	27,890,427	30,486,234
TOTAL	27,890,440	30,486,386

At December 31, 2020, the fair value of financial assets at fair value through profit or loss whose cash flows resembled those of a basic loan totaled €433 million. The change in the fair value of these assets during the period was -€0.1 million.

Note 7b. Available-for-sale financial assets

(in € thousands)	12.31.2020	12.31.2019
Treasury bills, notes and government bonds	7,695,446	8,680,139
Bonds and other fixed-income securities	16,482,563	16,354,854
■ Listed	13,849,300	13,372,903
■ Unlisted	2,479,686	2,822,274
Accrued interest	153,577	159,677
SUBTOTAL GROSS VALUE OF DEBT INSTRUMENTS	24,178,009	25,034,993
Impairment	(1,376)	(651)
SUBTOTAL NET VALUE OF DEBT INSTRUMENTS	24,176,633	25,034,342
Shares and other variable-income securities	1,210,756	782,182
■ Listed	728,352	314,735
■ Unlisted	478,477	462,373
Accrued interest	3,927	5,074
Equity securities held for long-term investment	696,156	569,604
Long-term investments	392,958	281,528
Other long-term investments	303,198	288,076
Shares in associates	0	0
SUBTOTAL GROSS VALUE OF EQUITY INSTRUMENTS	1,906,912	1,351,786
Impairment	(5,660)	(2,059)
SUBTOTAL NET VALUE OF EQUITY INSTRUMENTS	1,901,252	1,349,727
TOTAL	26,077,885	26,384,069
Of which unrealized capital gains/losses recognized in equity	283,040	260,433
Of which listed long-term investments	71,178	60,931

At December 31, 2020, the fair value of available-for-sale financial assets whose cash flows resembled those of a basic loan totaled €21,363 million. The change in the fair value of these assets during the period was €+9 million.

Note 7c. Securities at amortized cost

(in € thousands)	12.31.2020	12.31.2019
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
GROSS TOTAL	0	0
of which impaired assets	0	0
Impairment	0	0
NET TOTAL	0	0

Note 7d. Loans and receivables – credit institutions

(in € thousands)	12.31.2020	12.31.2019
Loans and receivables – credit institutions		
Other regular accounts	5,281	197
Loans	15	0
Guarantee deposits paid	0	0
Repurchase agreements	0	0
Accrued interest	263	261
TOTAL	5,559	458
of which deposits and demand loans with credit institutions	5,296	197

At December 31, 2020, loans and receivables due from credit institutions whose cash flows resembled those of a basic loan totaled €5.5 million.

Note 7e. Loans and receivables linked to insurance activities

(in € thousands)	12.31.2020	12.31.2019
Performing receivables	508,491	481,087
Loans to customers	504,622	477,764
■ Housing loans	0	0
■ Other loans and various receivables, including repurchase agreements	504,622	477,764
Accrued interest	3,869	3,323
Individually impaired receivables	3	4
Gross receivables	508,494	481,091
Impairment	(3)	(4)
TOTAL	508,491	481,087

At December 31, 2020, loans and receivables linked to insurance activities and whose cash flows resembled those of a basic loan totaled €508 million.

Note 7f. Investment property

(in € thousands)	12.31.2019	Increase	Decrease	Other	12.31.2020
Historical cost	582,185	5,437	(15,378)	0	572,244
Amortization and impairment	(204,458)	(16,917)	6,157	0	(215,218)
NET AMOUNT	377,727	(11,480)	(9,221)	0	357,026

The fair value of investment real estate recognized at cost amounted to €783 million at December 31, 2020 compared with €783 million at December 31, 2019.

Note 7g. Share of reinsurers in technical provisions and other insurance assets

(in € thousands)	12.31.2020	12.31.2019
Technical provisions – Reinsurers' share	141,639	116,190
Other insurance assets	323,202	326,531
TOTAL	464,841	442,721

Note 8. Current taxes

(in € thousands)	12.31.2020	12.31.2019
Assets (through profit or loss)	174,300	240,252
Liabilities (through profit or loss)	135,727	84,580

Note 9. Deferred taxes

(in € thousands)	12.31.2020	12.31.2019
Assets (through profit or loss)	52,267	56,261
Assets (through equity)	92,792	88,701
Liabilities (through profit or loss)	37,577	21,268
Liabilities (through equity)	132,104	129,973

Deferred taxes by major category

(in € thousands)	12.31.2020	12.31.2019
Loss carryforwards	6,409	5,429
Temporary differences on:		
Deferred capital gains or losses on available-for-sale securities	(71,127)	(69,480)
Deferred capital gains or losses on securities at fair value through equity	(22,385)	(18,198)
Change in credit risk of liabilities at fair value through profit or loss by option	7,505	289
Unrealized gains or losses on cash flow hedges	383	943
Unrealized gains or losses on actuarial differences	46,312	45,174
Provisions for non-deductible contingencies and charges	94,968	89,414
Unrealized reserves of finance leases	(28,255)	(22,901)
Other temporary differences	(58,432)	(36,949)
TOTAL NET DEFERRED TAXES	(24,622)	(6,279)

3. FINANCIAL INFORMATION

Notes

Note 10. Accruals, prepayments and sundry assets

(in € thousands)	12.31.2020	12.31.2019
Accruals – assets		
Receivables collection	158,276	301,671
Foreign currency adjustment accounts	11,184	7,005
Accrued income	151,679	109,787
Miscellaneous accrual accounts	199,035	122,273
SUBTOTAL	520,174	540,736
Other assets*		
Settlement accounts for securities transactions	59,625	65,647
Various debtors	371,393	303,413
Inventories and similar	1,781	1,547
Other miscellaneous applications of funds	2,482	3,223
SUBTOTAL GROSS VALUE OF OTHER ASSETS	435,281	373,830
Impairment on performing loans (B1/B2)		
Other impairment (B3)	(3,868)	(2,863)
SUBTOTAL NET VALUE OF OTHER ASSETS	431,413	370,967
TOTAL	951,587	911,703

* 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)	12.31.2020			12.31.2019		
	Associates investments	Share of earnings	Dividends received	Associates investments	Share of earnings	Dividends received
Caisse Centrale du Crédit Mutuel	134,596	1,527	2,028	136,023	2,062	866
Younited Credit	0	(596)	0	18,279	(2,920)	0
New Port	22,526	1,398	0	33,984	2,284	0
Other	10,577	(1,223)	510	9,344	(3,263)	0
GROSS TOTAL	167,698	1,106	2,538	197,630	(1,837)	866

Supplementary information on main investments in associates (IFRS) at December 31, 2020

(in € thousands)	Total assets	NBI	Gross operating income	Net income	OCI	Shareholders' equity
Caisse Centrale du Crédit Mutuel	18,244,895	16,232	11,271	8,924	10,968	676,948
New Port	148,305	6,257	5,566	5,566	(914)	75,932

Note 12. Investment real estate – banking activity

(in € thousands)	12.31.2019	Increase	Decrease	Other	12.31.2020
Historical cost	204,762	2,035	(20,487)	0	186,310
Amortization and impairment	(60,547)	(5,853)	7,577	0	(58,823)
NET AMOUNT	144,215	(3,818)	(12,910)	0	127,487

The fair value of investment real estate recognized at cost amounted to €174 million at December 31, 2020 compared with €217 million at December 31, 2019.

Note 13. Property, plant and equipment

(in € thousands)	12.31.2019	Increase	Decrease	Other	12.31.2020
HISTORICAL COST					
Land	22,015	229	(374)	(8)	21,862
Plant	590,074	13,635	(6,720)	(19,408)	577,581
Rights of use – Property	95,501	25,598	(344)	(2,155)	118,600
Other property, plant and equipment	253,090	26,744	(16,407)	(4,299)	259,128
TOTAL	960,680	66,206	(23,845)	(25,870)	977,171
AMORTIZATION AND IMPAIRMENT					
Land	0	0	0	0	0
Plant	(409,995)	(20,390)	4,119	15,916	(410,350)
Rights of use – Property	(12,325)	(14,133)	48	0	(26,410)
Other property, plant and equipment	(195,202)	(18,526)	5,859	4,101	(203,768)
TOTAL	(617,522)	(53,049)	10,026	20,017	(640,528)
NET AMOUNT	343,158	13,157	(13,819)	(5,853)	336,643

Note 14. Intangible assets

(in € thousands)	12.31.2019	Increase	Decrease	Other	12.31.2020
HISTORICAL COST					
Self-produced assets	534,278	69,163	(164)	0	603,277
Acquired assets	783,019	96,815	(58,822)	(2,500)	818,512
Software	392,158	18,471	(1,679)	0	408,950
Other	390,861	78,344	(57,143)	(2,500)	409,562
TOTAL	1,317,297	165,978	(58,986)	(2,500)	1,421,789
AMORTIZATION AND IMPAIRMENT					
Self-produced assets	(409,411)	(54,802)	61	0	(464,152)
Acquired assets	(450,282)	(32,160)	1,073	1,135	(480,234)
Software	(349,155)	(20,101)	763	0	(368,493)
Other	(101,127)	(12,059)	310	1,135	(111,741)
TOTAL	(859,693)	(86,962)	1,134	1,135	(944,386)
NET AMOUNT	457,604	79,016	(57,852)	(1,365)	477,403

3. FINANCIAL INFORMATION

Notes

Note 15. Goodwill

(in € thousands)	12.31.2019	Increase	Decrease	Other	12.31.2020
Gross goodwill	566,776	0	0	(5,785)	560,991
Impairment	0	0	(10,974)	0	(10,974)
Net goodwill	566,776	0	(10,974)	(5,785)	550,017

Budget Insight was acquired at the end of 2019. The purchase price was allocated in 2020. Goodwill therefore decreased by €5.8 million.

Allocation by Division

(in € thousands) Division	Entity	12.31.2020	12.31.2019
Retail customers	Arkéa Direct Bank	259,757	259,757
Retail customers	Budget Insight	22,530	28,315
BtoB and Specialized Services	CFCAL Banque	38,216	38,216
BtoB and Specialized Services	Monext	100,250	100,250
BtoB and Specialized Services	ProCapital	63,000	63,000
BtoB and Specialized Services – Fintech	Leetchi SA Mangopay	25,682	25,682
BtoB and Specialized Services – Fintech	Pumpkin	0	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		550,017	566,776

Note 16. Central banks – Due to credit institutions

(in € thousands)	12.31.2020	12.31.2019
Due from central banks	0	0
Liabilities to credit institutions	12,579,835	7,767,767
Current accounts	278,384	719,617
Loans	1,694,979	1,833,290
Guarantee deposits received	163,977	295,245
Other liabilities	42,277	64,385
Repurchase agreements	10,439,712	4,883,045
Accrued interest	(39,494)	(27,815)
TOTAL	12,579,835	7,767,767
of which deposits and demand loans with credit institutions	320,380	1,333,693

Note 17. Financial liabilities at fair value through profit or loss

(in € thousands)	12.31.2020	12.31.2019
Financial liabilities held for trading purposes	656,313	561,824
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	656,313	561,824
Other financial liabilities held for trading purposes	0	0
Fair value option financial liabilities through profit or loss	706,629	611,326
Liabilities to credit institutions	255	2,115
Liabilities to customers	4,698	5,076
Debt securities	701,676	604,135
Subordinated debt	0	0
TOTAL	1,362,942	1,173,150

The settlement value of financial liabilities at fair value through profit or loss was €1,352 million at December 31, 2020 versus €1,162 million at December 31, 2019.

Note 17a. Fair value option financial liabilities through profit or loss

(in € thousands)	12.31.2020			12.31.2019		
	Carrying amount	Amount due at maturity	Difference	Carrying amount	Amount due at maturity	Difference
Liabilities to credit institutions	255	255	0	2,115	2,114	1
Liabilities to customers	4,698	4,690	8	5,076	5,075	1
Debt securities	701,676	691,387	10,289	604,135	593,487	10,648
Subordinated debt	0	0	0	0	0	0
TOTAL	706,629	696,332	10,297	611,326	600,676	10,650

Note 17b. Financial assets and liabilities subject to netting, an enforceable master netting agreement or a similar agreement

12.31.2020							
(in € thousands)	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			
				Impact of master netting agreements	Financial instruments received/given as guarantees	Cash collateral	Net amount
ASSETS							
Derivatives	1,757,529	0	1,757,529	(1,168,437)	0	(159,287)	429,805
Reverse repurchase agreements of securities, securities borrowing or similar agreements	1,878,405	0	1,878,405	0	(1,767,909)	0	110,496
Other financial instruments	0	0	0	0	0	0	0
TOTAL ASSETS	3,635,934	0	3,635,934	(1,168,437)	(1,767,909)	(159,287)	540,301
LIABILITIES							
Derivatives	1,970,392	0	1,970,392	(1,168,437)	0	(692,865)	109,090
Repurchase agreements of securities, securities lending or similar agreements	10,931,850	0	10,931,850	0	(10,930,933)	0	917
Other financial instruments	0	0	0	0	0	0	0
TOTAL LIABILITIES	12,902,242	0	12,902,242	(1,168,437)	(10,930,933)	(692,865)	110,007

12.31.2019							
(in € thousands)	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			
				Impact of master netting agreements	Financial instruments received/given as guarantees	Cash collateral	Net amount
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

Note 18. Debt securities

(in € thousands)	12.31.2020	12.31.2019
Certificates of deposit	13,340	9,262
Interbank market securities and negotiable debt securities	3,420,449	2,941,083
Bond issues	13,921,218	12,372,019
Non-preferred senior debt	1,845,624	1,066,808
Accrued interest	147,843	144,716
TOTAL	19,348,474	16,533,888

Note 19. Liabilities to customers

(in € thousands)	12.31.2020	12.31.2019
Savings accounts governed by special regulations	30,413,679	29,690,093
Sight accounts	24,901,521	24,182,471
Term accounts	5,512,158	5,507,622
Accrued interest on savings accounts	182,292	212,467
SUBTOTAL	30,595,971	29,902,560
Current accounts	30,259,334	23,721,618
Term accounts and term loans	7,404,677	7,920,139
Repurchase agreements	57,243	52,039
Accrued interest	42,027	50,887
Guarantee deposits received	1,871	53,017
SUBTOTAL	37,765,152	31,797,700
TOTAL	68,361,123	61,700,260

Note 20. Accruals, deferred income and sundry liabilities

(in € thousands)	12.31.2020	12.31.2019
ACCRUALS – LIABILITIES		
Blocked accounts for collection operations	338,449	394,935
Foreign currency adjustment accounts	8,626	7,410
Accrued expenses	192,878	197,082
Deferred income	248,477	267,887
Miscellaneous accrual accounts	784,609	466,841
SUBTOTAL	1,573,039	1,334,155
OTHER LIABILITIES*		
Lease liabilities – Property	83,665	75,245
Settlement accounts for securities transactions	222,926	312,167
Outstanding payments on securities	6,165	7,536
Miscellaneous creditors	508,157	593,910
SUBTOTAL	820,913	988,858
TOTAL	2,393,952	2,323,013

* 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

Notes

Breakdown of lease liabilities according to maturity

(in € thousands)	12.31.2020					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	14,368	22,664	24,947	19,634	2,052	83,665
Information technology	0	0	0	0	0	0
Other	0	0	0	0	0	0
LEASE LIABILITIES	14,368	22,664	24,947	19,634	2,052	83,665

Within the group, lease liabilities relate only to property contracts.

Note 21. Liabilities - insurance activity

(in € thousands)	12.31.2020	12.31.2019
Financial liabilities at fair value through profit or loss	105,703	114,401
Liabilities to credit institutions	479,000	1,047,554
Debt securities	0	0
Insurance companies' technical reserves	50,272,294	48,563,719
Other insurance liabilities	1,879,376	5,982,276
Subordinated debt	407	452
TOTAL	52,736,780	55,708,402

Note 21a. Financial liabilities at fair value through profit or loss

(in € thousands)	12.31.2020	12.31.2019
Financial liabilities held for trading purposes	105,703	114,401
Derivatives	105,703	114,401
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	105,703	114,401

Note 21b. Liabilities to credit institutions

(in € thousands)	12.31.2020	12.31.2019
Liabilities to credit institutions		
Current accounts	0	7,256
Loans	0	0
Guarantee deposits received from credit institutions	0	0
Other liabilities	0	0
Repurchase agreements	479,000	1,040,298
Accrued interest	0	0
TOTAL	479,000	1,047,554
of which deposits and demand loans with credit institutions	0	7,256

Note 21c. Insurance companies' technical reserves

(in € thousands)	12.31.2020	12.31.2019
Life insurance, excluding unit-linked contracts	34,216,642	34,511,368
of which profit-sharing	3,211,083	3,122,321
Non-life insurance	550,719	505,554
Unit-linked contracts	15,335,140	13,380,524
Other	169,793	166,273
TOTAL	50,272,294	48,563,719
Active deferred profit-sharing	0	0
Reinsurers' share	(141,639)	(116,190)
NET TECHNICAL PROVISIONS	50,130,655	48,447,529

Note 21d. Other insurance liabilities

(in € thousands)	12.31.2020	12.31.2019
Security deposits and guarantees received	30,032	28,737
Insurance and reinsurance liabilities	75,316	65,079
Other	1,774,028	5,888,460
TOTAL	1,879,376	5,982,276

The amount of "other" is mostly related to the UCI of the insurance activity consolidated through the shortcut method.

Note 22. Provisions

(in € thousands)	12.31.2019	Allocations	Write-backs (used)	Write-backs (unused)	Other	12.31.2020
Provisions for pension obligations	389,826	37,348	(18,075)	0	(86,126)	322,973
Provisions for home savings accounts and plans	59,409	1,987	0	(1)	(554)	60,841
Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope	45,497	25,788	0	(23,990)	(303)	46,992
Provisions for execution of guarantee commitments	0	2,775	0	0	0	2,775
Provisions for taxes	407	744	0	(23)	(7)	1,121
Provisions for lawsuits	9,189	6,365	(341)	(953)	4	14,264
Provisions for contingencies	2,757	389	(1,004)	0	99	2,241
Other	24,201	10,342	(932)	(4,649)	(439)	28,523
TOTAL	531,286	85,738	(20,352)	(29,616)	(87,326)	479,730

Note 22a. Pension obligations and similar benefits**Defined benefit pension obligations and other long-term benefits**

(in € thousands)	12.31.2019	Allocations	Write-backs	Other	12.31.2020
Retirement benefits	74,568	9,642	(4,099)	(174)	79,937
Retirement pension supplements	173,836	10,444	(10,677)	(84,546)	89,057
Length-of-service awards	50,048	5,187	(3,299)	(7)	51,929
Time savings accounts	91,374	12,075	0	(1,399)	102,050
TOTAL	389,826	37,348	(18,075)	(86,126)	322,973

Note 22b. Provisions for regulated savings product risks**Home savings accounts and plans during the savings phase: deposits and provisions**

(in € thousands)	12.31.2020		12.31.2019	
	Deposits	Provisions	Deposits	Provisions
Home savings plans	5,372,120	60,745	5,327,596	59,236
Under 4 years old	337,958	281	298,598	44
Between 4 and 10 years old	3,276,038	28,326	3,158,450	23,305
Over 10 years old	1,758,124	32,138	1,870,548	35,887
Home savings accounts	752,664	0	711,437	0
TOTAL	6,124,784	60,745	6,039,033	59,236

Loans granted under home savings accounts and plans: deposits and provisions

(in € thousands)	12.31.2020		12.31.2019	
	Deposits	Provisions	Deposits	Provisions
Home savings plans	1,619	3	2,612	6
Home savings accounts	13,389	93	21,684	167
TOTAL	15,008	96	24,296	173

Note 22c. Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope

(in € thousands)	12.31.2019	Allocations	Write-backs	Other	12.31.2020
COMMITMENTS GIVEN					
12-month expected losses	13,297	9,843	(9,030)	(80)	14,030
Lifetime expected losses for non-impaired assets	3,927	5,348	(3,323)	(31)	5,921
Lifetime expected losses for impaired assets (instruments impaired or not at acquisition/creation)	28,273	10,597	(11,637)	(192)	27,041
TOTAL	45,497	25,788	(23,990)	(303)	46,992

Note 23. Subordinated debt

(in € thousands)	12.31.2020	12.31.2019
Subordinated debt	2,398,663	2,349,061
Equity loans with no voting rights	2,693	2,693
Undated subordinated debt	97,269	97,193
Other liabilities	0	0
Accrued interest	49,114	49,112
TOTAL	2,547,739	2,498,059

Main subordinated debt at December 31, 2020

Issuer	Issue date	Amount	Currency	Interest rate	Due date
Crédit Mutuel Arkéa	07.05.2004	97,314	Euro	10-year CMS + 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

Notes

Note 24. Share capital and additional paid-in capital – Consolidated reserves

(in € thousands)	12.31.2020	12.31.2019
Share capital	2,372,990	2,347,978
Additional paid-in capital	5,438	5,438
Consolidated reserves	4,793,563	4,294,471
Legal reserve	517,124	509,793
Reserves provided for in the by-laws and contractual reserves	2,287,885	2,249,249
Regulated reserves	0	0
Translation adjustments	0	0
Other reserves	1,927,212	1,473,827
Retained earnings	61,342	61,602
TOTAL	7,171,991	6,647,887

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)	12.31.2020	12.31.2019
Available-for-sale assets	211,913	190,953
Non-recyclable equity instruments at fair value through equity by option	90,395	109,872
Recyclable debt instruments at fair value through equity	48,086	21,317
Change in fair value attributable to credit risk presented in other items of comprehensive income for the liabilities	(18,911)	(613)
Cash flow hedge derivatives	(962)	(2,002)
Real property	0	0
Other	(132,984)	(129,717)
TOTAL	197,537	189,809

Note 26.a 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	9,178	6,745	84,106	1,262,914	-	1,362,942
Derivatives used for hedging purposes					1,208,376	1,208,376
Liabilities to credit institutions	316,112	550,061	10,495,813	1,217,833	-	12,579,819
Liabilities to customers	53,192,969	2,949,551	8,047,648	4,170,947	-	68,361,115
Debt securities	1,056,617	5,090,615	4,638,813	8,562,428	-	19,348,474
Subordinated debt	0	0	18,330	2,432,140	97,269	2,547,739

Note 26.b 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					105,703	105,703
Liabilities to credit institutions	-	479,000	-	-	-	479,000
Subordinated debt	-	407	-	-	-	407

Note 27. Non-current assets held for sale and related liabilities

The group is in the process of selling Stratéo's credit portfolio.

Stratéo's contribution is accounted for in the consolidated financial statements for the year ended December 31, 2020 in accordance with IFRS 5 relating to entities held for sale.

The sale is scheduled to take place in the first half of 2021.

Note 28a. Fair value ranking – banking activity

(in € thousands)	12.31.2020			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
FVOCI	9,920,251	1,622,266	380,046	11,922,563
Treasury bills and similar securities – FVOCI ⁽¹⁾⁽²⁾	3,856,187	55,419	0	3,911,606
Bonds and other fixed-income securities – FVOCI	5,855,507	1,564,379	0	7,419,886
Stocks and other variable-income securities – FVOCI	67,423	2,468	12,452	82,343
Equity investments and other long-term investments – FVOCI	141,134	0	367,411	508,545
Shares in associates – FVOCI	0	0	183	183
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	18,161	755,256	702,866	1,476,283
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 ⁽³⁾	16,474	114,215	259,347	390,036
Stocks and other variable-income securities – Trading	0	0	0	0
Stocks and other variable-income securities – Other FVTPL	1,687	0	443,519	445,206
Loans and receivables due from credit institutions – Fair value option	0	255	0	255
Loans and receivables due from credit institutions – Other FVTPL	0	0	0	0
Loans and receivables due from customers – Fair value option	0	9,041	0	9,041
Loans and receivables due from customers – Other FVTPL	0	3,054	0	3,054
Derivatives and other financial assets – Trading	0	628,691	0	628,691
Derivatives used for hedging purposes	0	1,128,825	0	1,128,825
TOTAL	9,938,412	3,506,347	1,082,912	14,527,671
FINANCIAL LIABILITIES				
Trading/FVO	0	1,362,942	0	1,362,942
Amounts due to credit institutions – Fair value option	0	255	0	255
Amounts due to customers – Fair value option	0	4,698	0	4,698
Debt securities – Fair value option	0	701,676	0	701,676
Derivatives and other financial liabilities – Trading	0	656,313	0	656,313
Derivatives used for hedging purposes	0	1,208,376	0	1,208,376
TOTAL	0	2,571,318	0	2,571,318

(1) Transfers from level 2 to level 1 were made in the amount of €11 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 €32 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

(3) Transfers from level 2 to level 3 were made in the amount of €32 million. They consisted mainly of bonds whose characteristics correspond to level 3 criteria.

(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 ⁽⁴⁾	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 ⁽⁵⁾	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.

Note 28b. Fair value ranking – insurance activity

(in € thousands)	12.31.2020			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Available-for-sale assets	21,251,327	2,102,133	2,724,425	26,077,885
Treasury bills and similar securities – AFS ⁽¹⁾	7,605,399	90,047	0	7,695,446
Bonds and other fixed-income securities -AFS ⁽²⁾⁽³⁾	12,914,351	1,544,050	2,022,786	16,481,187
Stocks and other variable-income securities – AFS	660,399	468,036	76,661	1,205,096
Equity investments and other long-term investments – AFS	71,178	0	624,978	696,156
Shares in associates – AFS	0	0	0	0
Trading/FVO	13,276,205	10,389,603	4,224,632	27,890,440
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 ⁽⁴⁾⁽⁵⁾	90,662	6,629,266	1,249,266	7,969,194
Stocks and other variable-income securities – Fair value option ⁽⁶⁾	13,185,543	3,760,324	2,975,366	19,921,233
Loans and receivables due from credit institutions – Fair value option	0	0	0	0
Derivatives and other financial assets – Trading	0	13	0	13
Derivatives used for hedging purposes	0	0	0	0
TOTAL	34,527,532	12,491,736	6,949,057	53,968,325
FINANCIAL LIABILITIES				
Trading/FVO	0	105,703	0	105,703
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	105,703	0	105,703
Derivatives used for hedging purposes	0	0	0	0
TOTAL	0	105,703	0	105,703

- (1) Transfers from level 1 to level 2 were made in the amount of €89 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 €65 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.
- (3) Transfers from level 1 to level 2 were made in the amount of €499 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.
- (4) Transfers from level 1 to level 2 were made in the amount of €23 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.
- (5) Transfers from level 2 to level 1 were made in the amount of €6 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.
- (6) Transfers from level 3 to level 2 were made in the amount of €345 million. They consisted mainly of equities whose characteristics correspond to level 2 criteria.

	12.31.2019			
(in € thousands)	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.

Note 28c. Fair value ranking – details of level 3 – banking activity

(in € thousands)	Opening balance	Purchases	Issues	Sales
FINANCIAL ASSETS				
FVOCI	308,579	119,733	13	(48,257)
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	12,074	0	0	0
Equity investments and other long-term investments – FVOCI	296,198	119,733	13	(48,157)
Shares in associates – FVOCI	307	0	0	(100)
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	687,587	130,161	0	(90,407)
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	214,462	58,164	0	(8,862)
Stocks and other variable-income securities – Trading	0	0	0	0
Stocks and other variable-income securities – Other FVTPL	473,125	71,997	0	(81,545)
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	996,166	249,894	13	(138,664)
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

Note 28d. Fair value ranking – details of level 3 – insurance activity

(in € thousands)	Opening balance	Purchases	Issues	Disposals
FINANCIAL ASSETS				
Available-for-sale assets	2,385,487	556,220	0	(42,753)
Treasury bills and similar securities – AFS	0	0	0	0
Bonds and other fixed-income securities – AFS	1,803,531	400,786	0	0
Stocks and other variable-income securities – AFS	73,283	0	0	0
Equity investments and other long-term investments – AFS	508,673	155,434	0	(42,753)
Shares in associates – AFS	0	0	0	0
Trading/FVO	5,844,103	1,009,114	0	(62,502)
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	774,520	626,729	0	0
Stocks and other variable-income securities – Trading	0	0	0	0
Stocks and other variable-income securities – Fair value option	5,069,583	382,385	0	(62,502)
Derivatives and other financial assets – Trading	0	0	0	0
Derivatives used for hedging purposes	0	0	0	0
TOTAL	8,229,590	1,565,334	0	(105,255)
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

The amount of €2.1 billion in "Other changes" is related to the variation of UCI from the insurance activity, consolidated through shortcut method.

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
(167,663)	0	(284)	(6,582)	0	2,724,425	0	0
0	0	0	0	0	0	0	0
(164,319)	0	(284)	(16,928)	0	2,022,786	0	0
0	0	0	3,378	0	76,661	0	0
(3,344)	0	0	6,968	0	624,978	0	0
0	0	0	0	0	0	0	0
(132,153)	(345,451)	32,726	0	(2,121,205)	4,224,632	0	(345,451)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(132,153)	0	(19,830)	0	0	1,249,266	0	0
0	0	0	0	0	0	0	0
0	(345,451)	52,556	0	(2,121,205)	2,975,366	0	(345,451)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(299,816)	(345,451)	32,442	(6,582)	(2,121,205)	6,949,057	0	(345,451)
					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

Note 29a. Fair value ranking of financial assets and liabilities recognized at amortized cost – banking activity

12.31.2020						
(in € thousands)	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	89,450,487	82,683,006	6,767,481	596,397	14,873,700	73,980,390
Financial assets at amortized cost						
Loans and receivables due from credit institutions	14,794,574	14,791,362	3,212	0	14,794,574	0
Loans and receivables due from customers	73,965,769	67,250,857	6,714,912	0	0	73,965,769
Securities	690,144	640,787	49,357	596,397	79,126	14,621
Liabilities	104,231,999	102,837,171	1,394,828	0	35,862,135	68,369,864
Liabilities to credit institutions	12,643,513	12,579,835	63,678	0	12,643,513	0
Liabilities to customers	68,369,864	68,361,123	8,741	0	0	68,369,864
Debt securities	20,291,121	19,348,474	942,647	0	20,291,121	0
Subordinated debt	2,927,501	2,547,739	379,762	0	2,927,501	0

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					

Note 29b. Fair value ranking of financial assets and liabilities recognized at amortized cost – insurance activity

12.31.2020						
(in € thousands)	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	514,050	514,050	0	0	5,559	508,491
Loans and receivables due from credit institutions	5,559	5,559	0	0	5,559	0
Other loans and receivables linked to insurance activities	508,491	508,491	0	0	0	508,491
Held-to-maturity financial assets	0	0	0	0	0	0
Liabilities	479,407	479,407	0	0	479,407	0
Liabilities to credit institutions	479,000	479,000	0	0	479,000	0
Debt securities	0	0	0	0	0	0
Subordinated debt	407	407	0	0	407	0

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

Notes to the income statement

Note 30. Interest and similar income/expense

(in € thousands)	12.31.2020		12.31.2019	
	Income	Expense	Income	Expense
Credit institutions and central banks	119,847	(91,752)	132,735	(98,667)
Customers	1,287,349	(421,646)	1,340,521	(528,720)
of which leasing	182,676	(125,833)	175,979	(117,815)
of which rental debts		(518)		(863)
Securities at amortized cost	3,050	0	2,211	0
Financial assets at fair value through profit or loss	15,277	(368)	11,634	(1,157)
Derivatives used for hedging purposes	375,783	(314,766)	330,054	(286,739)
Financial assets at fair value through equity	3,851	0	3,973	0
Debt securities	0	(325,966)	0	(314,947)
TOTAL	1,805,157	(1,154,498)	1,821,128	(1,230,230)

Note 31. Fee and commission income/expense

(in € thousands)	12.31.2020		12.31.2019	
	Income	Expense	Income	Expense
Credit institutions	9,339	(26,316)	8,402	(23,853)
Customers	103,749	(212)	109,060	(252)
Derivatives	12,682	(780)	11,579	(958)
Foreign exchange	10,732	(239)	5,006	0
Financing and guarantee commitments	667	(2,906)	713	(2,732)
Securities and services	510,306	(126,556)	483,954	(122,845)
TOTAL	647,475	(157,009)	618,714	(150,640)

Note 32. Net gain (loss) on financial instruments at fair value through profit or loss

(in € thousands)	12.31.2020	12.31.2019
Instruments held for trading	316	60,995
Fair value option instruments	5,660	(51,577)
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	4,111	59,009
Including UCI	19,839	21,088
Hedging ineffectiveness	273	2,215
Cash flow hedges	5	(4)
Fair value hedges	268	2,219
■ change in fair value of hedged items	(114,647)	(112,404)
■ change in fair value of hedges	114,915	114,623
Foreign exchange gains (losses)	(19)	86
TOTAL OF CHANGES IN FAIR VALUE	10,341	70,728

Note 33. Net gain (loss) on financial instruments at fair value through equity

(in € thousands)	12.31.2020		
	Dividends	Realized gains/losses	Total
Treasury bills, notes and government bonds		2,271	2,271
Bonds and other fixed-income securities		2,360	2,360
Loans – Credit institutions		0	0
Customer loans		0	0
Stocks and other variable-income securities	3,926		3,926
Equity securities held for long-term investment	7,621		7,621
TOTAL	11,547	4,631	16,178

(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

3. FINANCIAL INFORMATION

Notes

Note 34. Net gain (loss) on financial instruments at amortized cost

(in € thousands)	Profit or loss recognized on the derecognition of assets as at December 31, 2020	Profit or loss recognized on the derecognition of assets as at December 31, 2019
FINANCIAL ASSETS		
Treasury bills, notes and government bonds	0	0
Bonds and other fixed-income securities	320	0
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	320	0

Note 35. Net income from insurance activities

(in € thousands)	12.31.2020	12.31.2019
Interest and similar income/expense	41,489	40,476
Fee and commission income/expense	(101,907)	(88,411)
Net gain (loss) on financial instruments at fair value through profit or loss	2,039	7,149
Net gain (loss) on available-for-sale financial instruments	2,207	22,935
Net gain (loss) on financial assets/liabilities at amortized cost	0	0
Other income/expense from insurance activities	725,727	754,056
TOTAL	669,555	736,205

Note 35a. Interest and similar income/expense

	12.31.2020		12.31.2019	
	Income	Expense	Income	Expense
Credit institutions and central banks	2,003	(756)	918	(2,853)
Customers	0	0	0	0
Held-to-maturity financial assets	0	0	134	0
Financial assets/liabilities at fair value through profit or loss	0	0	0	0
Available-for-sale financial assets	40,242	0	42,277	0
Debt securities	0	0	0	0
Subordinated debt	0	0	0	0
TOTAL	42,245	(756)	43,329	(2,853)

Note 35b. Fee and commission income/expense

(in € thousands)	12.31.2020		12.31.2019	
	Income	Expense	Income	Expense
Credit institutions	0	(29)	0	(34)
Customers	0	0	0	0
Derivatives	0	0	0	0
Foreign exchange	0	0	0	0
Financing and guarantee commitments	0	0	0	0
Securities and services	70,922	(172,800)	64,256	(152,633)
TOTAL	70,922	(172,829)	64,256	(152,667)

Note 35c. Net gain (loss) on financial instruments at fair value through profit or loss

(in € thousands)	12.31.2020	12.31.2019
Instruments held for trading	(143)	(96)
Fair value option instruments	1,928	7,286
Other instruments at fair value through profit or loss	0	0
Foreign exchange gains (losses)	254	(41)
TOTAL OF CHANGES IN FAIR VALUE	2,039	7,149

Note 35d. Net gain (loss) on available-for-sale financial instruments

(in € thousands)	12.31.2020			12.31.2019		
	Dividends	Realized gains/losses	Total	Dividends	Realized gains/losses	Total
Treasury bills, notes, government bonds, bonds and other fixed-income securities	0	(682)	(682)	0	359	359
Stocks and other variable-income securities	1,504	0	1,504	21,879	0	21,879
Equity securities held for long-term investment	1,385	0	1,385	697	0	697
Other	0	0	0	0	0	0
TOTAL	2,889	(682)	2,207	22,576	359	22,935

Note 35e. Other income/expense from insurance activities

(in € thousands)	12.31.2020		12.31.2019	
	Income	Expense	Income	Expense
Insurance business	7,688,916	(6,945,441)	12,999,844	(12,233,849)
Investment property	2,402	(16,971)	0	(16,522)
Other income and expense	9,888	(13,067)	10,772	(6,189)
TOTAL	7,701,206	(6,975,479)	13,010,616	(12,256,560)

Note 35f. Gross margin on insurance activities

(in € thousands)	12.31.2020	12.31.2019
Premiums earned	4,583,774	5,485,631
Cost of claims and benefits	(218,705)	(209,667)
Change in provisions	5,036	(9,431)
Other technical and non-technical income and expenses	(4,399,603)	(5,898,393)
Net investment income	772,973	1,397,855
TOTAL	743,475	765,995

Note 36. Income/expense from other activities

(in € thousands)	12.31.2020		12.31.2019	
	Income	Expense	Income	Expense
Investment property	23,844	(5,972)	5,103	(6,946)
Other income and expense	275,242	(60,806)	255,929	(60,740)
TOTAL	299,086	(66,778)	261,032	(67,686)

Note 37. Gains (losses) on disposal – dilution in investments in associates

(in € thousands)	12.31.2020	12.31.2019
Gains or losses on disposal/dilution on joint ventures	0	0
Gains or losses on disposal/dilution on associates	87,696	205,071
TOTAL	87,696	205,071

The amount of gains (losses) on disposal – dilution in investments of associates includes capital gain on the deconsolidation of Younited for €86 million.

Note 38. Operating expense

(in € thousands)	12.31.2020	12.31.2019
Personnel expenses	(796,277)	(910,165)
Other expense	(556,980)	(535,745)
TOTAL	(1,353,257)	(1,445,910)

Note 38a. Personnel expenses

(in € thousands)	12.31.2020	12.31.2019
Salaries and wages	(510,604)	(516,803)
Payroll taxes	(224,740)	(218,052)
Mandatory and optional employee profit-sharing	(73,620)	(107,025)
Taxes, levies and similar payments on compensation	(69,510)	(68,285)
Other*	82,197	0
TOTAL	(796,277)	(910,165)

* The order of July 3, 2019, part of the Pacte Act, put an end to supplementary retirement schemes with conditional rights. The rights acquired by employees under the old scheme became definitive under the agreements signed in March 2020. To do this, the group applied the method recommended by the CNCC, i.e. the DBO method. Under this method, definitive rights vested up to the date of retirement are spread out and service costs will be recognized in the future.

Note 38b. Average number of employees

	12.31.2020	12.31.2019
Employees	4,325	4,379
Management and supervisors	5,886	5,597
TOTAL	10,211	9,976

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 Plan Épargne Retraite Obligatoire, (compulsory retirement savings plan) established by some entities.

In 2020, expenses related to these plans totaled €89,648,000 compared with €80,167,000 in 2019.

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 the retirement benefits and have been crystallized for the supplementary plan. 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

Notes

Change in actuarial liability

(in € thousands)	Post-employment benefits			Total 12.31.2020	Total 12.31.2019
	Supplementary plan	Retirement benefits	Other long-term benefits(1)		
Gross actuarial liability at the beginning of the period	177,584	74,569	141,422	393,575	318,669
Cost of services rendered during the period	3,701	4,893	3,359	11,953	14,845
Net interest	550	458	859	1,867	5,187
Modification/reduction/liquidation of the plan	(83,269)	(1,202)	0	(84,471)	(769)
Acquisition, disposal (change in consolidated scope)	(1,767)	(174)	(2,233)	(4,174)	0
Benefits paid	(7,765)	(2,692)	(6,658)	(17,115)	(10,835)
Actuarial gains/losses	(1,047)	2,885	17,248	19,086	66,479
of which actuarial gains/losses due to changes in demographic assumptions	(7,599)	(750)	953	(7,396)	5,873
of which gains/losses related to changes in financial assumptions	2,269	2,650	4,799	9,718	56,229
of which actuarial gains/losses due to differences between estimates and actual experiences	4,283	984	11,496	16,764	4,377
Gross actuarial liability at the end of the period	87,986	78,736	153,998	320,721	393,575

(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 12.31.2020	Total 12.31.2019
	Supplementary plan	Retirement benefits	Other long-term benefits		
Cost of services rendered during the period	(3,701)	(5,059)	(3,461)	(12,220)	(14,845)
Net interest	141	(121)	(740)	(721)	(2,295)
Impact of any reduction or liquidation of the plan	83,269	1,202	0	84,471	0
Actuarial gains/losses			(14,916)	(14,916)	(20,459)
of which actuarial gains/losses due to changes in demographic assumptions recognized on the income statement			(1,614)	(1,614)	(463)
of which gains/losses due to changes in financial assumptions recognized on the income statement			(4,823)	(4,823)	(15,431)
of which actuarial gains/losses due to differences between estimates and actual experiences			(8,479)	(8,479)	(4,566)
Expense recognized on the income statement	79,709	(3,978)	(19,116)	56,615	(37,599)

Change in fair value of plan assets and reimbursement rights

(in € thousands)	Post-employment benefits			Total 12.31.2020	Total 12.31.2019
	Supplementary plan	Retirement benefits	Other long-term benefits		
Fair value of assets at the beginning of the period	111,425	57,124	22,191	190,740	182,421
Net interest	691	342	136	1,168	2,891
Employer contributions	0	6,980	0	6,980	14,896
Acquisition, disposal (change in consolidated scope)	0	0	0	0	0
Benefits paid	(7,765)	(2,565)	0	(10,331)	(8,486)
Actuarial gains/losses	288	(786)	(18)	(516)	(983)
of which actuarial gains/losses due to changes in demographic assumptions	0	0	0	0	0
of which actuarial gains/losses on plan assets due to changes in financial assumptions	288	(786)	(18)	(516)	(983)
of which actuarial gains/losses due to differences between estimates and actual experiences	0	0	0	0	0
Fair value of assets at the end of the period	104,638	61,096	22,308	188,042	190,740

Net position

(in € thousands)	Supplementary plan	Retirement benefits	Other long-term benefits	Total 12.31.2020	Total 12.31.2019
Fair value of assets/reimbursement rights	(104,638)	(61,096)	(22,308)	(188,042)	(190,740)
Net position	(16,652)	17,640	131,690	132,679	202,835

Items recognized immediately in comprehensive income

(in € thousands)	12.31.2020	12.31.2019
Actuarial differences generated on post-employment benefit plans	(4,406)	(52,038)
Adjustments to the asset ceiling	0	0
TOTAL ITEMS RECOGNIZED IMMEDIATELY DURING THE YEAR	(4,406)	(52,038)
Aggregate actuarial differences at the end of the year	(179,297)	(174,891)

3. FINANCIAL INFORMATION

Notes

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, 2020, the weighted average term of defined benefit obligations was 11.4 years (13.4 years in 2019).

The employer contributions to be paid for 2021 in respect of defined benefit post-employment benefits are estimated at €4,152,000.

Composition of hedging assets

(in € thousands) Fair value of plan assets	12.31.2020			
	Debt securities	Equity instruments	Real property	Other
Assets listed on an active market	103,131	7,695	606	0
Assets not listed on an active market	41,904	986	11,412	0
TOTAL	145,035	8,681	12,017	0

(in € thousands) Fair value of plan assets	12.31.2019			
	Debt securities	Equity instruments	Real property	Other
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

Sensitivity of obligations to changes in the main actuarial assumptions

(in € thousands)	12.31.2020			
	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	-5%	-6%	-5%	-5%
+0.5% CHANGE IN NET SALARY				
Impact on present value of obligations as of December 31	1%	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
Type of plan	Cash settled	Cash settled	Cash settled	Cash settled	Cash settled	Cash settled
Award date	09.18.2015	06.30.2015	11.29.2017	07.2017	11.2017	11.2019
Exercise period	HY1 2021	Q4 2020	Q1 2021	Q2 2022	Q12020/Q12023	2022/2024
Valuation method	Multiple of revenue	Discounted cash flow	% of net income – group share	Customer conquest/Net banking income	EBITDA multiple	Multiple of revenue
Impact 2020 income	884	(681)	(930)	(2,915)	(1,711)	(4,912)
Liabilities on the balance sheet	3,861	0	7,719	4,621	701	11,614

Note 38e. Other expenses

(in € thousands)	12.31.2020	12.31.2019
Taxes other than on income	(89,707)	(78,749)
Rentals	(56,632)	(55,755)
■ short term rentals of assets or low/substantial values	(53,058)	(51,615)
■ other rentals	(3,574)	(4,140)
External services	(410,600)	(401,168)
Other miscellaneous expenses	(41)	(73)
TOTAL	(556,980)	(535,745)

3. FINANCIAL INFORMATION

Notes

(in € thousands)	12.31.2020			12.31.2019		
	Mazars	Deloitte network	Total	Mazars	Deloitte network	Total
AUDITING, CERTIFICATION, EXAMINATION OF INDIVIDUAL AND CONSOLIDATED ACCOUNTS	1,598	1,812	3,410	1,763	1,730	3,493
Crédit Mutuel Arkéa	605	534	1,139	650	706	1,356
Consolidated subsidiaries	993	1,278	2,271	1,113	1,024	2,137
SERVICES OTHER THAN ACCOUNT CERTIFICATION	98	607	705	330	521	851
Crédit Mutuel Arkéa	27	333	360	217	443	660
Consolidated subsidiaries	71	274	345	113	78	191
TOTAL	1,696	2,419	4,115	2,093	2,251	4,344

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 €394,000 in respect of 2020 versus €336,000 at 2019.

Note 39. Depreciation, amortization and impairment of property, plant and equipment and intangible assets

(in € thousands)	12.31.2020	12.31.2019
Amortization	(139,912)	(135,746)
Property, plant and equipment	(53,581)	(52,657)
■ of which rights of use – Property	(13,985)	(12,347)
Intangible assets	(86,331)	(83,089)
Impairment	151	2,796
Property, plant and equipment	151	447
■ of which rights of use – Property	0	0
Intangible assets	0	2,349
TOTAL	(139,761)	(132,950)

Note 40. Cost of risk**Note 40a. Cost of risk - banking activity**

(in € thousands)	Allocations	Write-backs	Irrecoverable debts		Collection of receivables written off	12.31.2020
			Provisioned bad debt	Unprovisioned bad debt		
12-month expected losses	(90,603)	71,782				(18,821)
Loans and receivables due from credit institutions	(855)	574				(281)
Loans and receivables due from customers	(73,106)	56,734				(16,372)
■ of which finance leases	(1,928)	3,584				1,656
Financial assets at amortized cost – Fixed income securities	(501)	893				392
Financial assets at FVOCI – Fixed income securities	(6,296)	4,614				(1,682)
Financial assets at FVOCI – Loans	0	0				0
Off-balance sheet	(9,845)	8,967				(878)
Other assets	0	0				0
Lifetime expected loss	(156,087)	85,631				(70,456)
Loans and receivables due from credit institutions	0	0				0
Loans and receivables due from customers	(149,805)	81,739				(68,066)
■ of which finance leases	(8,985)	986				(7,999)
Financial assets at amortized cost – Fixed income securities	(247)	538				291
Financial assets at FVOCI – Fixed income securities	(719)	30				(689)
Financial assets at FVOCI – Loans	0	0				0
Off-balance sheet	(5,316)	3,324				(1,992)
Other assets	0	0				0
Impaired assets	(203,473)	242,549	(99,771)	(12,259)	2,160	(70,794)
Loans and receivables due from credit institutions	0	0	0	0	0	0
Loans and receivables due from customers	(191,109)	231,405	(99,738)	(12,259)	2,160	(69,541)
■ of which finance leases	(14,209)	13,629	(1,773)	0	0	(2,353)
Financial assets at amortized cost – Fixed income securities	(154)	166	0	0	0	12
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	(11,590)	9,855	0	0	0	(1,735)
Other assets	(620)	1,123	(33)	0	0	470
TOTAL	(450,163)	399,962	(99,771)	(12,259)	2,160	(160,071)

3. FINANCIAL INFORMATION

Notes

(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)

Note 40b. Cost of risk - insurance activity

(in € thousands)	Allocations	Write-backs	Irrecoverable debts		Collection of receivables written off	12.31.2020
			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	0	0	0	0	0
TOTAL	0	0	0	0	0	0

(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

3. FINANCIAL INFORMATION

Notes

Note 40c. Banking activities – Information regarding changes in outstanding loans subject to provisions for expected losses for credit risk

(in € thousands)	12.31.2019	Acquisition /production	Sale/repayment	Transfers between buckets	Other	12.31.2020
Financial assets at amortized costs – loans and receivables due from credit institutions	9,787,578	5,729,803	(608,895)	0	(114,706)	14,793,780
12-month expected losses	9,787,578	5,729,803	(608,895)	0	(114,706)	14,793,780
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	63,542,142	12,757,851	(6,441,527)	0	(1,476,590)	68,381,876
12-month expected losses	59,337,677	11,992,203	(5,698,968)	(1,618,429)	(1,391,603)	62,620,880
Lifetime expected losses – non-impaired assets	2,742,403	678,037	(463,763)	1,426,327	(60,528)	4,322,476
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	1,258,254	57,165	(255,583)	192,102	(24,459)	1,227,479
Lifetime expected losses – assets impaired as from acquisition/creation	203,808	30,446	(23,213)	0	0	211,041
Financial assets at amortized cost – Securities	642,890	29,974	(25,842)	0	(20)	647,002
12-month expected losses	610,220	29,974	(15,183)	0	(20)	624,991
Lifetime expected losses – non-impaired assets	26,611	0	(10,156)	0	0	16,455
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	6,059	0	(503)	0	0	5,556
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0
Financial assets at FVOCI – Fixed income securities	9,151,288	2,430,898	(242,133)	0	0	11,340,053
12-month expected losses	9,123,112	2,430,898	(213,982)	(33,902)	0	11,306,126
Lifetime expected losses – non-impaired assets	28,176	0	(28,151)	33,902	0	33,927
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	83,123,898	20,948,526	(7,318,397)	0	(1,591,316)	95,162,711

Note 40d. Banking activities – Information regarding changes in provisions for expected losses for credit risk

(in € thousands)	12.31.2019	Allocations	Reversals	Transfers	Change of method	Other	12.31.2020
Financial assets at amortized costs – loans and receivables due from credit institutions	(2,191)	(854)	574	0	0	53	(2,418)
12-month expected losses	(2,191)	(854)	574	0	0	53	(2,418)
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	(1,097,529)	(465,076)	413,216	0	0	18,371	(1,131,019)
12-month expected losses	(128,560)	(73,100)	76,546	(19,874)	0	1,265	(143,723)
Lifetime expected losses – non-impaired assets	(139,778)	(149,691)	119,021	(37,272)	0	2,579	(205,141)
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	(703,255)	(236,644)	191,545	57,146	0	14,527	(676,681)
Lifetime expected losses – assets impaired as from acquisition/creation	(125,936)	(5,641)	26,104	0	0	0	(105,473)
Financial assets at amortized cost – Securities	(7,401)	(319)	1,505	0	0	0	(6,215)
12-month expected losses	(893)	(70)	462	0	0	0	(501)
Lifetime expected losses – non-impaired assets	(538)	(247)	538	0	0	0	(247)
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	(5,970)	(2)	505	0	0	0	(5,467)
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0	0
Financial assets at FVOCI – Fixed income securities	(6,195)	(7,012)	4,646	0	0	0	(8,561)
12-month expected losses	(6,165)	(6,293)	4,616	0	0	0	(7,842)
Lifetime expected losses – non-impaired assets	(30)	(719)	30	0	0	0	(719)
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	(45,497)	(24,011)	22,419	0	0	98	(46,992)
12-month expected losses	(13,297)	(9,847)	9,055	0	0	61	(14,030)
Lifetime expected losses – non-impaired assets	(3,927)	(5,349)	3,337	0	0	18	(5,921)
Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	(28,273)	(8,815)	10,027	0	0	19	(27,041)
Lifetime expected losses – assets impaired as from acquisition/creation	0	0	0	0	0	0	0
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
Lifetime expected losses for impaired assets (whether impaired or not at acquisition/creation)	0	0	0	0	0	0	0
TOTAL	(1,158,813)	(497,272)	442,360	0	0	18,522	(1,195,205)

Note 40e. Banking activities – gross carrying amount of loans and receivables due from customers by credit risk category**At 12.31.2020**

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	20,328,961	20,440	0	0
[0,1;0,25]	14,387,717	167,513	0	0
[0,26;0,99]	10,397,816	454,781	0	0
[1;2,99]	8,819,674	861,935	0	0
[3;9,99]	8,190,818	1,173,283	0	0
>=10	495,894	1,644,524	1,227,479	211,041
TOTAL	62,620,880	4,322,476	1,227,479	211,041

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

Note 41. Gains (losses) on other assets

(in € thousands)

	12.31.2020	12.31.2019
Property, plant and equipment and intangible assets	1,012	(2,759)
Capital losses on disposals	(3,224)	(6,791)
Capital gains on disposals	4,236	4,032
Expenses related to business combinations	(865)	(2,179)
More or less transfer values on consolidated securities	(2,100)	23,450
TOTAL	(1,953)	18,512

Note 42. Income tax**Breakdown of tax expense**

(in € thousands)	12.31.2020	12.31.2019
Current tax expense	(138,132)	(125,333)
Net deferred tax expense or revenue	1,786	(6,350)
NET INCOME TAX EXPENSE	(136,346)	(131,683)
Income before taxes, badwill and income contribution from associates	502,481	643,504
EFFECTIVE TAX RATE	27.13%	20.46%

Analysis of effective tax rate

(in € thousands)	12.31.2020	12.31.2019
Statutory tax rate	32.02%	34.43%
Permanent differences	-4.32%	2.17%
Income taxed at a reduced rate or exempt	-0.22%	-15.11%
Change of tax rate	0.94%	-1.32%
Impact of fiscal losses	0.84%	0.73%
Tax credits	-0.61%	-0.37%
Special	-0.73%	0.65%
Other	-0.79%	-0.73%
EFFECTIVE TAX RATE	27.13%	20.46%

Regulation no. 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 2010 is therefore 32,02%; 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.

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 2020	Changes in 2019
Revaluation of debt instruments at fair value through equity	26,401	(1,406)
■ Reclassification to profit or loss	(1,265)	(26,513)
■ Other changes	27,666	25,107
Revaluation of available-for-sale financial assets	20,960	71,294
■ Reclassification to profit or loss	(777)	73
■ Other changes	21,737	71,221
Revaluation of hedging derivatives	1,040	397
■ Reclassification to profit or loss	(3)	3
■ Other changes	1,043	394
Share of recyclable gains and losses of equity-accounted entities recognized directly in equity	368	(16)
Items to be recycled to profit or loss	48,769	70,269
Actuarial gains and losses on defined benefit plans	(3,269)	(38,582)
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option	(18,298)	(5,546)
Revaluation of equity instruments at fair value through equity (sold and not sold during the year)	(6,564)	51,839
Share of non-recyclable gains and losses of equity-accounted entities recognized directly in equity	(12,912)	7,470
Items not to be recycled to profit or loss	(41,043)	15,181
TOTAL	7,726	85,450

Note 43b. Tax on each component of gains or losses recognized directly in equity

(in € thousands)	12.31.2020			12.31.2019		
	Gross	Tax	Net	Gross	Tax	Net
Revaluation of recyclable debt instruments at fair value through equity	35,642	(9,241)	26,401	(2,720)	1,314	(1,406)
Revaluation of available-for-sale financial assets	22,607	(1,647)	20,960	96,316	(25,022)	71,294
Revaluation of hedging derivatives	1,600	(560)	1,040	585	(188)	397
Share of gains and losses of equity-accounted entities recognized directly in equity	496	(128)	368	(249)	233	(16)
Items to be recycled to profit or loss	60,345	(11,576)	48,769	93,932	(23,663)	70,269
Actuarial gains and losses on defined benefit plans	(4,407)	1,138	(3,269)	(52,016)	13,434	(38,582)
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option	(25,514)	7,216	(18,298)	(8,158)	2,612	(5,546)
Revaluation of equity instruments at fair value through equity	(11,929)	5,365	(6,564)	56,945	(5,106)	51,839
Share of gains and losses of equity-accounted entities recognized directly in equity	(13,325)	413	(12,912)	7,709	(239)	7,470
Items not to be recycled to profit or loss	(55,175)	14,132	(41,043)	4,480	10,701	15,181
Total changes in gains and losses recognized directly in equity	5,170	2,556	7,726	98,412	(12,962)	85,450

Other notes

(in thousands of euros)

Note 44a. Commitments given and received – banking activity

(in € thousands)	12.31.2020	12.31.2019
Commitments given	14,796,083	14,669,854
Financing commitments	10,066,332	9,805,932
to credit and similar institutions	13,350	9,350
to customers	10,052,982	9,796,582
Guarantee commitments	4,453,443	4,217,217
to credit and similar institutions	620	515
to customers	4,452,823	4,216,702
Securities commitments	276,308	646,705
repurchase agreements	0	0
other commitments given	276,308	646,705
Commitments received	55,668,263	49,021,969
Financing commitments	13,245,011	10,497,553
from credit and similar institutions	13,238,492	10,490,432
from customers	6,519	7,121
Guarantee commitments	41,952,780	38,181,778
from credit and similar institutions	235,480	224,711
from customers	41,717,300	37,957,067
Securities commitments	470,472	342,638
Reverse repurchase agreements	0	0
Other commitments received	470,472	342,638

Financing commitments given include the €13,350,000 cash advance made to Caisse de Refinancement de l'Habitat to fund it.

(in € thousands)	12.31.2020	12.31.2019
Receivables pledged as collateral	15,664,445	13,606,632
Banque de France	13,870,027	11,694,485
European Investment Bank	615,743	648,276
Caisse de Refinancement de l'Habitat	372,412	260,602
Caisse des Dépôts et Consignations	804,263	1,001,270
Other	2,000	2,000
Loaned securities	0	0
Deposits on market transactions	689,034	708,950
Securities sold under repurchase agreements	10,439,712	4,883,045

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)	12.31.2020	12.31.2019
COMMITMENTS GIVEN	-	-
COMMITMENTS RECEIVED	1,638,280	1,378,515

Note 45. Segment information

(in € thousands)	Banking		Insurance and asset management		Group	
	12.31.2020	12.31.2019	12.31.2020	12.31.2019	12.31.2020	12.31.2019
Internal income(1)	257,611	263,759	(257,611)	(263,759)	0	0
External income(2)	1,280,446	1,257,014	789,381	841,262	2,069,827	2,098,276
NET BANKING INCOME	1,538,057	1,520,773	531,770	577,503	2,069,827	2,098,276
Gains (losses) on disposal - dilution	87,696	205,071	0	0	87,696	205,071
NET BANKING INCOME INCLUDING GAINS (LOSSES) ON DISPOSAL - DILUTION	1,625,753	1,725,844	531,770	577,503	2,157,523	2,303,347
General operating expenses and depreciation and amortization	(1,298,902)	(1,393,150)	(194,116)	(185,710)	(1,493,018)	(1,578,860)
GROSS OPERATING INCOME	326,851	332,694	337,654	391,793	664,505	724,487
Cost of risk	(157,542)	(99,286)	(2,529)	636	(160,071)	(98,650)
OPERATING INCOME	169,309	233,408	335,125	392,429	504,434	625,837
Share of income of companies carried under equity method	834	(1,099)	272	(738)	1,106	(1,837)
Other	(12,927)	18,512	0	0	(12,927)	18,512
RECURRING INCOME BEFORE TAX	157,216	250,821	335,397	391,691	492,613	642,512
Income tax	(42,460)	(4,046)	(93,886)	(127,637)	(136,346)	(131,683)
NET INCOME	114,756	246,775	241,511	264,054	356,267	510,829
O/w non-controlling interests	4	66	22	26	26	92
NET INCOME, GROUP SHARE	114,752	246,709	241,489	264,028	356,241	510,737

(in € thousands)	12.31.2020	12.31.2019	12.31.2020	12.31.2019	12.31.2020	12.31.2019
SEGMENT ASSETS AND LIABILITIES	112,189,472	97,318,252	57,186,299	59,823,672	169,375,771	157,141,924

(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 and CMSO, the subsidiaries that finance businesses and the real estate division of the group;
- the other business line comprises subsidiaries specialized in asset management and insurance.

Segment reporting by geographic region is not relevant for the group as nearly all of its business is carried out in France.

Note 46. Information on related parties

Crédit Mutuel Arkéa 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)	12.31.2020	12.31.2019
	Companies under the equity method ⁽¹⁾	Companies under the equity method ⁽¹⁾
ASSETS		
Loans and receivables – credit institutions, at amortized cost	4,399,277	717,878
Loans and receivables – customers, at amortized cost	0	0
Assets at fair value through profit or loss	0	0
Financial assets at fair value through equity	0	0
Securities at amortized cost	0	0
Derivatives used for hedging purposes	0	0
Other assets	0	0
LIABILITIES		
Liabilities to credit institutions	0	32,229
Derivatives used for hedging purposes	0	0
Liabilities at fair value through profit or loss	0	0
Liabilities to customers	0	0
Debt securities	0	0
Subordinated debt	0	0
Other liabilities	0	0

(1) Mainly Caisse Centrale de Crédit Mutuel.

(in € thousands)	12.31.2020	12.31.2019
	Companies under the equity method ⁽¹⁾	Companies under the equity method ⁽¹⁾
Interest and similar income	0	0
Interest and similar expense	(3,497)	(3,877)
Fee and commission income	0	0
Fee and commission expense	0	0
Net gain (loss) on financial instruments at fair value through profit or loss	0	0
Net gain (loss) on financial instruments at fair value through equity	2,538	866
Net gain (loss) on available-for-sale financial instruments	0	0
Net gain (loss) on derecognition of financial instruments at amortized cost	0	0
Net income from insurance activities	0	0
Income from other activities	0	0
Expense from other activities	0	0
Net banking income	(959)	(3,011)

(1) Mainly Caisse Centrale de Crédit Mutuel.

(in € thousands)	12.31.2020	12.31.2019
	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, 2020, of 19 members appointed for three-year terms:

- 15 directors representing customer shareholders, elected by the Shareholders' Ordinary Meeting;
- 2 independent directors not issued from the cooperative movement;
- 2 directors representing employees, appointed by the Central Employee Works Council.

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 2020 was €976,000 (compared with €2,050,000 in 2019).

The total compensation paid to the group's key corporate officers in 2020 was €6,235,000 (compared with €3,528,000 in 2019).

Following the end of Ronan Le Moal term of office, in application of the contractual provisions concluded between Ronan Le Moal and Crédit Mutuel Arkéa as mentioned in the report on corporate governance, the former Chief Executive Officer has received a €3,252,000 compensation due on termination of his employment contract as well as a €714,000 compensation for his time savings account.

In addition, in 2020, Ronan Le Moal has received a €177,000 fixed compensation, a €853,000 variable compensation and a benefit in kind of €5,000.

Except in the case of the Chairman, the Chief Executive Officer and the Associate Chief Executive Office 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, the Chief Executive Officer and the Associate Chief Executive Office 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; the Chief Executive Officer and the Associate Chief Executive Office of Crédit Mutuel Arkéa group may be entitled to receive severance benefits, in addition to statutory or collective bargaining provisions in an amount of up to two years of compensation, in accordance with AFEP-MEDEF recommendations.

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 2020 pursuant to IAS 19 for post-employment benefits, other long-term benefits and termination benefits totaled €435,000 (compared with €477,000 in 2019).

Note 47. Investments in unconsolidated structured entities

(in € thousands) 12.31.2020	Securitization vehicles	Asset management (mutual funds/ real estate investment funds)	Other structured entities
Total assets	338,197	9,730,543	-
Carrying amount of financial assets ⁽¹⁾	88,048	3,051,642	-
Carrying amount of financial liabilities ⁽¹⁾	-	-	-
Maximum exposure to risk of loss	88,048	3,051,642	-

(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) 12.31.2019	Securitization vehicles	Asset management (mutual funds/ real estate investment funds)	Other structured entities
Total assets	322,194	3,935,441	-
Carrying amount of financial assets ⁽¹⁾	82,410	1,011,814	-
Carrying amount of financial liabilities ⁽¹⁾	-	-	-
Maximum exposure to risk of loss	82,410	1,011,814	-

(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	
			12.31.2020	12.31.2019	12.31.2020	12.31.2019
Crédit Mutuel Arkéa + Fédérations et Caisses du Crédit Mutuel de Bretagne et du Sud-Ouest	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	France	Banking/Banking services	100.0	100.0	100.0	100.0
CAISSE DE BRETAGNE DE CREDIT MUTUEL AGRICOLE	France	Banking/Mutual banking	93.5	93.3	93.5	93.3
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANK	Belgium	Banking/Asset holding company	100.0	100.0	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	97.9	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 (succursale)	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
LEETCHI SA	France	Banking/Services	100.0	100.0	100.0	100.0
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

3. FINANCIAL INFORMATION

Notes

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2020	12.31.2019	12.31.2020	12.31.2019
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
SCHELCHER 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
STRATEO	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	
			12.31.2020	12.31.2019	12.31.2020	12.31.2019
COMPANIES CONSOLIDATED USING THE EQUITY METHOD						
CAISSE CENTRALE DU CREDIT MUTUEL	France	Banking/Mutual banking	20.1	20.6	20.1	20.6
FINANSEMBLE	France	Insurance and asset management/Asset management	30.4	30.4	30.4	30.4
LA COMPAGNIE FRANCAISE DES SUCCESSIONS	France	Insurance and asset management/Asset management	32.6	32.6	32.6	32.6
LINXO GROUP ⁽²⁾	France	Banking/Services	/	29.8	/	29.8
NEW PORT	France	Banking/Holding	29.9	29.9	29.9	29.9
VIVIENNE INVESTISSEMENT	France	Insurance and asset management/Asset management	34.0	34.4	34.0	34.4
YOMONI	France	Insurance and asset management/Asset management	34.2	34.0	34.2	34.0
YOUNITED CREDIT ⁽⁵⁾	France/Italy /Spain/ Germany	Banking/Services	/	22.3	/	22.3

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2020	12.31.2019	12.31.2020	12.31.2019
Companies consolidated using the shortcut method						
AIS MANDARINE ACTIVE	France	Insurance and asset management/mutual funds	79.4	78.2	79.4	78.2
AIS MANDARINE ENTREPRENEURS	France	Insurance and asset management/mutual funds	80.7	80.1	80.7	80.1
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 2 ⁽¹⁾	France	Banking/mutual funds	46.0	/	46.0	/
AUTOFOCUS CROISSANCE DECEMBRE 2019 ⁽¹⁾	France	Insurance and asset management/mutual funds	95.2	/	95.2	/

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2020	12.31.2019	12.31.2020	12.31.2019
AUTOFOCUS CROISSANCE JUILLET 2019 ⁽¹⁾	France	Insurance and asset management/mutual funds	99.2	/	99.2	/
AUTOFOCUS CROISSANCE JUIN 2015	France	Insurance and asset management/mutual funds	93.9	94.0	93.9	94.0
AUTOFOCUS CROISSANCE MAI 2017	France	Insurance and asset management/mutual funds	97.2	97.2	97.2	97.2
AUTOFOCUS CROISSANCE MARS 2015	France	Insurance and asset management/mutual funds	85.0	84.8	85.0	84.8
AUTOFOCUS CROISSANCE NOVEMBRE 2018	France	Insurance and asset management/mutual funds	80.3	80.0	80.3	80.0
AUTOFOCUS RENDEMENT JANVIER 2018	France	Insurance and asset management/mutual funds	99.3	99.3	99.3	99.3
AUTOFOCUS RENDEMENT JANVIER 2019 ⁽¹⁾	France	Insurance and asset management/mutual funds	99.4	/	99.4	/
AUTOFOCUS RENDEMENT JUIN 2018	France	Insurance and asset management/mutual funds	98.4	98.4	98.4	98.4
AUTOFOCUS RENDEMENT DECEMBRE 2014	France	Insurance and asset management/mutual funds	93.5	93.4	93.5	93.4
AUTOFOCUS RENDEMENT MARS 2015	France	Insurance and asset management/mutual funds	93.9	93.0	93.9	93.0
AUTOFOCUS RENDEMENT MARS 2017	France	Insurance and asset management/mutual funds	97.2	97.1	97.2	97.1
AUTOFOCUS RENDEMENT MARS 2019 ⁽¹⁾	France	Insurance and asset management/mutual funds	99.0	/	99.0	/
BREHAT	France	Insurance and asset management/mutual funds	75.1	98.6	75.1	98.6
BREIZH ARMOR CAPITAL	France	Banking/mutual funds	50.0	50.0	50.0	50.0
DIAPAZEN CLIMAT SEPTEMBRE 2016	France	Insurance and asset management/mutual funds	97.6	97.7	97.6	97.7
FCT ARDIAN SURAVENIR PRIVATE DEBT ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FCT MERIUS SURAVENIR	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FCT OBLIGATION BAUX AC 2019	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FCT PYTHEAS(1)	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FCT PYTHEAS BAUX REG 2018 ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FCT RESIDENTIAL DUTCH MORTGAGE FUND LARGO D	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FCT SCOR SURAVENIR EURO LOANS	France	Insurance and asset management/mutual funds	100.0	100.0	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	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FCT SURAVENIR CONSO FUND	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FCT SURAVENIR PRIVATE DEBT I	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FCT SURAVENIR PRIVATE DEBT II	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FCT TIKEHAU SPD III ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
FEDERAL AMBITION CLIMAT	France	Insurance and asset management/mutual funds	99.3	99.3	99.3	99.3
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	99.9	81.8	99.9	81.8
FEDERAL ESSOR INTERNATIONAL ⁽⁴⁾	France	Insurance and asset management/mutual funds	/	42.9	/	42.9
FEDERAL GLOBAL GREEN BONDS ⁽¹⁾	France	Insurance and asset management/mutual funds	40.1	/	40.1	/

3. FINANCIAL INFORMATION

Notes

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2020	12.31.2019	12.31.2020	12.31.2019
FEDERAL IMPACT TERRITOIRES (EX FEDERAL MULTI PME)	France	Insurance and asset management/mutual funds	56.2	57.0	56.2	57.0
FEDERAL INDICIEL APAL (EX FEDERAL APAL)	France	Insurance and asset management/mutual funds	75.0	71.6	75.0	71.6
FEDERAL INDICIEL JAPON	France	Insurance and asset management/mutual funds	67.0	64.4	67.0	64.4
FEDERAL INDICIEL US	France	Insurance and asset management/mutual funds	58.3	53.5	58.3	53.5
FEDERAL MULTI ACTIONS EUROPE	France	Insurance and asset management/mutual funds	75.8	73.8	75.8	73.8
FEDERAL MULTI L/S	France	Insurance and asset management/mutual funds	67.2	56.4	67.2	56.4
FEDERAL MULTI OR ET MATIERES 1ERES	France	Insurance and asset management/mutual funds	90.1	89.5	90.1	89.5
FEDERAL MULTI PATRIMOINE	France	Insurance and asset management/mutual funds	99.5	90.5	99.5	90.5
FEDERAL OPPORTUNITE EQUILIBRE ESG	France	Insurance and asset management/mutual funds	85.4	99.8	85.4	99.8
FEDERAL OPPORTUNITE MODERE ESG	France	Insurance and asset management/mutual funds	64.5	98.5	64.5	98.5
FEDERAL OPPORTUNITE TONIQUE ESG	France	Insurance and asset management/mutual funds	99.1	99.1	99.1	99.1
FEDERAL OXYGENE ⁽⁴⁾	France	Insurance and asset management/mutual funds	94.2	94.2	94.2	94.2
FEDERAL SUPPORT COURT TERME ESG	France	Insurance and asset management/mutual funds	37.2	38.3	37.2	38.3
FEDERAL SUPPORT MONETAIRE ESG	France	Insurance and asset management/mutual funds	/	46.0	/	46.0
FLEXPRTISE ⁽¹⁾	France	Insurance and asset management/mutual funds	71.4	/	71.4	/
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	France	Insurance and asset management/mutual funds	100.0	100.0	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 ⁽³⁾	France	Insurance and asset management/mutual funds	/	100.0	/	100.0
FPS SURAVENIR OVERLAY LOW VOL ACTIONS	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
FPS UBS ARCHMORE INFRASTRUCTURE DEBT PLATFORM II ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
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	98.1	100.0	98.1	100.0
OPCI PREIM EUROS 2	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
OPCI	France	Insurance and asset management/mutual funds	73.0	75.5	73.0	75.5
OPCI TIKEHAU RET PRO	France	Insurance and asset management/mutual funds	39.3	39.3	39.3	39.3
OUessant	France	Insurance and asset management/mutual funds	38.7	37.0	38.7	37.0
PRIMO ELITE	France	Insurance and asset management/mutual funds	100.0	100.0	100.0	100.0
SCI 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

Last name	Country	Sector/Activity	% control		% equity interest	
			12.31.2020	12.31.2019	12.31.2020	12.31.2019
SCHELCHER IVO GLOBAL YIELD 2024 ⁽¹⁾	France	Insurance and asset management/mutual funds	45.9	/	45.9	/
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
SCI SILVER AVENIR ⁽¹⁾	France	Insurance and asset management/mutual funds	100.0	/	100.0	/
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
SCPI PRIMOFAMILY	France	Insurance and asset management/mutual funds	37.7	41.3	37.7	41.3
SCPI PRIMONIA CAP IMMO	France	Insurance and asset management/mutual funds	/	35.8	/	35.8
SP CONVERTIBLES	France	Insurance and asset management/mutual funds	20.4	20.8	20.4	20.8
SP CONVERTIBLES MID CAP ESG	France	Insurance and asset management/mutual funds	22.5	/	22.5	/
SP CROISSANCE (EX FEDERAL CROISSANCE)	France	Insurance and asset management/mutual funds	91.6	91.4	91.6	91.4
SP HAUT RENDEMENT	France	Insurance and asset management/mutual funds	43.2	41.1	43.2	41.1
SP NS FAMILLE ⁽²⁾	France	Insurance and asset management/mutual funds	/	45.3	/	45.3
SP OPPORTUNITES EUROPEENNES	France	Insurance and asset management/mutual funds	30.5	35.7	30.5	35.7
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 ⁽²⁾	France	Banking/mutual funds	/	35.4	/	35.4
YOMONI ALLOCATION	France	Insurance and asset management/mutual funds	42.5	47.5	42.5	47.5
YOMONI MONDE	France	Insurance and asset management/mutual funds	/	44.0	/	44.0

(1) Companies first-time consolidated in 2020.

(2) Property.

(3) Liquidation.

(4) Merger of assets and liabilities.

(5) Deconsolidation.

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).

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.

Note 49. Events after the reporting period

On February 2, 2021, the Board of Directors of the Confédération Nationale du Crédit Mutuel approved the general decision (DCG – Décision de Caractère Général) "concerning the strengthening of the Crédit Mutuel group's cohesion".

The Crédit Mutuel Arkéa group took note of the vote of this decision, against its advice.

3.6 Aggregate financial statements for the year ended December 31, 2020

As of January 1, 2020, Crédit Mutuel Arkéa's aggregate financial statements will include, in accordance with Regulation R.511-3 of the Monetary and Financial Code:

- Federation of Crédit Mutuel de Bretagne and the affiliated local banks;
- Federation of Crédit Mutuel du Sud-Ouest and the affiliated local banks;
- Crédit Mutuel Arkéa

The aggregate financial statements are prepared in accordance with French accounting standards.

These aggregate financial statements correspond to the bank named Crédit Mutuel Arkéa, which has the bank code 15589.

On September 5, 2019, Crédit Mutuel Arkéa signed a memorandum of understanding with Caisse Fédérale de Crédit Mutuel and the federation of Crédit Mutuel Massif Central (CMMC) to define the terms and conditions for the separation of the federation of CMMC and its attachment to Caisse Fédérale de Crédit Mutuel.

The separation took effect on January 1, 2020.

The contribution of CMMC, as of December 31, 2019, to the main balance sheet items of Crédit Mutuel Arkéa's aggregate financial statements was as follows:

- Loans to customers: €1,454.9 million;
- Amounts owed to customers: €1,179.7 million;
- Contribution to equity in Crédit Mutuel Arkéa's aggregate financial statements: €114.4 million.

3.6.1 Balance sheet

3.6.1.1 Balance sheet structure

As of December 31, 2020, the balance sheet total of the globalised accounts increased by €7.7 billion to €99 billion, compared with €91.3 billion in 2019 (+8%).

On the assets side, cash and due from central banks increased by €2.4 billion and bonds and other fixed-income securities rose by €2.2 billion. 1 billion, mainly due to the sustained production of housing loans and the production in 2020 of government-guaranteed loans to support activity. 2 billion mainly due to the increase in outstanding loans granted to the group's subsidiaries in line with the increase in their activity; following a change in accounting standards in 2020, the repayments to Caisse des Dépôts of Livret A and LDD passbook savings accounts are now included in liabilities to offset customer deposits.

On the liabilities side, debts to credit institutions increased by €10.4 billion under the effect of participation in TLTRO III operations and the increase in outstandings replenished by the subsidiaries following good commercial performances in savings collection. Debts evidenced by certificates rose by €2.1 billion, mainly due to the increase in outstanding refinancing. Transactions with customers decreased by €4.7 billion to €31.1 billion despite the good collection of bank savings, under the effect of the change in the accounting treatment of repayments to Caisse des Dépôts of Livret A and LDD passbook savings accounts, which are now deducted from customer deposits.

3.6.1.2 The credit institution shareholders' equity

Equity amounts to €6.2 billion. It is made up of shareholders' equity (capital, reserves, etc.) and the Fund for General Banking Risks. The share capital increased by €25 million to €2.4 billion. Almost all of this capital is made up of shares subscribed to by the local banks. Reserves increased by €45 million to €2.9 billion.

The Fund for General Banking Risks amounts to €796.6 million, compared to €729.1 million in 2019. 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 the financial solidarity mechanisms.

Balance sheet

Assets

(in € thousands)	Notes	12.31.2020	12.31.2019
Cash, due from central banks	1	12,422,455	10,000,756
Treasury bills and similar securities	2	3,997,390	3,777,399
Due from credit institutions	3	28,574,899	26,621,625
Transactions with customers	4	37,689,834	36,722,454
Bonds and other fixed-income securities	5	8,886,486	6,733,381
Stocks and other variable-income securities		154,564	154,412
Equity holdings and other long-term investments	6	371,903	416,504
Share in associates	6	5,053,719	4,791,552
Intangible assets	7	13,555	14,393
Property, plant and equipment	7	210,578	217,198
Other assets	8	993,513	1,093,670
Accruals	9	646,785	787,861
TOTAL		99,015,681	91,331,205

Liabilities

(in € thousands)	Notes	12.31.2020	12.31.2019
Liabilities to credit institutions	10	47,216,387	36,750,647
Transactions with customers	11	31,059,317	35,795,189
Debt securities	12	10,643,502	8,504,292
Other liabilities	13	408,213	669,079
Accruals	14	973,156	1,025,224
Provisions	15	81,375	122,317
Subordinated debt	16	2,450,723	2,450,756
Fund for general banking risks (FRBG)		796,644	729,124
Shareholders' equity excluding FRBG	17	5,386,364	5,284,577
Subscribed capital		2,372,990	2,347,978
Additional paid-in capital		5,438	5,438
Reserves		2,863,131	2,818,081
Regulated provisions and investment subsidies		4,532	4,529
Retained earnings		14,669	14,929
Net income for the year		125,604	93,622
TOTAL		99,015,681	91,331,205

Off-balance sheet items

(in € thousands)	Notes	12.31.2020	12.31.2019
Commitments given	21	6,443,869	6,948,990
Financing commitments		3,844,226	4,120,701
Guarantee commitments		2,592,556	2,366,899
Securities commitments		7,087	461,390
Commitments received	21	14,648,022	11,753,429
Financing commitments		13,235,805	10,489,282
Guarantee commitments		1,210,245	1,073,245
Securities commitments		201,972	190,902
Financial futures	22	98,294,060	81,016,960

3. FINANCIAL INFORMATION

Aggregate financial statements for the year ended December 31, 2020

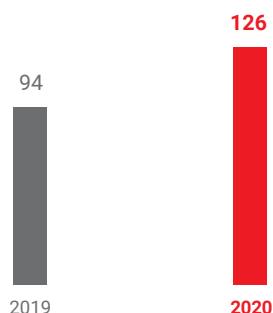
3.6.2 Income statement

3.6.2.1 Net income

Net income from the aggregate financial statements reached €126 million, up €32 million compared to 2019.

Net income

(in €m)



3.6.2.2 Net banking income

The net banking income from aggregate financial statements amounted to €887 million, an increase of €36 million.

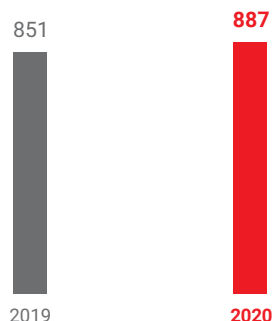
The financial margin increased by €16 million to €463 million, marked by the increase in dividends on equity securities and the decrease in income on investment securities.

Net commissions decreased by €22 million to €428 million mainly due to the full-year impact of the regulatory cap on banking fees and the additional customer-focused actions of the group (in particular vulnerable customers) implemented during 2019.

Other net operating expenses decreased from €41 million to €3 million in 2020. This decrease is mainly due to the change in the home savings provision.

Net banking income

(in €m)

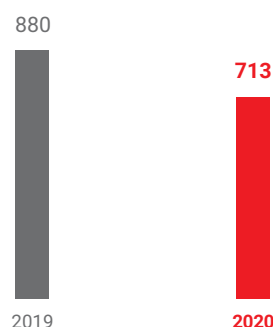


3.6.2.3 Operating expenses

Operating expenses decreased by €167 million to €713 million in 2020. This change is mainly explained by the decrease in personnel costs linked to the decrease in social liabilities (including in particular the effects of the Pacte law with the crystallisation of the supplementary pension scheme).

Operating expenses

(in €m)



3.6.2.4 Cost of risk

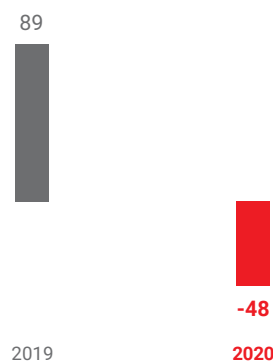
The cost of risk amounted to €12 million, down by €9 million compared to 2019.

3.6.2.5 Gains or losses on fixed assets

Net losses on fixed assets increase by €137 million to €48 million in 2020 mainly due to the notable Primonial and Leasecom transactions in 2019 and the impairment of equity investments in 2020.

Gains or losses on fixed assets

(in €m)



Income statement

(in € thousands)	Notes	12.31.2020	12.31.2019
Interest and similar income	23	1,429,996	1,481,273
Interest and similar expense	23	(1,286,103)	(1,309,623)
Income on variable-income securities	24	281,702	236,845
Commissions income	25	490,980	509,189
Commissions expense	25	(63,281)	(59,950)
Net gains/(losses) on trading account securities	26	(3,562)	960
Net gains/(losses) on investment portfolio and similar securities	26	40,483	36,600
Other operating income from banking activities		6,604	5,643
Other operating expense from banking activities		(9,479)	(49,533)
NET BANKING INCOME		887,340	851,404
General operating expenses	27	(699,949)	(866,347)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		(12,565)	(13,594)
GROSS OPERATING INCOME		174,826	(28,537)
Cost of risk	28	(12,386)	(21,179)
OPERATING INCOME		162,440	(49,716)
Gains/(losses) on non-current assets	29	(48,369)	88,927
RECURRING INCOME BEFORE TAX		114,071	39,211
Non-recurring income/(loss)	30	39,904	(4,681)
Income tax	31	47,604	72,531
Allocation to/reversals from FRBG and regulated provisions		(75,975)	(13,439)
NET INCOME		125,604	93,622

3. FINANCIAL INFORMATION

Aggregate financial statements for the year ended December 31, 2020

3.6.2.6 Supplier and customer lead times

In application of the provisions of Article L.441-6-1 al.1 of the French Commercial Code, the breakdown of the balance of outstanding trade payables by due date at the year-end is as follows:

	Item D,441 I,-1°: <u>Received</u> invoices not paid at the closing date of the financial year whose term has expired						Item D,441 I,-1°: Outstanding invoices <u>issued</u> at the closing date of the financial year whose term has expired					
	0 day (for information)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	0 day (for information)	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						171						
Total amount of invoices concerned (all taxes included)	37,426.27	27,515.02	21,495.85	143,963.04	230,400.18							
Percentage of the total amount of purchases of the exercise (all taxes included)	0.03 %	0.02 %	0.02 %	0.11 %	0.17 %							
Percentage numerical business of the year (all taxes included)												
(B) Invoices excluded from (A) relating to disputed or unrecorded payables and receivables												
Number of excluded invoices												
Total amount of invoices excluded												
D) Reference payment periods (contractual or legal period - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment periods used for the late payment calculation	X	Contractual deadlines:					Contractual deadlines:					
		Legal deadlines					Legal deadlines					

For receivables and payables relating to Crédit Mutuel Arkéa's customers, reference should be made to note 19 on the breakdown of assets/liabilities, which provides information on their residual term.

3.6.2.7 Other mentions

Five-year financial summary and other key data of the company

	2016	2017	2018	2019	2020
CAPITALSHAREHOLDERS' EQUITY AT THE END OF THE YEAR					
(in € thousands)					
Share capital	2,197,670	2,202,426	2,260,952	2,347,978	2,372,990
Number of ordinary shares outstanding	2,197,251,242	2,201,414,815	2,259,941,584	2,346,975,060	2,372,737,903
Number of preferred shares (without right to vote) existing					
Maximum numbers of shares to be created					
■ through exercise of convertible					
■ through exercise of subscription rights					
OPERATIONS AND RESULTS FOR THE YEAR					
(in € thousands)					
Revenues (net of taxes)	2,202,634	2,674,167	2,164,192	2,232,950	2,209,282
Income before tax, employee profit sharing, and allocations to depreciation, amortization and provisions	155,048	828,924	222,378	105,405	103,742
Income tax*	(35,476)	(9,280)	34,811	(72,531)	(47,604)
Employee profit sharing due for the year*	4,079	5,584	5,885	4,920	6,740
Income after tax, employee profit sharing, and allocations to depreciation, amortization and provisions	134,542	514,348	117,494	93,622	125,604
Earnings per share (in euros)	37,456	36,824	39,505	38,723	36,512
DIVIDENDS					
(in euros)					
Earnings after tax and employee profit-sharing but before allocations to depreciation, amortization and provisions	0.08	0.38	0.08	0.04	0.04
Income after tax, employee profit sharing, and allocations to depreciation, amortization and provisions	0.06	0.23	0.05	0.04	0.05
Dividend per share	0.02	0.02	0.02	0.02	0.02
EMPLOYEES					
Average number of employees during the year	6,176	6,281	6,128	6,456	6,331
Total payroll for the year	243,598	260,054	263,818	281,825	260,531
Employee benefits (Social Security) and others	120,960	129,951	136,612	134,713	127,057

(*) The charge is signed positively and the revenues negatively

Notes

Legal and financial framework and highlights of the year

Legal and financial framework

Pursuant to Regulation R.511-3 of the French Monetary and Financial Code, Crédit Mutuel Arkéa's publishable aggregate financial statements encompass:

- Fédération du Crédit Mutuel de Bretagne and the member Crédit Mutuel local banks;
- Fédération du Crédit Mutuel du Sud-Ouest and the member Crédit Mutuel local banks;
- Crédit Mutuel Arkéa.

These aggregate financial statements pertain to the banking institution called Crédit Mutuel Arkéa whose bank code is 15589.

In this document, the term "Crédit Mutuel Arkéa" corresponds to the scope of the aggregate financial statements defined above.

Highlights of the year

Crédit Mutuel Arkéa worked tirelessly throughout 2020 to ensure continuity of its operations while safeguarding the health of employees and supporting its customers, especially those affected by the Covid-19 crisis. It has become apparent that the effects of the crisis on economic activity are strongly correlated with business sectors.

Crédit Mutuel Arkéa's business model, its close ties to local areas and its customers, and its financial soundness all put it at an advantage when dealing with the current crisis.

In this exceptional situation, Crédit Mutuel Arkéa's net banking income held up well at €887 million, up 4% on the figure for 2019.

At €700 million, operating expenses were down sharply by 19% compared with 2019.

At €12 million, net additions to provisions for loan losses reflect the quality of the portfolio.

After an allocation of €76 million to the general banking risk reserve, net profit came to €126 million at December 31, 2020.

The departure of the Crédit Mutuel Massif Central federation, regional bank and local banks with effect from January 1, 2020 had the following impacts:

- €1,455 million on loans to customers;
- €1,180 million on amounts due to customers;
- €114 million on equity.

Accounting principles and valuation methods

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:

Impacts related to the Covid-19 pandemic

Background

Crédit Mutuel Arkéa's financial statements were prepared using the method given in the recommendations and observations issued by the ANC on July 24, 2020 on including the consequences of the Covid-19 pandemic in full and interim financial statements prepared as from January 1, 2020.

The method consists of disclosing the key relevant impacts on the company's income statement and balance sheet of the Covid-19 event.

Covid-19 health crisis

The Covid-19 health crisis had little impact on the entity's performance over the past financial year.

The financial impacts of the Covid-19 health crisis (e.g. lower travel expenses) cannot be distinguished from changes due to other impacts.

Covid-19 support measures

Crédit Mutuel Arkéa is participating in the government's economic support program. Crédit Mutuel Arkéa is providing government-backed loans to help its business and corporate customers maintain their cash flow.

This financing is in the form of 12-month bullet loans that include a deferred repayment clause. The loan is first offered at an interest rate of 0% plus the cost of the government guarantee (charged through a fee paid by the customer).

At the time of origination, government-backed loans are recognized as customer loans at their contractual value. Interest accrued since loan origination or since the last contractual due date is recognized in profit or loss and recorded on the balance sheet as accrued interest on outstanding loans. Guarantee fees received and paid are amortized on a straight-line basis over the loan term. The amount guaranteed by the government is disclosed under commitments received.

At December 31, 2020, government-guaranteed loans issued by the company totaled €642 million, of which €585 million is guaranteed, and included €13 million in "seasonal" government-backed loans that are 100% guaranteed.

Impairment is recorded on a government-backed loan when the loan is classified as non-performing. Impairment must represent the probable loss, and its amount will take into account the guarantee provided by the government.

At December 31, 2020, impairments of €15 million were recorded on the total amount of government-backed loans.

To support its customers, Crédit Mutuel Arkéa has offered loan repayment deferrals for three to six months (suspension of interest payments and/or deferral of principal repayment), with no penalties.

For accounting purposes, the repayment holiday is treated as a payment deferral. The interest continues to be recognized as income, and is recorded as accrued interest on the balance sheet.

Payment extensions were granted on loans totaling €2.956 billion during 2020. At December 31, 2020, customers had resumed payments according to the repayment schedule for 94.9% of these loans.

Valuation options and methods

Receivables

Amounts due from credit institutions and customers are governed by ANC Regulation 2014-07 on the accounting treatment of credit risk at companies subject to the supervision of the French Banking and Financial Regulations Committee (CRBF). Accrued interest on receivables is recognized in the accrued 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.

Regulation 2020-10 of December 22, 2020 amending ANC Regulation 2014-07 of November 26, 2014 on the financial statements of banking sector enterprises had the effect of reducing total assets by €6.000 billion at December 31, 2020.

The receivable from the savings fund is not included as an asset in receivables from credit institutions. In accordance with Article 1121-3, it is disclosed as a deduction from amounts due to customers in respect of livret A, livret de développement durable et solidaire and livret d'épargne populaire passbook accounts, which are disclosed as a liability under "Transactions with customers".

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 recognized in accordance with the provisions of ANC Regulation 2014-07.

Trading securities

Trading securities are securities that are originally:

- 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 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 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 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.

The value in use for each security is estimated using valuation methods based either on market approaches (multiples, sector benchmarks, etc.), income approaches (discounting of future cash flows, DCF – discounted cash flows, DDM – dividend discount model, etc.) or cost approaches (adjusted net assets), thereby enabling an assessment of profit expectations. For securities listed on an active market, the value in use is considered equal to the average market price observed over the last month.

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.

Scope of judgments and estimations

The recommendations of the IPEV Board (International Private Equity and Venture Capital Valuation Board) for determining the fair values of equity securities were applied at December 31, 2020. These are:

- the effects of the health crisis and its economic consequences are to be taken into account;
- fair value is to be established on the basis of information that was known and knowable at the measurement date;
- government measures (including cash measures) are to be taken into account where they are assured;
- when carrying out the assessment, consideration must be given to the weighting afforded to recent transactions;
- fair value is the price that would be received in an orderly transaction between market participants in the current environment.

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 prorata 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 interest are recognized through profit or loss on a prorata 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 Branches: 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's potential: goodwill that is deemed to have an indefinite life is not amortized but is tested annually for impairment in accordance with ANC Regulation 2015-06 of November 23, 2015. In the event that this results in a lower amount than shown on the asset side of the balance sheet, impairment is recorded. Impairment recorded on the technical loss and on goodwill cannot be written back.

Provisions

Provisions are set up to cover clearly identified and measurable risks or expenses. Provisions not related to banking transactions are recorded in accordance with ANC Regulation 2014-03 and are subject to the existence of an obligation vis-à-vis third parties without future consideration.

Provisions for home savings accounts and plans

ANC Regulation 2014-07 is applied for the recognition of home savings accounts and plans. The purpose of the home savings provision is to cover the risks related to:

- the commitment to extend home loans to account holders and subscribers of home savings plans at a regulated interest rate that may be lower than the prevailing market rate;
- the obligation to pay interest for an indeterminate period of time on the savings in home savings plans at a rate set when the contract is signed (this rate can be higher than future market rates).

This provision is computed by generation of home savings plans (plans at the same rate at opening are considered a generation) and for all home savings accounts (which are a single generation), without offsetting between the commitments related to different generations. The commitments are computed based on a model that factors in:

- historical data on subscriber behavior;
- the yield curve and a stochastic modeling of changes thereto.

Provisions for pension obligations

For its aggregate financial statements, Crédit Mutuel Arkéa applies ANC Recommendation 2013-02 of November 7, 2013 on the rules for recognition and valuation of pension obligations and similar benefits.

Pension plans include defined contribution plans and defined benefit plans. Defined contribution plans do not entail a commitment on the part of the company regarding the level of benefits provided. The contributions paid represent an expense for the year which is recognized under "Personnel expenses". Defined benefit plans are those for which the company has agreed to provide a benefit amount or level. This commitment constitutes a medium or long-term risk. Pension commitments outside the scope of defined contribution plans are fully provisioned in the balance sheet under "Provisions". Retirement bonuses and long service awards are also recorded under this item.

The Pacte Act of May 22, 2019 on business growth and transformation and Order No. 2019-697 of July 3, 2019 put an end to "Article 39" supplementary retirement schemes with conditional rights. Crédit Mutuel Arkéa therefore made its Article 39 commitments definitive and introduced a new scheme.

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)	12.31.2020	12.31.2019
Cash	140,199	141,598
Due from central banks	12,282,256	9,859,158
TOTAL	12,422,455	10,000,756

Note 2. Treasury bills and similar securities

(in € thousands)	12.31.2020			12.31.2019		
	Available-for-sale	Investment	Total	Available-for-sale	Investment	Total
Securities held (gross value)	3,609,177	382,720	3,991,897	3,772,186	0	3,772,186
Related receivables	4,504	1,196	5,700	5,515	0	5,515
GROSS TOTAL	3,613,681	383,916	3,997,597	3,777,701	0	3,777,701
Impairment	(207)		(207)	(302)		(302)
NET TOTAL	3,613,474	383,916	3,997,390	3,777,399	0	3,777,399
Unrealized capital gains and losses	68,555	18,072	86,627	58,503	-	58,503
Difference between acquisition price and redemption price	24,853	8,793	33,646	33,459	-	33,459

In 2020, one transfer of €340.8 million was made from available-for-sale securities to investment securities. No investment securities were disposed of before maturity.

Note 3. Due from credit institutions

(in € thousands)	12.31.2020			12.31.2019		
	Sight accounts	Term accounts	Total	Sight accounts	Term accounts	Total
Current accounts	408,952		408,952	158,247		158,247
Loans, securities received under repurchase agreements*		28,094,180	28,094,180		26,387,236	26,387,236
Related receivables	(1)	71,768	71,767	282	75,860	76,142
TOTAL	408,951	28,165,948	28,574,899	158,529	26,463,096	26,621,625

* At 12/31/2020, following the amendment of ANC regulation 2014-07, the centralized amount of €6.000 billion, recognized under "loans" in 2019, is now recognized as a deduction from "savings deposits" in liabilities. Had this netting been carried out in 2019, balance sheet assets and liabilities would have been €5,300 million lower.

The centralized savings presented in receivables due from credit institutions correspond to the amount to be paid to the Caisse des Dépôts et Consignation in respect of the final call of the month.

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Subordinated assets

(in € thousands)	12.31.2020	12.31.2019
Due from credit institutions	1,040,253	840,173

Note 4. Transactions with customers – Assets

(in € thousands)	12.31.2020	12.31.2019
Commercial receivables	2,867	3,899
Related receivables	0	0
Loans and credit	36,911,566	35,890,669
Related receivables	47,905	51,590
Current accounts	438,782	483,203
Related receivables	5,890	6,861
Non-performing loans	588,110	608,344
Of which irrecoverable non-performing loans	453,986	477,746
Related receivables	109,293	109,115
Impairment	(414,579)	(431,227)
Of which impairment on irrecoverable non-performing loans	(300,661)	336,798
TOTAL	37,689,834	36,722,454

Banque de France-eligible receivables on behalf of the Crédit Mutuel Arkéa totaled €2,245,638,000 in 2020.

Impairment and provisions for credit risk recorded for transactions with customers:

(in € thousands)	12.31.2019	Allocations	Reversals	Other chg.	12.31.2020
Impairment deducted from assets	431,227	73,735	(76,861)	(13,522)	414,579
Provisions recorded under liabilities	11,021	1,802	(3,356)	(325)	9,142
in respect of signature commitments	5,269	1,260	(985)	(19)	5,525
in respect of customer receivables	5,753	542	(2,371)	(306)	3,618
TOTAL	442,248	75,537	(80,217)	(13,847)	423,721

Note 5. Bonds and other fixed-income securities

(in € thousands)	12.31.2020				12.31.2019			
	Trading	Available-for-sale	Invest.	Total	Trading	Available-for-sale	Invest.	Total
Securities held (gross value)	-	8,652,331	194,186	8,846,517	-	6,709,797	-	6,709,797
Related receivables	-	41,954	83	42,037	-	31,124	-	31,124
GROSS TOTAL	-	8,694,285	194,269	8,888,554	-	6,740,921	-	6,740,921
Impairment	-	(2,068)	-	(2,068)	-	(7,540)	-	(7,540)
NET TOTAL	-	8,692,217	194,269	8,886,486	-	6,733,381	-	6,733,381
Unrealized capital gains and losses	-	64,423	3,393	67,816	-	6,281	-	6,281
Difference between acquisition price and redemption price	-	63,331	546	63,877	-	42,100	-	42,100

In 2020, one transfer of €176 million was made from available-for-sale securities to investment securities.

Note 6. Equity holdings, other long-term investments and shares in associates

(in € thousands)	12.31.2019	Increase	Decrease	Others	12.31.2020
Equity holdings					
Gross value	350,105	3,054	(42,087)	(21,257)	289,815
Impairment	(10,315)	(4,852)	1,819		(13,348)
NET VALUE	339,790	(1,798)	(40,268)	(21,257)	276,467
Other long-term investments					
Gross value	79,562	19,931	(1,314)	(2,190)	95,989
Impairment	(2,848)	(541)	2,836		(553)
NET VALUE	76,714	19,390	1,522	(2,190)	95,436
Associates					
Gross value	4,479,585	285,130		23,446	4,788,161
Allocated loss	312,390				312,390
Impairment	(423)	(46,832)	423		(46,832)
NET VALUE	4,791,552	238,298	423	23,446	5,053,719

Equity holdings and shares in associates held at credit institutions amounted to € 1,716,742,000.

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 12.31.2020.

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	Last year profit/loss
DETAILED INFORMATION ON EACH SECURITY WHOSE GROSS VALUE EXCEEDS 1% OF CAPITAL			
1. SUBSIDIARIES (COMPANIES MORE THAN 50% HELD)			
SOCIETE CIVILE IMMOBILIERE INTERFEDERALE ⁽¹⁾⁽²⁾ 1, rue Louis Lichou (29480) LE RELECQ KERHUON/BREST	100.00%	175,700	4,396
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANQUE ⁽²⁾ 1, rue Dôme BP 102 (67000) STRASBOURG	100.00%	301,322	34,053
ARKEA PUBLIC SECTOR SFH ⁽²⁾ 232, rue Général Paulet (29802) BREST CEDEX	100.00%	75,087	1,910
ARKEA PUBLIC SECTOR SCF ⁽²⁾ 1, rue Louis Lichou (29480) LE RELECQ-KERHUON/BREST	100.00%	100,789	782
ARKEA BANKING SERVICES ⁽²⁾ Place de la pyramide – Tour Ariane La défense (92800) PUTEAUX	100.00%	45,297	3,584
ARKEA BANQUE ENTREPRISES ET INSTITUTIONNELS ⁽²⁾ 1, rue Louis Lichou (29480) LE RELECQ-KERHUON/BREST	100.00%	1,309,213	109,776
ARKEA CREDIT BAIL ⁽²⁾ 255, rue de Saint Malo (35000) RENNES	100.00%	29,767	(515)
FINANCO ⁽²⁾ 335, rue Antoine de Saint – Exupéry (29490) GUIPAVAS	100.00%	128,655	7,743
ARKEA CAPITAL MANAGERS HOLDING SLP ⁽²⁾ 1 RUE LOUIS LICHOU 29480 LE RELECQ-KERHUON	100.00%	67,357	(757)
ARKEA CAPITAL PARTENAIRE S.L.P. ⁽²⁾ 1, rue Louis Lichou (29480) LE RELECQ KERHUON/BREST	100.00%	199,382	(3,669)
ARKEA CAPITAL INVESTISSEMENT ⁽²⁾ 1, rue Louis Lichou (29480) LE RELECQ-KERHUON/BREST	99.99%	278,511	37,715
ARKEA FONCIERE ⁽²⁾ 1, rue Louis Lichou (29480) LE RELECQ KERHUON/BREST	98.08%	132,348	16,335
ARKEA BOURSE RETAIL ⁽²⁾ 1, rue Louis Lichou (29480) LE RELECQ-KERHUON/BREST	99.99%	399,149	13,911
NOUVELLE VAGUE, ⁽²⁾ 1, rue Louis Lichou (29480) LE RELECQ KERHUON/BREST	100.00%	6,532	(14,475)
SURAVENIR ⁽²⁾ 232, rue Général Paulet (29802) BREST CEDEX	100.00%	1,903,301	172,931
SURAVENIR ASSURANCES ⁽²⁾ 2, rue Vasco de Gama (44800) ST HERBLAIN	100.00%	172,999	41,287
FEDERAL EQUIPEMENTS ⁽²⁾ 1, rue Louis Lichou (29480) LE RELECQ KERHUON/BREST	100.00%	132,873	(10)
MONEXT ⁽²⁾ Tour Ariane 5, Place de la Pyramide 92088 PARIS LA DEFENSE – CEDEX	100.00%	86,134	11,660
LEETCHI SA ⁽²⁾ 14, boulevard Poissonnière (75009) PARIS CEDEX	98.02%	(1,255)	(3,969)
BUDGET INSIGHT ⁽³⁾ 84, rue Beaubourg 75003 PARIS	78.91%	1,032	(2,400)
PUMPKIN ⁽²⁾ 26 Rue des Ponts de Comines 59800 LILLE	92.62%	2,690	(8,791)
2. EQUITY HOLDINGS AND ASSOCIATES (10% TO 50% HELD)			
YOUNITED ⁽³⁾ 21, rue de Châteaudun – 75009 PARIS	21.39%	78,552	(14,997)
CAISSE CENTRALE DU CREDIT MUTUEL ⁽²⁾ 88-90, rue Cardinet 75847 PARIS CEDEX 17	20.12%	597,223	4,038

(1) The securities of SCI Interfédérale are classified as property, plant and equipment.

(2) Company information not formally adopted or audited at December 31, 2020.

(3) Data at 12/31/2019.

Transactions with associates and equity holdings

(in € thousands)	Equity holdings and associates		Subsidiaries	
	12.31.2020	12.31.2019	12.31.2020	12.31.2019
DETAILED INFORMATION ON EACH SECURITY WHOSE GROSS VALUE EXCEEDS 1% OF CAPITAL				
ASSETS				
Capital held	72,657	72,930	3,211,780	2,986,945
Other uses				
Receivables	4,399,276	717,877	20,328,504	17,537,460
Bonds and other fixed-income securities			1,481,682	1,467,839
TOTAL USES	4,471,933	790,807	25,021,966	21,992,244
LIABILITIES				
Debt	42,948	32,229	26,189,376	21,269,809
Debt securities			11,283	98,412
TOTAL SOURCES	42,948	32,229	26,200,659	21,368,221
COMMITMENTS GIVEN				
Financing commitments			608,426	604,671
Guarantee commitments			512,964	661,350
TOTAL COMMITMENTS GIVEN			1,121,390	1,266,021
COMMITMENTS RECEIVED				
Financing commitments				
Guarantee commitments			513,388	431,370
TOTAL COMMITMENTS RECEIVED			513,388	431,370

At 12.31.2020, 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)	12.31.2019	Increase	Decrease	Other changes	12.31.2020
INTANGIBLE ASSETS					
Gross amount	37,390	4,623	(2,498)	(2,159)	37,356
Depreciation	(22,997)	(951)	-	147	(23,801)
NET AMOUNT	14,393	3,672	(2,498)	(2,012)	13,555
PROPERTY, PLANT AND EQUIPMENT					
Gross amount	503,546	15,676	(9,818)	(23,716)	485,688
Depreciation	(286,348)	(11,063)	2,284	20,017	(275,110)
Impairment	-	-	-	-	-
NET AMOUNT	217,198	4,613	(7,534)	(3,699)	210,578

No impairment expense was recorded for intangible assets and property, plant and equipment in 2020.

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)	12.31.2020	12.31.2019
Government	140,107	208,518
Home savings premium	23,732	25,329
Deferred tax assets	38,102	42,024
Securities transactions	1	-
Premiums paid on conditional instruments purchased	1,132	7,721
Guarantee deposits paid	714,446	738,329
Other misc. debtors	75,993	71,749
TOTAL	993,513	1,093,670

Note 9. Accruals - Assets

(in € thousands)	12.31.2020	12.31.2019
Uncleared transactions	136,248	272,901
Adjustment accounts	7,915	11,644
Share premiums negotiable debt securities and bond issues	45,812	35,738
Pre-paid expenses	55,230	60,107
Accrued income	385,330	383,038
Miscellaneous accrual accounts	16,250	24,433
Misc.	-	-
TOTAL	646,785	787,861

Note 10. Liabilities to credit institutions

(in € thousands)	12.31.2020			12.31.2019		
	Sight accounts	Term accounts	Total	Sight accounts	Term accounts	Total
Current accounts	12,653,046	0	12,653,046	8,383,850	0	8,383,850
Loans and securities sold under repurchase agreements	0	32,934,526	32,934,526	0	26,604,167	26,604,167
Securities sold under repurchase agreements	0	1,496,955	1,496,955	0	1,635,084	1,635,084
Related payables	817	131,043	131,860	1,208	126,338	127,546
TOTAL	12,653,863	34,562,524	47,216,387	8,385,058	28,365,589	36,750,647

Note 11. Transactions with customers - Liabilities

(in € thousands)	12.31.2020			12.31.2019		
	Sight accounts	Term accounts	Total	Sight accounts	Term accounts	Total
Savings accounts governed by special regulations	15,206,735	5,509,758	20,716,493	14,189,829	5,505,300	19,695,129
Accrued interest on savings accounts	62,441	100,518	162,959	81,591	101,941	183,532
Current accounts	13,199,572	1	13,199,573	11,779,790	0	11,779,790
Term accounts and loans	500,000	2,470,042	2,970,042	550,000	3,571,941	4,121,941
Securities sold under repurchase agreements	0	0	0	0	0	0
CDC centralization*	(6,000,482)	0	(6,000,482)	0	0	0
Accrued interest	5,956	4,776	10,732	7,313	7,484	14,797
TOTAL	22,974,222	8,085,095	31,059,317	26,608,523	9,186,666	35,795,189

* In 2020, following the amendment of ANC Regulation 2014-07, the amount of €6.000 billion centralized at the Caisse des Dépôts et Consignation was disclosed as a deduction from customer savings deposits.

Had this netting been carried out at December 31, 2019, balance sheet assets and liabilities would have been €5,300 million lower.

Note 12. Debt securities

(in € thousands)	12.31.2020			12.31.2019		
	Principal	Accrued interest	Total	Principal	Accrued interest	Total
Certificates of deposit	13,340	213	13,553	9,262	232	9,494
Interbank market securities and negotiable debt securities	3,464,190	4,795	3,468,985	2,923,097	3,313	2,926,410
Bond issues	7,112,556	48,408	7,160,964	5,520,341	48,047	5,568,388
TOTAL	10,590,086	53,416	10,643,502	8,452,700	51,592	8,504,292

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
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	4.65%
03/15/2011	100,000	International bonds	10	5.00%
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
01/26/2015	500,000	International bonds	8	1.00%
05/31/2017	500,000	International bonds	7	1.25%
03/08/2018	19,000	International bonds	12	1.85%
09/06/2018	5,000	International bonds	20	2.85%
09/10/2018	5,926	International bonds	10	7.00%
09/10/2018	186,196	International bonds	10	7.00%
09/21/2018	5,000	International bonds	20	2.06%
10/02/2018	5,000	International bonds	23	3.00%
10/05/2018	500,000	International bonds	5	0.88%
12/28/2018	12,000	International bonds	15	1.86%
01/17/2019	500,000	International bonds	6	1.38%
03/25/2019	10,000	International bonds	20	2.64%
03/27/2019	10,000	International bonds	15	1.91%
04/15/2019	500,000	International bonds	7	1.63%
05/23/2019	500,000	International bonds	10	1.13%
09/20/2019	148,079	International bonds	10	3.50%
09/20/2019	43,691	International bonds	10	Indexed rate
09/24/2019	10,000	International bonds	20	1.17%
10/03/2019	500,000	International bonds	9	0.38%
10/14/2019	25,000	International bonds	17	0.73%
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%
01/22/2020	13,207	International bonds	10	Indexed rate
03/11/2020	20,759	International bonds	10	3.50%
03/11/2020	2,311	International bonds	10	Indexed rate
03/18/2020	10,000	International bonds	5	0.25%
05/07/2020	750,000	International bonds	7	0.88%
05/11/2020	14,581	International bonds	10	Indexed rate
05/14/2020	10,000	International bonds	15	1.56%
06/08/2020	75,000	International bonds	3	0.40%
06/11/2020	750,000	International bonds	9	1.25%
06/18/2020	10,000	International bonds	2	0.10%
07/08/2020	20,000	International bonds	5	0.22%
09/15/2020	158,522	International bonds	10	4.00%
09/15/2020	21,532	International bonds	10	Indexed rate
10/28/2020	500,000	International bonds	5	0.01%
11/09/2020	8,126	International bonds	10	Indexed rate
11/09/2020	8,126	International bonds	10	Indexed rate
	7,112,556			

Note 13. Other liabilities

(in € thousands)	12.31.2020	12.31.2019
Premiums received on conditional instruments sold	3,656	3,365
Guarantee deposits received on financial instruments	163,846	346,758
Government	110,545	67,690
Deferred tax liabilities	-	-
Compensation due to personnel	60,493	103,191
Payroll taxes	15,479	25,834
Outstanding payments on securities	63,662	100,033
Misc.	(9,468)	22,208
TOTAL	408,213	669,079

Note 14. Accruals - Liabilities

(in € thousands)	12.31.2020	12.31.2019
Blocked accounts for collection operations	328,601	357,785
Deferred income	357,183	369,823
Accrued expenses	251,485	261,327
Adjustment accounts	6,947	4,753
Miscellaneous accrual accounts	28,940	31,536
TOTAL	973,156	1,025,224

Note 15. Provisions

(in € thousands)	12.31.2019	Allocations	Reversals (used)	Reversals (unused)	Other changes	12.31.2020
Provisions for signature commitment risks	5,269	1,260	-	(985)	(19)	5,525
Provisions for pension obligations	43,310	-	-	(41,775)	(1,535)	-
Provisions for personnel expenses	671	130	(212)	-	(53)	536
Provisions for lawsuits	251	80	-	(5)	-	326
Provisions for home savings accounts and plans	59,368	1,987	-	-	(554)	60,801
Other provisions	13,448	3,681	56	(2,515)	(483)	14,187
TOTAL	122,317	7,138	(156)	(45,280)	(2,644)	81,375
Net change	-	-	-	-	(40,942)	-

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 0.48%. 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 0.06% and 8.13% and a gross salary increase rate, excluding inflation, of between 2.62% and 2.63%. 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.

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Breakdown of the net change in provisions:

(in € thousands)	12.31.2020	12.31.2019
Net banking income	(633)	39,985
General operating expenses	(41,279)	29,481
Cost of risk	256	(736)
Corporate income tax	714	77
Special	-	(4,000)
TOTAL	(40,942)	68,807

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)	12.31.2020		12.31.2019	
	Deposits	Provisions	Deposits	Provisions
Home savings plans	5,369,720	(60,704)	5,325,274	(59,195)
Under 4 years old	281,184	(281)	298,467	(43)
Between 4 and 10 years old	3,311,422	(28,318)	3,157,073	(23,300)
Over 10 years old	1,777,114	(32,105)	1,869,734	(35,852)
Home savings accounts	752,420	(97)	711,247	-
TOTAL	6,122,140	(60,801)	6,036,521	(59,195)

Loans granted under home savings accounts and plans: deposits and provisions.

(in € thousands)	12.31.2020		12.31.2019	
	Deposits	Provisions	Deposits	Provisions
Home savings plans	1,635	(3)	2,633	(6)
Home savings accounts	13,525	(93)	21,862	(167)
TOTAL	15,160	(96)	24,495	(173)

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%	01/06/2026	Tier 2 Capital	No
Subordinated notes	500,000	EUR	3.50%	09/02/2029	Tier 2	Yes
Subordinated notes	500,000	EUR	1.88%	25/10/2029	Tier 2	Yes
Subordinated notes	25,000	EUR	3.81%	28/01/2031	Tier 2	Yes
Subordinated notes	750,000	EUR	3.38%	11/03/2031	Tier 2	Yes
Subordinated notes	30,000	EUR	3.40%	14/03/2031	Tier 2	Yes
Deeply subordinated notes	97,314	EUR	CMS 10 +0.10	05/07/2057	Tier 1 Capital	Yes
Related payables	48,409					-
TOTAL	2,450,723					

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	2,347,978	-	(100,930)	125,942	2,372,990
Additional paid-in capital	5,438	-	-	-	5,438
Total reserves	2,818,081	57,138	(12,021)	(67)	2,863,131
Legal reserve	509,793	11,902	(4,572)	-	517,123
Optional and statutory reserves	2,249,248	45,236	(6,532)	(67)	2,287,885
Long-term capital gains reserves	-	-	-	-	-
Other reserves	59,040	-	(917)	-	58,123
Regulated provisions	4,529	3	-	-	4,532
Retained earnings	-	-	-	-	-
Deferred losses	14,929	(2,177)	1,917	-	14,669
Profit/loss for the year	93,622	(93,622)	-	125,604	125,604
Interest paid on shares	-	38,658	(1,713)	-	-
TOTAL	5,284,577	-	(112,747)	251,479	5,386,364

The capital consists of A shares for €26,977,000, B shares for €32,516,000, new B shares for €2,306,644,000 and C shares for €6,853,000.

The departure of the Crédit Mutuel Massif Central regional bank with effect from January 1, 2020 generated an impact under "other changes."

Note 18. Transactions with network banks

(in € thousands)	12.31.2020	12.31.2019
Due from network banks	4,481,305	731,149
Sight accounts	231,998	73,409
Term accounts	4,249,307	657,740
Due to network banks	53,397	58,350
Sight accounts	53,397	58,350
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 < 1year	1year < T < 5years	T > 5years	Accrued interest payable and receivable	Total
ASSETS						
Amounts due from credit institutions	3,280,230	8,142,418	7,956,509	9,123,974	71,768	28,574,899
Sight accounts	408,952	0	0	0	-1	408,951
Term accounts	2,871,278	8,142,418	7,956,509	9,123,974	71,769	28,165,948
Amounts due from customers	1,830,840	3,380,860	11,763,767	20,685,085	29,282	37,689,834
Commercial receivables	2,867	0	0	0	0	2,867
other customer loans	1,369,480	3,380,860	11,763,767	20,685,085	23,392	37,222,584
overdrafts	458,493	0	0	0	5,890	464,383
Bonds and other fixed-income securities	1,204,588	1,676,041	4,459,563	1,546,295	0	8,886,486
LIABILITIES						
Liabilities to credit institutions	13,101,236	4,804,511	17,379,551	11,799,229	131,860	47,216,387
Sight accounts	12,653,046	0	0	0	817	12,653,863
Term accounts	448,190	4,804,511	17,379,551	11,799,229	131,043	34,562,524
Transactions with customers	25,343,103	1,820,037	2,598,568	1,123,918	173,691	31,059,317
savings accounts governed by special regulations	11,276,226	621,145	2,256,380	562,260	162,959	14,878,970
Sight accounts	9,206,253	0	0	0	62,441	9,268,694
Term accounts	2,069,973	621,145	2,256,380	562,260	100,518	5,610,276
other liabilities	14,066,877	1,198,892	342,188	561,658	10,732	16,180,347
Sight accounts	13,699,572	0	0	0	5,956	13,705,528
Term accounts	367,305	1,198,892	342,188	561,658	4,776	2,474,819
Debt securities	1,053,325	2,392,000	2,605,431	4,539,330	53,416	10,643,502
certificates of deposit	1,009	1,000	11,331	0	213	13,553
interbank market securities and negotiable debt securities	952,316	2,043,500	233,100	235,274	4,795	3,468,985
bond issues	100,000	347,500	2,361,000	4,304,056	48,408	7,160,964

Note 20. Assets and liabilities in foreign currencies

Assets and liabilities in foreign currencies at December 31, 2020 totaled €217,567,000 and €231,636,000, respectively.

Note 21. Banking activity commitments

(in € thousands)	12.31.2020	12.31.2019
COMMITMENTS GIVEN	6,443,869	6,948,990
Financing commitments	3,844,226	4,120,701
to credit institutions	361,350	391,349
to customers	3,482,876	3,729,352
Guarantee commitments	2,592,556	2,366,899
to credit institutions	54,398	58,925
to customers	2,538,158	2,307,974
Securities commitments	7,087	461,390
other commitments given	7,087	461,390
COMMITMENTS RECEIVED	14,648,022	11,753,429
Financing commitments	13,235,805	10,489,282
received from credit institutions	13,235,805	10,489,282
Guarantee commitments	1,210,245	1,073,245
received from credit institutions	1,210,245	1,073,245
Securities commitments	201,972	190,902
other commitments received	201,972	190,902

The financing commitments given include the €13.35 million cash advance made to the Caisse de Refinancement de l'Habitat to ensure its operation.

Commitments received include the guarantee received from Banque Européenne d'Investissement in the amount of €585.23 million for the government-backed loans distributed by Crédit Mutuel Arkéa.

Breakdown of assets provided as security for liabilities:

(in € thousands)	12.31.2020
Banque de France	13,858,595
Caisse des Dépôts et Consignations	804,263
European Investment Bank	615,743
Arkéa Home Loans SFH	10,113,289
Caisse de Refinancement de l'Habitat	372,412
Arkéa Public Sector SCF	127,155
Caisse Centrale du Crédit Mutuel	2,000
TOTAL	25,893,457

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)	12.31.2020			12.31.2019		
	Hedging transactions	Other transactions	Total	Hedging transactions	Other transactions	Total
FIRM TRANSACTIONS						
Transactions on organized markets	-	-	-	-	-	-
interest rate contracts	-	-	-	-	-	-
foreign exchange contracts	-	-	-	-	-	-
Other transactions	59,784,582	-	59,784,582	43,538,756	-	43,538,756
Over-the-counter transactions	-	-	-	-	-	-
forward rate agreements	-	-	-	-	-	-
interest rate swaps	25,262,586	-	25,262,586	23,539,902	-	23,539,902
financial swaps	-	-	-	-	-	-
Other transactions	-	-	-	-	-	-
CONDITIONAL TRANSACTIONS						
Interest rate floors/caps	-	-	-	-	-	-
Purchased	7,284,788	-	7,284,788	7,477,207	-	7,477,207
sold	5,225,668	-	5,225,668	5,744,849	-	5,744,849
Interest rate, currency and other options	-	-	-	-	-	-
Purchased	368,218	-	368,218	358,123	-	358,123
sold	368,218	-	368,218	358,123	-	358,123
TOTAL	98,294,060	-	98,294,060	81,016,960	-	81,016,960

By residual maturity

(in € thousands)	12.31.2020			
	less than 1 year	1 to 5 years	more than 5 years	Total
INTEREST RATE INSTRUMENTS				
Over-the-counter market	-	-	-	-
Interest rate swaps	17,537,913	29,816,474	37,692,780	85,047,167
Interest rate floors/caps	2,002,285	6,892,294	3,615,877	12,510,456
Other options	600,936	135,500	1	736,437
TOTAL	20,141,134	36,844,268	41,308,658	98,294,060

Fair value

(in € thousands)	12.31.2020	12.31.2019
Interest rate instruments	(210,171)	(76,376)
Other options	-	-

Note 23. Interest, similar income and expense

(in € thousands)	12.31.2020		12.31.2019	
	Income	Expense	Income	Expense
Transactions with credit institutions*	756,338	(973,050)	756,107	(965,883)
Transactions with customers	644,349	(227,970)	698,601	(260,899)
Bonds and other fixed-income securities	19,045	(85,048)	18,733	(82,822)
Other transactions	10,264	(35)	7,832	(19)
TOTAL	1,429,996	(1,286,103)	1,481,273	(1,309,623)

* Of which expenses on transactions related to subordinated debt: €91,397,000 at 12/31/2020 and €78,610,000 at 12/31/2019.

Note 24. Income on variable-income securities

(in € thousands)	12.31.2020	12.31.2019
Stocks and other variable-income securities	3,903	4,858
Equity holdings and other long-term investments	-	-
Shares in associates	277,799	231,987
TOTAL	281,702	236,845

Note 25. Fee and commission income/expense

(in € thousands)	12.31.2020		12.31.2019	
	Income	Expense	Income	Expense
Transactions with credit institutions	6,838	(747)	6,163	(566)
Transactions with customers	42,450	(175)	45,762	(248)
Securities transactions	811	(708)	894	(656)
Foreign exchange transactions	220	(56)	288	-
Off-balance sheet transactions	13,822	(18,120)	12,339	(15,153)
Provision of financial services	426,839	(43,475)	443,743	(43,327)
TOTAL	490,980	(63,281)	509,189	(59,950)

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)	12.31.2020	12.31.2019
Trading securities transactions	-	451
Foreign exchange transactions	(3,050)	1,211
Financial futures transactions	(512)	(702)
Interest rate	(512)	(702)
Misc.	-	-
TOTAL	(3,562)	960

Investment portfolios and similar securities

(in € thousands)	12.31.2020	12.31.2019
Available-for-sale securities transactions	-	-
Capital gains on disposals	44,404	44,658
Capital losses on disposals	(3,262)	(4,595)
Provisions for impairment	(9,512)	(14,679)
Reversals of impairment	8,853	11,216
TOTAL	40,483	36,600

Note 27. General operating expenses

(in € thousands)	12.31.2020	12.31.2019
Personnel expenses	(419,769)	(567,658)
Salaries and wages	(261,546)	(282,801)
Payroll taxes	(69,874)	(164,303)
of which pension expenses	26,102	(59,238)
Mandatory and optional employee profit-sharing	(43,619)	(74,952)
Related taxes other than on income	(44,730)	(45,602)
Other administrative expenses	(280,180)	(298,689)
Taxes other than on income	(34,261)	(33,099)
External services	(420,610)	(487,384)
Re-invoiced expenses	174,691	221,794
TOTAL	(699,949)	(866,347)

Breakdown of paid staff

	12.31.2020	12.31.2019
	Paid staff	Paid staff
Employees	2,731	2,880
Management and supervisors	3,600	3,576
TOTAL	6,331	6,456

The departure of CMMC led to a reduction in the workforce of 112 managers and 142 employees.

The total compensation paid to members of the Board of Directors was €976,000.

The total compensation paid to the Chief Executive Officer and the Associate Executive Officers was €6,235,000, including indemnities in respect of the departure of the former CEO.

Note 28. Cost of risk

(in € thousands)		12.31.2020	12.31.2019
Loans	Allocations	(57,985)	(103,448)
	Reversals used	15,256	16,426
	Reversals that became available	48,963	86,686
	Recovery of written-off loans	2,186	1,808
	Covered irrecoverable loans	(15,368)	(18,320)
	Uncovered irrecoverable loans	(6,411)	(6,646)
Off-balance sheet risk	Allocations	1,270	(1,343)
	Reversals used	-	-
	Reversals that became available	(797)	3,033
Securities	Allocations	-	(1,100)
	Reversals	500	1,725
Provisions for other risks and charges	Allocations	-	-
	Reversals	-	-
SOLDE		(12,386)	(21,179)

Note 29. Gains/(losses) on non-current assets

(in € thousands)	Provisions for impairment	Capital losses on disposals	Reversals of impairment	Capital gains on disposals	12.31.2020
Property, plant and equipment and intangible assets	-	(1,845)	-	771	(1,074)
Equity holdings and other long-term investments	(47,093)	(3,180)	2,978	-	(47,295)
Shares in associates	-	-	-	-	-
Investment securities	-	-	-	-	-
TOTAL	(47,093)	(5,025)	2,978	771	(48,369)

Note 30. Non-recurring income/(loss)

(in € thousands)	12.31.2020	12.31.2019
Equalization paid	-	-
Miscellaneous exceptional expenses	(5,096)	(4,681)
Miscellaneous exceptional income	45,000	-
TOTAL	39,904	(4,681)

3. FINANCIAL INFORMATION

Information regarding balance sheet, off-balance sheet and income statement items

Note 31 Income tax

(in € thousands)	12.31.2020	12.31.2019
Current tax expense excluding contribution of consolidated subsidiaries	(91,842)	(114,521)
Contribution of consolidated subsidiaries	142,062	184,556
Carry-back claim	-	-
Net deferred tax expense and misc.	(2,616)	2,496
TOTAL	47,604	72,531
Pre-tax income, non-recurring income and FRBG	114,071	39,211
EFFECTIVE TAX RATE	41.73%	184.98%

Tax expenses are borne by the consolidated companies as if there were no tax consolidation.

The effective tax rate at 12.31.2020 was as follows:

(in € thousands)	12.31.2020	12.31.2019
Statutory tax rate (including contributions)	32.02%	34.43%
Permanent differences	-37.34%	-144.76%
Temporary differences	-10.70%	59.63%
Taxation at reduced rates	-2.29%	-12.03%
Impact of tax loss	-7.21%	-39.75%
Other	-16.21%	-82.50%
EFFECTIVE TAX RATE	-41.73%	-184.98%

Note 32. 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 33. Consolidated financial statements

Crédit Mutuel Arkéa, together with the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest 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 34. 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 35. Events after the balance sheet date

On February 2, 2021, the Board of Directors of the Confédération Nationale du Crédit Mutuel approved the general decision (DCG – Décision de Caractère Général) "concerning the strengthening of the Crédit Mutuel group's cohesion".

The Crédit Mutuel Arkéa group took note of the vote of this decision, against its advice.

Crédit Mutuel

4. Risks

4.1 Risk factors	194	4.5 Structural interest rate and liquidity risks	225
4.1.1 Risks related to Crédit Mutuel Arkéa's macroeconomic and regulatory environment	194	4.5.1 Organisation	225
4.1.2 Risks related to operations	198	4.5.2 Interest rate risk on the banking and insurance portfolio	225
4.1.3 Risks related to the bank's strategy	201	4.5.3 Liquidity risk	227
4.1.4 Risk summary	206	4.6 Risks specific to the insurance business	229
4.2 Risk management function	209	4.6.1 The technical risks of life insurance	229
4.2.1 Introduction to Crédit Mutuel Arkéa's risk appetite	209	4.6.2 The technical risks of non-life insurance	229
4.2.2 Crédit Mutuel Arkéa's risk management function	209	4.6.3 The reinsurance system	230
4.3 Credit risk	211	4.7 Market risk	231
4.3.1 Customer credit risk	211	4.7.1 Risk organisation and monitoring	232
4.3.2 Credit risk on market counterparties	214	4.7.2 Equity and other variable-income securities risk and fixed-income securities risk	235
4.4 Operational risk	218	4.7.3 Long-term investment securities	235
4.4.1 The operational risk management function	218	4.7.4 Currency risk	235
4.4.2 Measurement of operational risks	218		
4.4.3 Modelling operational risks	219		
4.4.4 Business continuity	220		
4.4.5 Legal risk	220		
4.4.6 Non-compliance risk including money laundering and terrorist financing risk	221		

4.1 Risk factors

Crédit Mutuel Arkéa is exposed to three main categories of risk, which are detailed in the following⁽¹⁾ pages:

- **Macroeconomic and regulatory environment risks:** these risks are likely to affect all banking institutions;
- **Risks related to Crédit Mutuel Arkéa's business profile:** these mainly include credit, market, interest rate, liquidity and operational risks. These risks could materialise in an isolated manner at Crédit Mutuel 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 Crédit Mutuel Arkéa's plan to disaffiliate from the Crédit Mutuel group.

Information relating to Pillar 3 of Basel III is available on Crédit Mutuel Arkéa's website, under the heading "Pillar 3 Report", in the "Investors" section, under "Financial information".

4.1.1 Risks related to Crédit Mutuel Arkéa's macroeconomic and regulatory environment

4.1.1.1 Macro-economic risks

A very uncertain recovery in global growth

The central scenario of the growth outlook⁽²⁾ published in January 2021 is based on a vaccination campaign relatively in line with the announcements made by the governments. It would make it possible to avoid new confinements in the second half of 2021 throughout the world. Beyond this hope in terms of health, another strong hypothesis is that governments will continue to provide massive support to their economies so as not to halt the recovery. The risk is that part of the shock of 2020 will turn into more lasting ills, destroying growth potential. If these essential points were not met, then a significant downward correction of this scenario would be necessary.

Overall in 2021, the rebound in activity (+5% after -4% in 2020) would be significant, but would not make it possible to erase the losses of a black year for the advanced economies, as a consequence of the health measures designed to stem the deadly pandemic linked to Covid-19 (1.9 million deaths in 2020). This year, activity would rebound by 3.8% in the advanced countries (after -5.3% in 2020) and by 5.9% in the emerging countries (after -3%).

In the euro zone, the profile of the recovery raises the following questions

Economic conditions in the euro zone are not expected to improve in the short term and a further decline in GDP is expected in the first quarter of 2021. However, the continuation of the recession at the beginning of the year would not prevent a marked rebound in activity in 2021. Assuming a gradual reduction in restrictive measures from the spring and into the summer, coupled with the completion of sufficient vaccination, growth in the euro zone would rebound by 4.1% in 2021, after a 7.5% drop in 2020, the largest drop recorded since the post-war period. The rebound in growth would be stronger in the spring and summer, then more moderate in the fourth quarter. This rebound would thus take the form of a "bird's wing". In fine, at the end of 2021, GDP growth in the euro zone would still not have returned to its pre-crisis level, showing a decline of 2.2% over the period 2020-2021.

France, moderate rebound in activity in 2021

The rebound in French growth is expected to be moderate in 2021, after a historic drop in activity of nearly 9% in 2020. According to a central scenario, annual growth could rebound by 4.7% this year. However, this scenario is based on the main assumption of a single reconfinement in 2021 between February and March (no other wave beyond the 3rd wave). An alternative scenario, that of successive pandemic waves, would lead to a growth of only 2.8%. It would generate several confinements of several weeks in 2021 in order to preserve national hospital capacities, while sparing the economy. Their successive impacts on the economy would be increasingly limited due to the progression of vaccination and the evolution of production and consumption habits during these periods of restricted movement. An optimistic scenario would be to avoid having to reconfine in France (absence of a third wave) at the beginning of the year, unlike in northern European countries. Depending on the scenarios, the level of activity reached at the end of 2021 would be between 1.5 and 5 points lower than in 2019. Compared to the natural trajectory of the economy (potential growth of 1.3%), the loss would be 2.6 points higher.

The level of business failure⁽³⁾ would remain below 2019 in 2021.

As in 2020 (a 40% drop in bankruptcies compared to 2019, to 31,000 bankruptcies), the various forms of aid should make it possible to keep a large number of companies in business.

(1) The proposed description of risk factors is in accordance with Prospectus 3, applicable as at July 21, 2019, and the European Securities and Markets Authority's Risk Factors Guidelines under the Prospectus 3 regulations. The objective of the proposed description is to simplify the presentation of information for issuers while improving the usefulness of the document for investors.

(2) Source: ECONOMIC AND FINANCIAL MARKET OUTLOOK 2021, available at <https://www.arkea-sdm.com/app/news/316e16b6-76d5-4d6b-bbce-27189104a1c2/perspectives-economiques-et-des-march%C3%A9s-financiers-2021>.

(3) INSEE definition: "A legal unit is in a situation of default or bankruptcy from the moment that receivership proceedings are opened against it. This procedure occurs when a legal unit is in a state of cessation of payments, i.e. it is no longer able to meet its current liabilities with its available assets."

In January 2021, aid was reinforced in order to avoid a surge in bankruptcies, feared by analysts. Businesses eligible for the solidarity fund (sectors that are administratively closed or in serious difficulty) will have access to direct monthly aid of €10,000 or 20% of their turnover (up to a limit of €200,000). For large groups (companies with a turnover in excess of €1 million per month) with higher fixed costs, the government will cover up to 70% of these costs. This aid will last as long as the health situation remains tense (until March, according to the government at the time of writing). Companies will then have to consolidate their balance sheets in order to pay their suppliers and be able to repay their loans from 2022 onwards, if they so request. In the end, the projected level of defaults in 2021 (45,000) would still be lower than in 2019 (51,000) and 2009 (63,000). The risk would thus shift to the following year. It seems likely that it would materialise in the second half of 2022 due to the electoral calendar (presidential elections in April 2022).

On the household side, the risks of defaults are significant.

After a destruction of 790,000 jobs in 2020, 2021 looks set to be a mixed year. On the one hand, the improvement in the health situation should enable the service sectors most affected in 2020 to hire again (hotels, restaurants, culture, leisure). But on the other hand, the reduction in public aid (partial unemployment scheme) would lead to a destruction of jobs on the part of the most fragile companies in order to rebuild margins. In the end, the net job creation over the year would be weak or even negative if the health situation were to deviate from the main scenario. Unemployment would concern 11% of the working population at the end of 2021 (9.7% in 2020).

The savings accumulated in 2020 do not constitute a safety mattress in the face of rising unemployment. Households have never saved as much as they did in 2020. Initially forced by confinement, these savings could turn into precautionary savings. Over the whole year, the surplus would be around €130 billion. According to the Caisse des Dépôts et Consignations (CDC) and the Banque de France, it would mainly have been directed towards Livret A, sustainable and solidarity development passbooks or current accounts. According to the Conseil d'Analyse Économique (CAE), nearly 70% of the additional savings were made by the richest 20% of households. The least wealthy households, on the other hand, have saved less. As the CAE analysis confirms the high sensitivity of low-income and low-savings households to changes in income, public support for this population is essential. It has been included in the €100 billion (4% of GDP) Recovery Plan (Plan de Relance) announced in September 2020 by the government.

The level of private and public debt has increased considerably in 2020.

The pre-crisis situation of Covid-19 saw an improvement in the level of debt of French public administrations and a contained deterioration in that of the private sector (non-financial companies and households). Following the Covid-19 crisis, the public authorities mobilised a significant amount of capital in 2020 to support the activity and respond to health challenges. This has resulted in aid plans at different levels (national, European), mainly financed by debt.

For 2020, the Banque de France estimates⁽¹⁾ that the public deficit would be 9.2% of GDP (against 3% in 2019) and the debt 116% of GDP (against 98% in 2019). On the business side, growth is also significant at 85% of GDP at the end of the first half of 2020 (compared with 73% at the end of 2019). Finally, for households the level of debt appears more sustainable. It stood at 65% of GDP in June 2020 (compared with 61% at the end of 2019).

The maintenance of accommodating financial conditions will be crucial in order to protect economic agents from defaults. This is the orientation chosen by the European Central Bank.

The European Central Bank accommodates at least until 2023

In 2020, the European Central Bank (ECB) acted quickly and strongly to avert the crisis and avoid any pressure on the debt of the eurozone states. In December 2020, it relaxed its monetary policy once again by increasing the size of its balance sheet and providing flexibility to the banking sector so that it could finance the real economy. In the medium term, the Central Bank is expected to maintain its flexible and accommodating approach.

In December 2020, the European Central Bank unveiled new measures to support the economy, in an attempt to help the economy emerge from the recession linked to the Covid-19 pandemic. The ECB increased its Emergency Pandemic Purchase Programme (EPPP) by €500 billion, bringing the total envelope to €1,850 billion, and extended its duration by 9 months to the end of March 2022, compared to the end of June 2021 initially planned. The reinvestment of the PEPP portfolio's proceeds will continue until at least the end of 2023. This new deadline sends a strong signal to the States: the ECB will act for a long time to guarantee them low financing costs, which will enable them to borrow in order to put in place much-needed fiscal stimulus plans.

At the same time, no change on the APP, the Central Bank's other asset purchase programme, which remains at €20 billion each month, while the ECB will proceed with new programmes of targeted long-term refinancing operations (TLTROs). This action enables banks to ensure the financing of the economy as credit conditions tighten at the end of 2020.

Finally, the ECB will not adjust its key rates upwards until 2024. They will remain at their historically low levels: deposit rate at -0.5%, refinancing rate at 0% and marginal lending rate at 0.25%. According to the latest forecasts by the Central Bank, inflation in the euro zone should remain far from the monetary authorities' target of 2%, at 1.0% in 2021, 1.1% in 2022 and 1.4% in 2023. A scenario of successive pandemic waves in 2021 could even lead to two further cuts in the deposit rate of 10% each, bringing the rate to -0.7% in 2021.

Political risk, the main threat to long-term rates

The ECB's measures and the European unity displayed in 2020 have considerably crushed the rate differentials between member countries. In 2021, a priori, this observation should be preserved. Nevertheless, the electoral agenda suggests possible political tensions. Indeed, despite the arrival of Mario Draghi in the Italian government, the Italian political risk remains, with a fragile and fragmented coalition. Italy is the main beneficiary of the measures put in place in 2020, and it seems unlikely that Europe will agree to make more efforts for the transalpine economy. Furthermore, the Netherlands is holding parliamentary elections in March 2021. However, the Dutch leaders are among the most conservative (frugal) when it comes to possible transgressions of European rules. The outcome of these elections will be decisive for further European integration. Finally, in September 2021, Germany will change its Chancellor. At this stage, the centrist Armin Laschet, currently at the head of the most populated region, North Rhine-Westphalia, seems to be in favour of Angela Merkel's succession. He would guarantee the continuity of the existing German European policy. The direction of German diplomacy has been primordial in 2020 in the negotiations between the frugal countries and the countries of southern Europe to implement a €750 billion recovery plan.

(1) Source: Insee, March 26, 2021.

Permanently low interest rates

Without a mistrust of the security of the European financial system, long-term rates might not rise significantly either, which would represent an unfavourable environment for bank and insurance balance sheets due to the decrease in the net interest margin traditionally built on short-term resources and long-term jobs.

The level of valuation of certain markets

Despite the Covid-19 global crisis, some markets including equities and real estate have not seen their levels fall. Conversely, some have risen slightly in 2020.

For the equity markets, this could be explained by the abundance of liquidity and low interest rate levels which are directing investments towards higher yielding asset classes.

For real estate, the level of interest rates allowing for indebtedness and the associated strong demand explain this continued trend, despite the health crisis.

A correction in these two markets could have negative impacts on banks and insurers, such as:

- impairment of assets (direct or indirect);
- an impairment of the collateral associated with the property loans issued;
- a reduction in the brokerage fees charged.

Focus on the Covid-19 crisis

As mentioned, the Covid-19 epidemic has significant macroeconomic impacts at both global and national levels.

Due to the intervention of public authorities and the measures implemented by the group to manage the specific risks induced by the development of the epidemic, the first impacts of this epidemic are already visible on the group's results in 2020. Given the uncertainties of the situation, these impacts are not definitive and will continue over the following years.

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 risk monitoring systems:
 - With regard to operational risk, massive recourse to distance working to protect the health of employees and, in this context, strengthening of surveillance systems relating to cyber risks and fraud.

- With regard to liquidity, implementation of reinforced vigilance in the spring of 2020 related to requests for repayment of short-term refinancing instruments.
- On market risk, updating of stress scenarios (equities, spreads, etc.) with the movements observed during the crisis.
- With regard to credit risk, the rapid deployment of economic support measures in the networks to provide our customers with the closest possible support was achieved in particular by relying on our technological know-how enabling efficient remote processing (the loans guaranteed by the government offer with electronic signature was made available on March 25) and by adapting the decision patterns for granting credit in the face of the number of loans guaranteed by the government and customer renegotiations. These actions were accompanied by the introduction of enhanced monitoring of business sectors identified as particularly impacted and reporting to the supervisor, both for banking customers and for customers in the private equity portfolio.

Nevertheless, the Covid-19 epidemic, which is still ongoing, could have a lasting impact on the group's financial situation.

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 endeavoured to identify the specific risks associated with its development and to identify the consequences as it evolves. These specific risks are summarised below:

- **Business model risk:** the group's business model consists 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 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 unfavourable economic climate. These risks have been analysed and taken into account when the company's new strategic plan for 2024 was drawn up;
- **Liquidity risk:** In a context of a sharp decline in economic activity for certain sectors of the economy, some customers may be led to increase the use of their overdraft authorisations, thereby creating potential tension on the group's liquidity. In 2020, it should be noted that a significant growth in deposits has been observed, as a result of the action of the European Central Bank and economic players.

Uncertainty about the evolution of the epidemic and its duration could lead to a lack of confidence in the markets, which in turn could lead to specific refinancing difficulties for banks.

■ **Operational risk:** The successive confinements of a very large proportion of the group's employees, as part of the measures decided by the government to curb the spread of the epidemic, may have led, in the first instance, to difficulties in continuing business and increased risks of error or delay in processing, 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 could be a risk of a slower resolution but without major damage observed in 2020.

The current context has generated an increase in exposure to cyber risk and the risk of external fraud. In this context, particular attention has been paid and continues to be paid to keeping the monitoring systems operational and strengthening the monitoring of external access to the information system, given the significant expansion of remote working over time;

■ **Credit risk:** the socio-economic impacts of the epidemic could lead to a large number of defaults by the counterparties with which the group is in contact, particularly in certain sectors of activity that are particularly impacted by the development of the epidemic and the associated restrictions on movement (tourism, air transport, etc.). These defaults were not recorded in 2020 but could have a significant adverse effect on the group's results and financial position in the coming years. A significant number of customer requests have already been noted and the cost of risk will increase in 2020 due to sector anticipation as a result of the first signs of deterioration in customer situations;

■ **Market risk:** the high volatility of the financial markets linked to uncertainties about the development of the epidemic and the impact of this development on economic activity could have a potential financial impact on the group's cash management activity and on the group's equity. The group has not been heavily exposed in 2020 given the relatively short duration of the investment portfolio, but continues to be vigilant in this area.

In addition, 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. A strengthening of this monitoring has enabled the group to actively monitor these risks;

■ **Risks related to life insurance:** a deterioration in the market situation related to the impacts of the epidemic, and in particular a fall in interest rates, an increase in bond defaults or a fall in equity and real estate assets could have a significant negative 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 results on its life insurance business. This was not the case in 2020 but remains a point of vigilance for 2021.

4.1.1.2 Regulatory risks

Crédit Mutuel Arkéa is subject to significant regulation in the countries in which it operates. Regulatory risk concerns the potential effects on Crédit Mutuel Arkéa 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 Crédit Mutuel Arkéa 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, 2020, Crédit Mutuel Arkéa had a CET1 ratio of 16.8%, i.e. more than 8 points above the regulatory requirement.

The applicable capital requirement could potentially 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, specific to the institution, 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 increase the level of cushions required to be met outside of periods of stress⁽²⁾. In the context of the Covid-19 pandemic, the European Central Bank announced on March 12, 2020 a prudential relaxation to allow institutions to use, where necessary and in this particular context, the capital and liquidity cushions provided for this purpose (P2R and LCR in particular).

In the same vein, the High Council for Financial Stability (HCSF) has moreover published its decision to lower the rate of the counter-cyclical capital cushion to a level equal to 0% with effect from April 1, 2020, whereas the HCSF had announced in 2019 an increase to 0.5% as of April 2, 2020.

On December 15, 2020, the European Central Bank assured that it would not ask banks to start rebuilding their capital cushions before the peak of the decline in capital is reached. In return for this flexibility, the European Central Bank reiterated its prudential expectation for banks, issued on March at the same time as the announcement of the easing of the capital and liquidity cushions. In order to maintain the banks' solid capital base, they were strongly encouraged not to distribute dividends or carry out share buybacks and to review their remuneration policy. This first recommendation was extended on July 28, 2020 until January 1, 2021, and was again extended on December 15, 2020 until September 30, 2021.

It should be noted that for 2021, the ECB has indicated that it is maintaining the Pillar 2 requirements unchanged.

In addition, the measurement of the capital ratio could change in the event of a change in the method for calculating available equity or in the event of a change in the asset weighting method.

(1) SREP Review: Supervisory Review and Evaluation Process.
(2) As defined in SSM ICAAP, November 2018.

4. RISKS

Risk factors

Regulatory changes could lead to a deterioration in the cost structure and threaten the profitability of the establishment.

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.

4.1.2 Risks related to operations

4.1.2.1 Credit risk

Credit risk is the risk incurred in the event of default in payment by a counterparty or counterparties considered as the same group of customers, within the regulatory meaning of this term. Credit risk includes:

- customer credit risk, relating to loans granted by the group to private individuals, small and medium-sized enterprises (SMEs), large groups, central and public administrations and credit institutions. A counterparty's default results in its inability to honour its commitments in accordance with the agreed terms;
- counterparty risk, relating to the repayment of debt securities (particularly bonds) or the payment of flows under performance swap contracts ("derivative" contracts). With regard to debt securities held in the investment portfolio, credit risk includes the risk of default by the issuer but not the spread risk, which is classified under market risk.

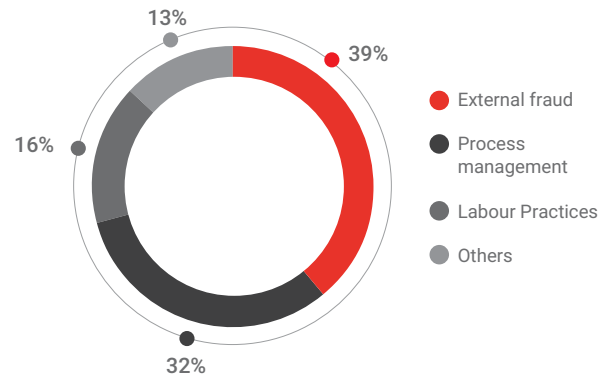
Crédit Mutuel Arkéa grants loans to a diversified customer base. These receivables are recorded on the assets side of the balance sheet and are subject to provisions. In accordance with IFRS 9, the provisioning includes expected losses as soon as they are granted. Provisioning models are based on historical default rates, historical recovery rates in the event of default, and corrective factors to incorporate a forward-looking dimension, linked to positioning in the economic cycle (the "forward-looking" approach). 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), in a particular sector or product (e.g. real estate in Brittany), or in a category of borrowers (e.g. individuals, businesses). Credit risk could increase under the following conditions:

- in the event of an inappropriate provisioning policy;
- in the event of an increase in the recorded claims rate or a change in the economic climate leading to a change in the prospective assumptions of the provisioning;
- in the event of contagion, linked to the existing interconnection between institutions, which would make Crédit Mutuel Arkéa vulnerable to the proven or presumed insolvency of another financial institution.

4.1.2.2 Operational risk

The concept of operational risk⁽¹⁾ corresponds to the risk of losses resulting from inadequate or failed internal processes, personnel and systems or from external events. In particular, operational risk includes 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, non-compliance risk, including the risk of money laundering and terrorist financing, and model-related risks.

The breakdown by Basel categories is as follows:



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 Crédit Mutuel Arkéa does not engage in proprietary trading, 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 e-mail attacks and the rise in electronic banking fraud (card fraud).

Given the digitalisation of banking services in particular, exposure to the risk of external fraud is strongly linked to that of 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 Crédit Mutuel Arkéa is exposed relate to a breakdown or failure of its systems that could lead to a business interruption (notably by blocking payment or securities functions), a failure of its service providers, or a cyber attack that could take various forms.

(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): "The IT risk of financial sector institutions is becoming a major concern for supervisory authorities, in particular due to the increasing complexity of technical environments, but also to the rise of cyber threats. ACPR is structuring its action by developing its action strategy in this area."

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 data leak.
- An attack on the integrity of the data can lead to an interruption of activity while the reconstruction is being carried out.
- An attack leading to a major unavailability of the IT such as a DDoS attack ("distributed denial of service attack"), an attack targeting one or more data centres.

4.1.2.2.2 Non-compliance risk (including money laundering)

The risk of non-compliance is defined as the risk of judicial, 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 of a legislative or regulatory nature, national or European directly applicable, or whether they are professional and ethical standards, or instructions from the 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, Crédit Mutuel Arkéa covers all banking and financial activities. As a manufacturer and distributor, Crédit Mutuel Arkéa is able to offer its customers, whether individuals, professionals, companies or local authorities, a complete range of banking, financial, wealth management and insurance products and services.

Given the multiplicity of activities carried out, the range of compliance risks to be taken into consideration is all the more extensive.

Within the group, non-compliance risks can arise in 4 main areas:

- financial security;
- deontology and professional ethics;
- the protection of clients' interests;
- 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 corresponds to 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 operating risks and would materialise, among other things, in the event of exposure to fines, penalties and damages for events that could engage the liability of Crédit Mutuel Arkéa in the context of its activities.

Provisions have been set aside to cover current legal risks that could have a negative impact on Crédit Mutuel Arkéa's assets and liabilities, based on the best estimate of senior management based on 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 shareholders' equity and profits are exposed as a result of unfavourable movements in interest rates. It can 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 income generated by Crédit Mutuel Arkéa consists of a net interest margin, equal to the difference between the income 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 and in the absence of hedging, the institution could experience an increase in its refinancing costs, which would not be fully covered by its assets, which are partly composed of long-term assets, notably housing loans. In the event of a fall in interest rates, the bank could experience a deterioration in its net interest margin.

The interest rate risk could materialise:

- In the event of a change in key interest rates due to the action of central banks;
- In the event of a change in long-term interest 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 Crédit Mutuel Arkéa, in the event of a deterioration in the group's actual or perceived quality, in particular if the credit rating is downgraded by a rating agency.

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 it concerns 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 portfolio yield 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).

An increase in interest rates would lead to a decrease in the value of the fixed-rate bonds held in the portfolio. Depending on the IFRS accounting classification of these securities, this devaluation would have an impact on shareholders' equity or income. A significant and lasting rise in interest rates could lead to an increase in surrenders by policyholders on 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 dispose of fixed-rate assets, it may have to bear capital losses.

4.1.2.4.2 Liquidity risk

Liquidity risk would appear 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 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/disability, longevity and catastrophe.

A market risk includes in particular the interest rate risk linked to asset/liability management (see dedicated paragraph) and the equity risk linked to investments included in the assets.

4.1.2.6 Risks specific to the non-life insurance business

Underwriting risk is the main risk 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 business 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(ies) results from financial investments and the transfer of technical commitments to reinsurers.

4.1.2.7 Market risks

Market risk results from unfavourable variations in market parameters (spread, interest rates, exchange rates, raw materials, etc.), which adversely affect the value of financial instruments recorded on the balance sheet, particularly bonds and shares.

Own-account 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 main market risk to which Crédit Mutuel Arkéa is exposed is the increase in counterparty spreads.

4.1.2.8 Model risks

For several years now, the increasing integration of models in decision-making processes or asset valuation processes has generated model risk: the risk of financial loss, insolvency, illiquidity and damage to the group's reputation resulting from defects in the design, implementation or use of models.

This risk, which is included in operational risks, is a risk in its own right with the implications that this entails in terms of identification, assessment and steering throughout the model's life cycle, in line

with Crédit Mutuel Arkéa's risk appetite and the regulations⁽¹⁾ that identify this risk.

More specifically, model risk is defined⁽²⁾ as the risk of adverse consequences – financial loss and/or possible damage to the group's reputation – resulting from defects in the design, implementation or use of models.

4.1.2.9 Climate risks

Climate change and environmental degradation are sources of structural changes that can affect economic activity and, as a result, the financial system. Climate and environmental risks are commonly considered to include two main risk factors⁽³⁾:

- Physical risk refers to the financial effects of climate change (including increased extreme weather events and gradual climate change) and environmental degradation (such as air, water and land pollution, water stress, biodiversity loss and deforestation);
- Transition risk is the financial loss that an institution may incur, directly or indirectly, as a result of the process of adapting to a low-carbon and more environmentally sustainable economy. It can arise, for example, from the relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

Initiated as part of its Corporate Social Responsibility and current strategic plans up to 2024, Crédit Mutuel Arkéa integrates non-financial data known as ESG (Environment, Social and Governance) into its business lines. The group has thus drawn up its climate strategy based on a dual risk/opportunity approach.

The TCFD (Task Force on Climate-related Financial Disclosures) is one of the standards on which the group relies in particular for the definition of climate risks.

Climate change risk is a direct source of risk for Crédit Mutuel Arkéa. It is exposed to physical risk for its property assets and 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.

Although they have a life of their own, climate risks are also vulnerability or mitigation factors in existing risk categories. Thus, in a cross-cutting manner, development axes have been defined for each risk concerned. The objective is to integrate climate risk management into existing processes, including the risk management function. Crédit Mutuel Arkéa's Risk Management Department has taken on this task as from 2019, in conjunction with the Sustainable Finance and Risk Departments. The risk appetite statement has been enhanced to include climate risks.

With regard to governance, the Risk Committee, an offshoot of the Executive Committee, is regularly informed of the progress of work. Its members, as well as those of the Board of Directors, have been made aware of and trained on the issues of climate change.

(1) Order of November 3, 2014.

(2) And within the meaning of the eleventh subparagraph of Article 3(1) of Directive 2013/36/EU (CRD IV).

(3) Source: ECB, Guide to Climate and Environmental Risks, November 2020.

4.1.3 Risks related to the bank's strategy

4.1.3.1 Business model and competition risk

The group's strategic trajectory for 2020 is part of a two-pronged process of finalising the Arkéa 2020 strategic plan and drawing up a new medium-term plan to describe the trajectory for the period 2021-2024. This path, designed in line with the group's *Raison d'être* (Purpose), aims to make Crédit Mutuel Arkéa the agile financial partner for future transitions, serving the regions and their players. The aim is to focus on a strategy of responsible growth and overall performance, with a balanced approach between financial performance and a positive impact on stakeholders.

Crédit Mutuel Arkéa's business model has historically been based on mutual and cooperative retail banking in Brittany and in Nouvelle-Aquitaine. The group then strengthened its position by diversifying its activities, firstly in insurance, through its two subsidiaries in life insurance (Suravenir) and non-life insurance (Suravenir Assurances), but also by developing new activities in online banking, asset management, corporate banking and white-label banking.

The diversification of the group's activities has historically allowed for strong revenue resilience, even in contexts of major national or global crisis. However, this diversification implies that the group is heavily exposed to insurance activities, whose profitability could be affected by the persistence of a low interest rate environment. The group is also heavily exposed to real estate in most of its businesses, from financing to investment. As such, a deep and lasting deterioration in the outlook for the property market could have an impact on the profitability of the group as a whole. Finally, white label banking services activities are dependent on economic conditions, and a deterioration in the outlook for these activities could also affect their profitability, as most of them benefit from scale effects.

Furthermore, the emphasis placed on supporting future transitions, whether societal or environmental, constitutes both a continuity with the group's historical business model, but also a shift in that all the group's activities will now be steered with a view to achieving overall performance in the service of its customers, its territories and, more generally, all its stakeholders. The search for this overall performance may lead to investment choices or allocation of resources in a perspective that goes beyond strict financial profitability, even if this remains necessary for the group's long-term development.

Finally, as mentioned above, the health context and its economic consequences could have a negative impact on our customers' ability to repay outstanding loans, or could more generally reduce our business opportunities with customers or prospects who find themselves in economic difficulty. Similarly, the group's situation in its various markets could suffer from increased competitive pressure from players wishing to maintain their business volume at the expense of profitability.

Crédit Mutuel Arkéa is subject to competition from established players in banking and insurance, given the mature and concentrated nature of the financial industry. The group is therefore likely to face competition from larger players on a national scale, but still has a significant market share, particularly in the territories where it has traditionally carried out its business. The group is also subject to competition from new entrants, for whom the regulatory constraint may be less severe and who are able to capture a targeted part of the value chain through the appropriate use of innovative technologies. These new players pose a threat, but can also represent growth drivers for the group through the development of appropriate partnerships.

An increase in competitive pressure could thus affect the group either by a decrease in business volume caused by an aggressive strategy of conquest by competitors in its various markets, or by a decrease in margins caused by the actions of competitors on the pricing of their products, or by a combination of these two factors.

4.1.3.2 Human resources management risk

The financial services sector relies primarily on the quality of its teams. Human capital is therefore an integral part of Crédit Mutuel Arkéa's culture. It is important in all the group's teams, for product design, customer service and the defence of the banking licence. Human resources management risk could concern the level of attrition and the availability of resources to meet recruitment needs.

4.1.3.3 Risk relating to the disaffiliation of Crédit Mutuel Arkéa from the Crédit Mutuel

A cooperative banking group independent from the rest of Crédit Mutuel

Crédit Mutuel Arkéa's Board of Directors, which met on January 17, 2018, mandated its managers to take any action enabling Crédit Mutuel Arkéa to become a cooperative banking group independent from 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 and Sud-Ouest and the Massif Central were invited to vote during the first half of 2018 in an orientation vote. At the end of the consultation process initiated by the local banks of Crédit Mutuel Arkéa and the meetings of the federations' Boards of Directors, Crédit Mutuel Arkéa officially announced the results of the votes cast by the 307 local banks. 94.5% of these local banks voted in favour of Crédit Mutuel Arkéa's plan to become an independent local cooperative group, independent from the rest of Crédit Mutuel. This vote confirms Crédit Mutuel Arkéa's intention to withdraw from the Crédit Mutuel group and makes it possible to initiate the project to define the terms and conditions of its disaffiliation in the context 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 Crédit Mutuel Arkéa's *Raison d'être*. It also promotes development and will enable Crédit Mutuel Arkéa to continue to serve its members, customers and partners.

Operational implementation of disaffiliation

Crédit Mutuel Arkéa has begun the operational implementation of its disaffiliation. The Board of Directors of Crédit Mutuel Arkéa, on June 29, 2018, approved the target organisational structure of the future independent group and called on the local banks to give their opinion on the implementation of this structure. Work to define the detailed technical details of the project has been under way for several months and discussions are currently under way with the supervisory authorities.

Disaffiliation operations will then be initiated in conjunction with the CNCM, within the limits of the powers granted to it by law.

On February 18, 2019, the Board of Directors of CNCM recognised the possibility of withdrawing from the Crédit Mutuel group by adopting DCG no. 1-2019, relating to the disaffiliation of Crédit Mutuel branches at their request. In this context, Crédit Mutuel Arkéa intends to exit the Crédit Mutuel group.

In accordance with the DCG, the main stages of disaffiliation are as follows:

- The Boards of Directors of the local banks of Crédit Mutuel Arkéa wishing to disaffiliate from the Crédit Mutuel group will have to adopt a notification of the proposed disaffiliation. The Boards of Directors of the local banks will be consulted following the conclusion of discussions currently underway with the ECB and 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 CNCM within two months of receiving the proposal to disaffiliate, each Federation may organise a consultation of the members of each local bank meeting in an Extraordinary General Meeting. The proposed disaffiliation must be adopted by a two-thirds majority of the members present or represented;
- If the members approve the proposed disaffiliation project, the CNCM Board of Directors shall rule on the request for disaffiliation within two months of receiving the complete file sent by the federations. A memorandum of understanding between the outgoing local bank and the CNCM setting out the commitments of the local bank and the practical arrangements for their disaffiliation must be concluded.

On October 9, 2020, at the meeting of the Board of Directors, the Executive Management gave a progress report on the project of independence of the cooperative and territorial banking group. Discussions with the supervisory authorities, which had been underway for several months on the terms and conditions of the separation, were temporarily suspended due to the health crisis. This work has been suspended ever since.

The Crédit Mutuel Arkéa's target scheme

Under the proposed target scheme, the Crédit Mutuel Arkéa will be formed around Arkéa (currently Crédit Mutuel Arkéa), a cooperative public limited company and a union of cooperatives, which will remain individually authorised as a cooperative bank.

Crédit Mutuel Arkéa will in particular be governed by Law 47-1775 of September 10, 1947 on the status of cooperation (the "1947 Law") and Article L.512-1 of the CMF.

The local banks would take the form of Local Cooperatives (the "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 constitute among themselves the union of Arkéa cooperatives, pursuant to the Law of 1947. The purpose of the new LCs will be refocused on their primary purpose: to develop membership and facilitate access to banking, financial and insurance services. They will thus be responsible for supporting and promoting membership as part of their regional outreach.

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 organisation, all banking

operations 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 his 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 promote the fulfilment of the LCs' primary mission, namely to foster access to banking, financial and insurance services for all.

Regional federations will guarantee the good functioning and 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 envisaged scheme will be submitted to the authorities beforehand.

Risks relating to the complexity of the context and risks related to the disaffiliation of Crédit Mutuel Arkéa from the Crédit Mutuel group

Crédit Mutuel Arkéa considers that the factors described below could affect the implementation of Crédit Mutuel Arkéa's disaffiliation from the Crédit Mutuel group. They are linked to events that may or may not occur. The probability of their occurrence and the extent to which they would occur are assessed by Crédit Mutuel Arkéa for each risk factor.

Crédit Mutuel Arkéa's plan to disaffiliate the group is unprecedented and complex to implement. Investors' attention is drawn to the complexity of the situation related to Crédit Mutuel Arkéa's plan to disaffiliate from the Crédit Mutuel group and the uncertainties and risks involved. This complexity relates in particular, but not exclusively, to the accounting and prudential consolidation mechanisms that will have to be implemented to determine the scope of supervision of Crédit Mutuel Arkéa by the supervisory authorities once it is no longer part of the Crédit Mutuel.

Because of its novel and complex nature, the disaffiliation project requires, for its implementation, conditions to be met, particularly in relation to the various stages described in the paragraph on the operational implementation of disaffiliation.

Prior to any investment decision, potential investors should conduct a in-depth analysis of the planned disaffiliation, Crédit Mutuel Arkéa's target organisational structure 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 making their investment decision, should carefully consider the risk factors related to the change in the organisation of the main players in the shares and the risks related to Crédit Mutuel Arkéa's disaffiliation from the Crédit Mutuel group listed in this document.

The implementation of Crédit Mutuel Arkéa's disaffiliation will not change its nature as a cooperative and territorial group. However, its disaffiliation from the Crédit Mutuel group has consequences that may be difficult for investors to grasp but which must be understood and analysed before taking any investment decision. Due to its unprecedented nature, Crédit Mutuel Arkéa cannot guarantee that the project will be carried through to completion, that it will not be subject to 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 about the shares issued by the local banks before Crédit Mutuel Arkéa's disaffiliation from Crédit Mutuel

Crédit Mutuel Arkéa's analysis of the implementation of Crédit Mutuel Arkéa's disaffiliation from the Crédit Mutuel group has confirmed that, under 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) EU Regulation (EU) n°575/2013 of June 26, 2013 as amended taking into account the equity quality of the shares. These texts do not include any case of early redemption relating to the loss of the banking authorisation of the local banks or any 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 the local banks' approval.

The risk is therefore low, within the planned target scheme, that the shares issued by the local banks prior to Crédit Mutuel Arkéa's disaffiliation from the Crédit Mutuel group will be affected.

Uncertainty about the implementation of a new share issue scheme following the disaffiliation of Crédit Mutuel Arkéa from 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 terms of Article R.511-3 of the CMF, which will have an impact on their ability to issue, in the future, B shares through a public offer.

These B shares are currently a key source of financing for Crédit Mutuel Arkéa. A share issue plan is currently being discussed with the ACPR and the ECB. In this respect, it should be noted that work in progress favours a scheme whereby Arkéa shares would be issued by Arkéa itself. In any event, the envisaged scheme will be submitted to the authorities beforehand.

It is therefore possible that Crédit Mutuel Arkéa may not obtain the agreement of the authorities, which could prevent the disaffiliation project from being carried out according to the planned target scheme.

Risks linked to the fate of the local banks that voted against the disaffiliation project

Under DCG, the operational implementation of the disaffiliation of Crédit Mutuel Arkéa remains subject to the approval and vote of the Boards of Directors of the local banks, as the disaffiliation of Crédit Mutuel Arkéa (Caisse Interfédérale du Crédit Mutuel Arkéa) does not automatically result in the disaffiliation of the local banks that are shareholders.

Local banks that vote against the disaffiliation from the Crédit Mutuel group, 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 in no way prejudice the results of the future vote of the local banks on the operational implementation of this disaffiliation from the Crédit Mutuel group.

Each local banks will be called upon to give its opinion on the implementation phase of Crédit Mutuel Arkéa's disaffiliation, 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 approval. 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 Crédit Mutuel Arkéa's share capital.

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 Crédit Mutuel Arkéa will depend on the number and characteristics (shares, reserves, loans, deposits) of the local banks that choose to vote against disaffiliation. On the basis of the orientation vote in April 2018, the impact of this exit on Crédit Mutuel Arkéa would be small.

Risks related to the final vote of the members

The local banks that vote to disaffiliate from the Crédit Mutuel group will have to call an Extraordinary General Meeting to adopt the disaffiliation plan in accordance with the DCG and approve the related amendment to their Articles of Association.

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 authorisation to convene the Extraordinary General Meeting of the local banks concerned, shall relate to the express approval of the proposed disaffiliation, the terms and conditions of disaffiliation 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 summarising the main points of the notification file and the amendments to the Articles of Association will be notified to the members at least fifteen (15) days before each Extraordinary General Meeting is held. Members will thus be able to make their decision 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 Crédit Mutuel group as a whole, in accordance with the DCG.

The Extraordinary General Meeting of each local banks 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 transmit a new request for disaffiliation from the Local Mutual Fund concerned before a period of three (3) years, in accordance with Article 2.3 of the DCG.

The results of the orientation vote on Crédit Mutuel Arkéa's planned independence in no way prejudice the results of the future vote of the local banks on the operational implementation of this disaffiliation from Crédit Mutuel.

It is possible that the Extraordinary General Meetings of some local banks may not adopt the proposed disaffiliation and do not approve the amendment to their Articles of Association relating thereto. However, the financial consequences for Crédit Mutuel Arkéa 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 to their Articles of Association. On the basis of the orientation vote in April 2018, the impact of this exit on Crédit Mutuel Arkéa would be small.

Risks related to Crédit Mutuel Arkéa

Following the disaffiliation of Crédit Mutuel Arkéa from the Crédit Mutuel, of which CNCM is the central body, Arkéa (currently Crédit Mutuel Arkéa) will continue to be authorised as a cooperative bank and supervised directly by the ACPR and the ECB.

Risks related to the agreement of the supervisory authorities

The Confederation, as the central body, notifies ACPR without delay of the decision to disaffiliate the Crédit Mutuel banks.

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, in-depth and documented work is underway with these authorities in order to obtain their agreement. No assurance can be given as to whether their agreement will be obtained or as to the time frame and modalities for obtaining their agreement. Any change in Crédit Mutuel Arkéa's corporate name will require the prior approval of these authorities.

It is therefore possible that Crédit Mutuel Arkéa will not obtain the agreement of the ACPR and the ECB, which could prevent the disaffiliation project from being carried out according to the planned target scheme.

Risks related to prudential calculations

In addition, the disaffiliation of Crédit Mutuel Arkéa 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.

At December 31, 2020, credit risk is determined for €119 billion of net risk exposure, of which:

- €77 billion of risk exposures are assessed using an internal ratings approach;
- €42 billion of risk exposures are already assessed using a standard approach.

As a result, the disaffiliation from the Crédit Mutuel group could lead to a review of the weighted risk assessment method for the €77 billion of credit risk exposures currently assessed using an internal rating approach, without calling into question the financial strength of Crédit Mutuel Arkéa.

Risks related to the practical procedures for disaffiliation set by DCG

DCG stipulates that the notification file must mention "the commitments proposed by the fund to compensate all past and future costs incurred by 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 memorandum of understanding setting out the commitments of these local banks and the practical procedures for disaffiliation.

Within this framework, the local banks will make a financial proposal to the CNCM Board of Directors on the basis of objective and legally founded elements.

Lastly, the DCG stipulates that the Board of Directors of CNCM must determine the final terms and conditions of the disaffiliation, "taking into account, in particular, the effective date of disaffiliation of the relevant fund, the amount of compensation to be paid to Caisse Centrale de Crédit Mutuel and the memorandum of understanding setting out the commitments of the fund and the practical terms and conditions of disaffiliation". DCG does not specify how this compensation is to be calculated or its amount, which could ultimately be significant and which Crédit Mutuel Arkéa could then contest.

Furthermore, in accordance with Article 2.4 of the DCG, in the event of a change in legal or factual circumstances between the authorisation given to the Federations to organise the members' vote and the vote of approval of each Extraordinary General Meeting, or after the latter vote, the Board of Directors of CNCM may ask the local banks and Federations concerned for any additional information that may be useful 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 group in the event of disaffiliation" and "decide whether to grant the request for disaffiliation".

It is therefore possible that Crédit Mutuel Arkéa may not agree with CNCM on the practical terms and conditions for disaffiliation set by DCG, which could prevent the disaffiliation project from being carried out.

Risks related to the commercial stakes of disaffiliation

Crédit Mutuel Arkéa's disaffiliation from the Crédit Mutuel group has a number of consequences, including the commercial stakes involved in Crédit Mutuel Arkéa's adoption of a name and trademarks that do not use the term "Crédit Mutuel".

In addition, the possibility of opening a large number of local banks in Bretagne and Sud-Ouest federations could increase competition with Crédit Mutuel Arkéa in these two areas.

In any case, competition in the French banking sector is strong. Crédit Mutuel Arkéa 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.

In addition, on February 2, 2021, CNCM adopted a new general decision on strengthening the cohesion of the Crédit Mutuel group, which...:

- regulates the names of Crédit Mutuel entities by requiring affiliates to state that they belong to Crédit Mutuel and to use the words "Crédit Mutuel" in all their activities. In this context, Crédit Mutuel Arkéa must use the name "Crédit Mutuel Arkéa";
- regulates the names of certain banking or financial services and products distributed by members by subjecting them to an authorisation regime;
- makes certain transactions (creation of subsidiaries and equity investments) subject to prior authorisation.

On January 14, 2021, an exceptional meeting of Crédit Mutuel Arkéa's Board of Directors was held and unanimously requested the immediate withdrawal of this draft general decision relating to the strengthening of the Crédit Mutuel group's cohesion. It had given a mandate to the Executive Management to take all measures to ensure the protection of Crédit Mutuel Arkéa's interests.

Actions to challenge this DCG before the various competent courts could thus be initiated.

It is therefore possible that the disaffiliation of Crédit Mutuel Arkéa from the Crédit Mutuel group could have commercial impacts on Crédit Mutuel Arkéa. However, work in progress has shown that the consequences of the occurrence of this risk are low.

Risks related to the governance of Crédit Mutuel Arkéa

The CNCM thus amended its Articles of Association by 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 force as the Articles of Association.

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 directors of the regional groups to be removed from office without any sanction procedure.

It is possible that these provisions of the Articles of Association will be implemented by CNCM, as the potential negative impact on Crédit Mutuel Arkéa can be assessed as significant.

Risks related to potential litigation

There is a risk of a legal dispute over Crédit Mutuel Arkéa's disaffiliation from the Crédit Mutuel group, particularly in connection with the application of the DCG.

In addition, the operational implementation of the disaffiliation of Crédit Mutuel Arkéa could give rise to various claims or disputes against Crédit Mutuel Arkéa by members, customers or counterparties of the Crédit Mutuel group.

Any potential litigation or recourse could have a potentially significant negative impact on Crédit Mutuel Arkéa.

Risks related to the loss of inter-federal solidarity

Crédit Mutuel Arkéa will no longer benefit, from the effective date of disaffiliation, from the national inter-federal solidarity mechanism if Crédit Mutuel Arkéa's independence from Crédit Mutuel is implemented.

However, it is specified that Crédit Mutuel Arkéa has its own solidarity mechanism that would intervene in the first instance.

A cooperation pact between all LCs and Arkéa will be signed for a period of 99 years with a view to implementing solidarity, mutual aid and support mechanisms to promote the fulfilment of the LCs' primary mission, i.e. to promote access to banking, financial and insurance services for all.

For more information on the solidarity mechanism, investors may refer to section 1.6 on Solidarity Relationships of this Universal Registration Document.

Crédit Mutuel Arkéa's exit from the national inter-federal solidarity mechanism could lead to the lowering of certain Crédit Mutuel Arkéa's financial ratings. However, it should be noted that Fitch Ratings already assigns a rating to Crédit Mutuel Arkéa independently of Crédit Mutuel without taking into account this national inter-federal solidarity mechanism.

At this stage, there is no certainty as to how this situation may develop and/or the timing of its outcome, or the impact it may have on the B Shares.

4.1.3.4 Governance risks (related to the implementation of resolution measures)

The regulation gives the resolution authority the power to initiate a resolution procedure with respect to the Crédit Mutuel group if, after application of the measures referred to in Article L. 511-31, the failure of CNCM, the central body of the group and all its affiliates is proven or foreseeable with the objective of ensuring the continuity of critical functions, avoiding the risks of contagion, recapitalising or restoring the viability of the Crédit Mutuel group. These powers must be implemented in such a way that losses, subject to certain exceptions, are borne first by the impairment or conversion of own funds instruments, then by the holders of additional Tier 1 and Tier 2 capital instruments (such as subordinated bonds), then by the holders of non-preferred senior bonds and finally by the holders of preferred senior bonds in accordance with the priority of their claims.

The resolution authority has broad powers to implement resolution tools with respect to the Issuer, or the Crédit Mutuel group, which may include, inter alia, the total or partial transfer of activities to a third party or a bridge institution, the separation of the assets of this institution, the substitution of the Issuer as debtor under debt instruments, the total or partial write-down of regulatory capital instruments dilution of regulatory capital instruments through the issuance of new equity securities, full or partial impairment or conversion to equity of debt instruments, modification of the terms of debt instruments (including modification of the maturity and/or amount of interest payable and/or temporary suspension of payments), suspension of the listing and admission to trading of financial instruments, removal of management or appointment of a special administrator.

Issuers affiliated to the Crédit Mutuel Arkéa Group are covered by the Crédit Mutuel group's internal financial solidarity mechanism. Nevertheless, creditors are reminded that the full repayment of their claims is subject to the risk of the implementation of this financial solidarity mechanism.

When the emergency plan or the measures taken in the context of solidarity are not sufficient to restore the members of the central body, including the Issuer, or if objective elements lead to the conclusion that the implementation of this emergency plan or the measures that the CNCM could take would be insufficient to restore compliance with prudential requirements, the resolution of the Crédit Mutuel group will be considered on a collective basis. Indeed, the implementation of solidarity is accompanied by a merger between the affiliates of the Crédit Mutuel group.

In a phase of proven financial difficulty (i.e. when the European Central Bank alerts the Single Resolution Council of the risk of default (principle of "Failing Or Likely To Fail" or Universal Registration Document - June 2020 | 138 FOLTF), apprehended on a consolidated basis of the Crédit Mutuel group, or the Single Resolution Council proceeds to the declaration of FOLTF on a consolidated basis of the Crédit Mutuel group in accordance with article 18.1 of Regulation (EU) 806/2014 known as "SRMR" or, as provided for in the national solidarity scheme, when the emergency plan or the measures taken by the CNCM under this scheme are not sufficient for the recovery of a failing group or if objective elements lead to the anticipated conclusion that the implementation of this emergency plan or of the measures that could be taken by the Confederation would prove insufficient to restore compliance with prudential requirements), the CNCM shall exercise, if necessary at the request of the supervisory or resolution authorities, all its powers of solidarity in order to satisfy the objectives and principles pursued by these authorities.

In the event of proven financial difficulties or in the event of resolution, solidarity between CNCM members is unlimited.

The implementation of these means and powers in relation to the Issuer or the Crédit Mutuel group could give rise to significant structural changes.

If the CNCM were to merge all of the affiliates, the creditors could find themselves competing with creditors of the same rank as the creditors of other CNCM affiliates. After the transfer of all or part of the business, creditors (even in the absence of any write-down or conversion of their claims) would hold claims in an institution whose remaining business or assets might be insufficient to meet those claims held by all or part.

If the CNCM did not merge all affiliates upon entry into resolution, the resolution authority could consider alternative resolution strategies (divestment of business, bridge institution, establishment of an asset separation structure, or coordinated internal bail-in of all CNCM affiliates). In the event that the resolution authority implements coordinated internal bail-in, the liquidity of the CNCM affiliates and all capital instruments, eligible liabilities could be called upon to absorb losses, and recapitalise the CNCM affiliates. In this case, the write-down or conversion of eligible liabilities would follow the rank of the creditors in receivership. The internal bail-in would be based on capital requirements at the consolidated level but applied pro rata at the entity level, i.e. the same rate of write-down or conversion will be applied to all shareholders and creditors of the same class notwithstanding the issuing legal entity in the network.

The exercise of the powers described above could result in losses to investors.

4.1.4 Risk summary

4.1.4.1 Risk Matrix

Risks are classified by broad categories. Within each category, the risk factors are ranked in order of importance:

- 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 deemed "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 risk history (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, in the event of materialisation:

- The magnitude in case of occurrence is deemed "low" if the risk does not have a significant impact on the liquidity and solvency ratios;
- The magnitude in case of occurrence is deemed "medium" if the risk significantly affects the annual result and ratios, but does not compromise the announced remuneration of the various investment vehicles (shares, debt securities);
- It is deemed "high" if the risk is such as to compromise 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 and regulatory risks are not mentioned in this matrix because they are taken into account in other risk typologies measured elsewhere in this matrix (credit, interest rate, market), for which they play an inducing role.

Crédit Mutuel Arkéa's 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 ICT*)	Medium		Medium		Medium
Non-compliance risk (including money laundering)	Low		Medium		Low
Legal risk	Low		Low		Low
Model risk	Low		Medium		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
Climate risk					
Climate risk	Medium		Low		Low
Strategic risk					
Risk related to the disaffiliation project	Medium		Low		Low

Legend

Low	Low
Medium	Medium
High	High

*ICT information and communication technology

The risk factors identified within Crédit Mutuel Arkéa do not deviate from the risk appetite framework defined by Crédit Mutuel Arkéa. Thus, their materiality does not exceed a stage deemed "Medium".

4.

4. RISKS

Risk factors

4.1.4.2 Definition of risks

Typology of risk	Definition of risk
Credit risk	Risk incurred in the event of default by a counterparty or counterparties considered as the same group of customers, within the regulatory meaning of this expression. 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 and 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	Risk of losses resulting from inadequate or failed internal processes, personnel and systems or from external events, including legal risk. 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, and model risks.
Fraud risk (including information and communication technology risks)	Internal risk including <ul style="list-style-type: none"> ■ Rogue trading (carrying out 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: repetitive fraud or fraud of the big bang type. External risk including: intrusion into the IS, data integrity breach, data theft, etc.
Risk of non-compliance	Risk of judicial, 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 whether they are professional and ethical standards, or instructions from the 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 imprecision, deficiency or insufficiency that may be attributable to the reporting company in respect of its operations.
Model risk	Risk of adverse consequences – financial loss and/or possible damage to the group's reputation – resulting from defects in the design, implementation or use of models.
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 the risk of mismatch, 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 time frame 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 redemption risk, mortality risk, incapacity/disability, longevity, catastrophe. ■ 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 price of financial instruments that make up a portfolio of assets or possibly liabilities. 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 on the assets side of the balance sheet.
Currency risk	Risk related to the variation of the rate of a currency against another reference currency.
Risk related to the disaffiliation project	Idiosyncratic risk inherent in the plan to disaffiliate the Crédit Mutuel group.
Climate risk	Risks related to the climate and the environment commonly considered to include two main risk factors: <ul style="list-style-type: none"> ■ Physical risk refers to the financial effects of climate change (including increased extreme weather events and gradual climate change) and environmental degradation (such as air, water and land pollution, water stress, biodiversity loss and deforestation). ■ Transition risk is the financial loss that an institution may incur, directly or indirectly, as a result of the process of adapting to a low-carbon and more environmentally sustainable economy. It can arise, for example, from the relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

(1) Source: Guidance on the management of interest rate risk inherent in non-trading book activities, EBA/GL/2018/02, July 19, 2018.

(2) Order 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 et de Résolution (Prudential Control and Resolution Authority).

4.2 Risk management function

4.2.1 Introduction to Crédit Mutuel Arkéa'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.

In view of its level of shareholders' equity and the comparative levels of its return on equity and solvency ratios, Crédit Mutuel Arkéa'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 maintain the commercial relationship with customers. It is a unique feature of Crédit Mutuel Arkéa's cooperative model, where the shareholder-member is also a customer and gives priority to the quality of a lasting relationship with his bank over the return offered by the share capital he holds. The criterion of return on share capital is part of an overall medium- or long-term assessment, without immediacy.

In line with the above-mentioned link between risk and profitability, Crédit Mutuel 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 organisation 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 Crédit Mutuel Arkéa's risk management function

The general mission of the "risk management function" is, in accordance with regulatory requirements (cf. the order of November 3, 2014), to ensure the implementation of Crédit Mutuel Arkéa's risk measurement and monitoring systems.

Its organisation covers all the risks of all the group's entities. On a consolidated basis, it provides an overall view of all the risks associated with the group's banking and non-banking activities on a cross-functional and forward-looking basis.

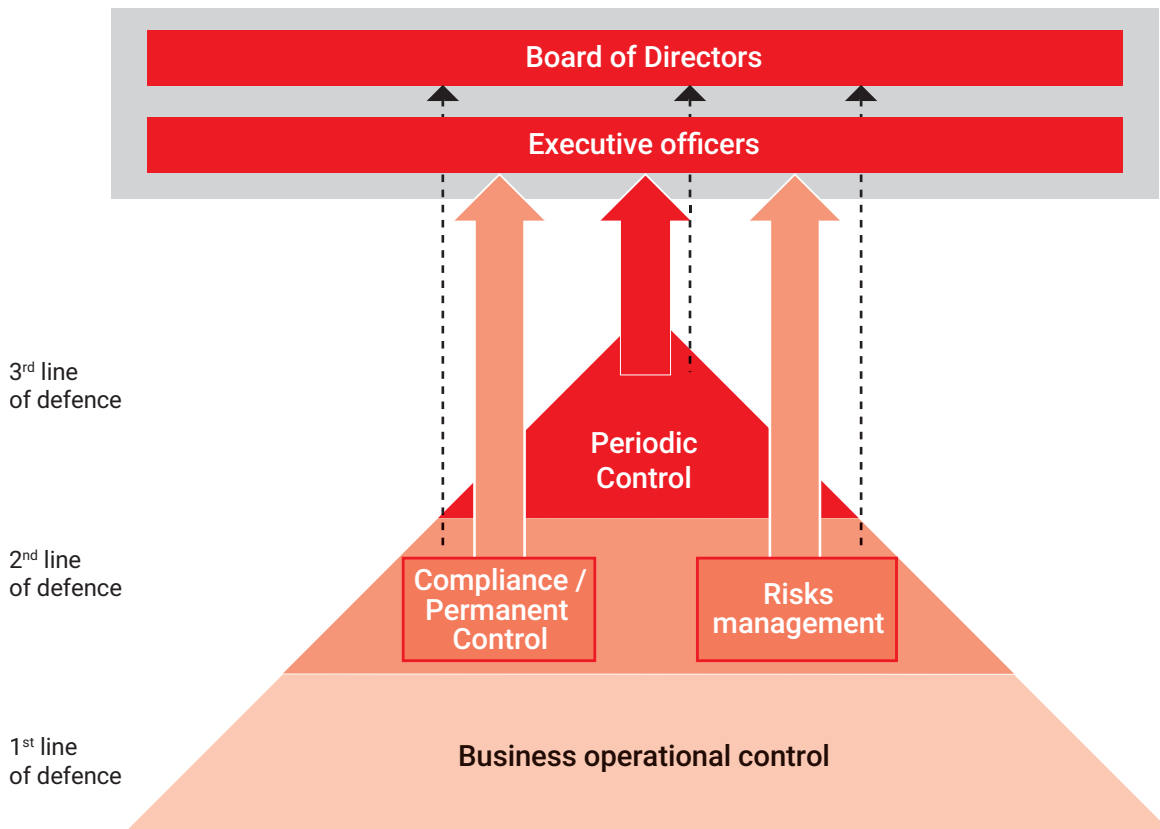
The purpose of the "risk management function" is to ensure that the level of risks incurred is compatible with the guidelines set by Crédit Mutuel Arkéa's supervisory body, which has set the following priority objectives in this area:

- Operate within limits consistent with its *Raison d'être*, overall performance strategy and objective, financial capabilities and regulatory risk requirements;
- To deliver high-quality, relevant, controlled information to the supervisory body and to the group's actual managers and supervisory authorities, with each group entity being responsible for managing its risks.

4. RISKS

Risk management function

The risk management function is part of the global governance framework for risk and internal control represented below:



Responsibility within Crédit Mutuel Arkéa is assigned to Crédit Mutuel Arkéa's Head of Risk Management, who is independent of the business lines and reports to the Associate Chief Executive Officer in charge of the Development Support Division and the executive 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 organising the smooth operation of this function, ensuring that effective management and the group's supervisory body are properly informed, and ensuring and/or participating in the application of group procedures for his or her area of responsibility.

It intervenes upstream and downstream of operational risk management by the entities and provides consolidated risk monitoring at group level. The results are communicated, using appropriate media and frequency, to the Risk Committee and to the group's senior 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 organised functionally, in addition to the hierarchical organisation. Each institution in the group, whether a bank or not, appoints a manager for the "risk management function" for its perimeter, with one manager per 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 the "risk management function" of each entity and the designated 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 a governance of the "risk management function", homogeneous and based on the same model whatever the group entity and whatever the risk;
- And by common methods, procedures and tools enabling both "local" management by entity and global management at group level.

This organisation of the "risk management function" and the resources at its disposal contribute to the compliance of Crédit Mutuel Arkéa'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 Crédit Mutuel Arkéa's Board of Directors for adoption.

4.3 Credit risk

NB: the data below is presented pro-forma for the current year, unless otherwise stated.

Credit risk is the risk incurred in the event of default by a counterparty or counterparties considered as a single group of customers, within the regulatory meaning of this term.

For credit risk, the calculation of weighted risk is organised according to two distinct approaches: the IRB method and the standard method. As of 12.31.2020, exposure at the time of default amounted to €119.1 billion, of which €77 billion under the IRB approach and €42.1 billion under the standard approach. The weighted credit risk amounted to €37.6 billion.

4.3.1 Customer 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 decree of November 3, 2014 on the internal control of companies in the banking, payment services and investment services sector, which are subject to supervision by the Autorité de Contrôle Prudentiel et de Résolution.

4.3.1.2 Risk selection system

In accordance with regulations, internal ratings are at the centre of the credit granting process and are used to determine both the decision limits and the commitment ceiling 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 Crédit Mutuel Arkéa's Board of Directors. Requests for financing exceeding the decision limits specific to each network or subsidiary are submitted to the group Credit Committee. Beyond the limits set by 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 integrate, depending on the case, the following elements:

- External data (entry in the national file of incidents involving the repayment of loans to individuals, banking ban, Banque de France rating, outstanding amounts declared 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 transactions and the units responsible for validating or supervising them.

The tools set up by the group enable the rapid detection of risky situations (unpaid, irregularities, 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 customer's situation and rapidly implementing the necessary measures and monitoring the regularisation of the customer's situation.

At the second level, overall monitoring of risks is carried out by Crédit Mutuel Arkéa's Risk Department (monitoring of major risks, detection of downgraded commitments, analysis of the main doubtful and disputed cases).

4.3.1.2.2 Reporting

The members of Crédit Mutuel Arkéa's Executive Committee are provided with a monthly report on customer credit risks. 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 Crédit Mutuel Arkéa's Board of Directors.

Finally, the group's credit risk situation is also presented to the group Risk Monitoring Committee, which meets quarterly. It is also included in the quarterly group risk scorecard, which is sent and presented to Crédit Mutuel Arkéa's Executive Committee and then to the group's Risk and Internal Control Committee.

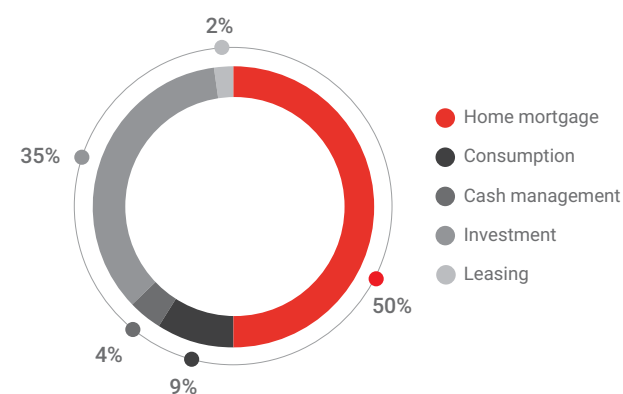
4.3.1.3 Analysis of outstandings

4.3.1.3.1 Outstanding customer loans

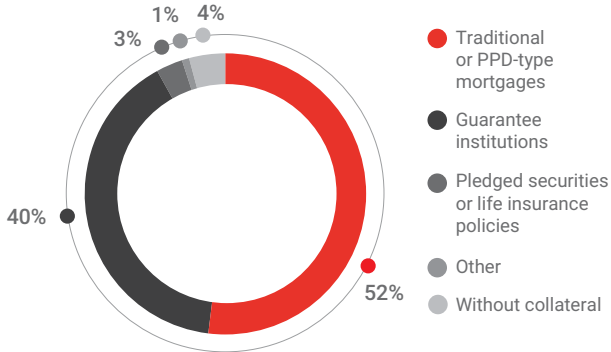
At December 31, 2020, Crédit Mutuel Arkéa's balance sheet and off-balance sheet customer assets amounted to €82.4 billion. On-balance sheet loans (including capital and related receivables) amounted to €67.9 billion, up 9.8%.

These mainly concern moderate-risk sectors where the unit amounts of loans granted are generally limited. Housing loans account for nearly half of outstanding loans. The strong regional presence also favours proximity and good knowledge of borrowers.

Breakdown of outstanding loans on the capital balance sheet



Breakdown of home mortgage outstandings by type of collateral

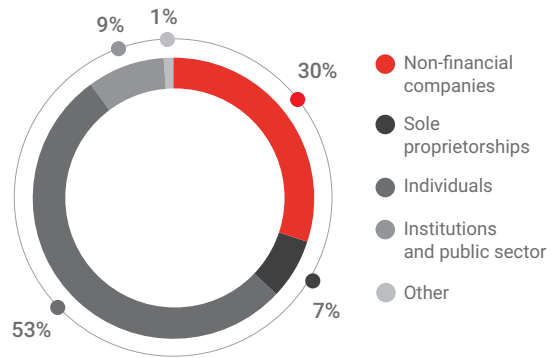


4.3.1.3.2 Dispersion of customer loans outstanding

The dispersion of the customer loan portfolio is satisfactory from a risk point of view:

- By type of borrower;
- By business field.

Outstanding balance sheet commitments by type of borrower



Outstanding loans to individuals represent more than half of balance sheet outstandings.

Sectoral breakdown of gross exposure (balance sheet and off-balance sheet outstanding) of professionals and companies



The gross exposure (balance sheet and off-balance sheet outstandings) of professionals and companies amounted to €27.6 billion, i.e. 33% of total exposure. The sector best represented is real estate (social landlords and property companies) with 17% of gross commitments.

4.3.1.3.3 Portfolio credit risk quality

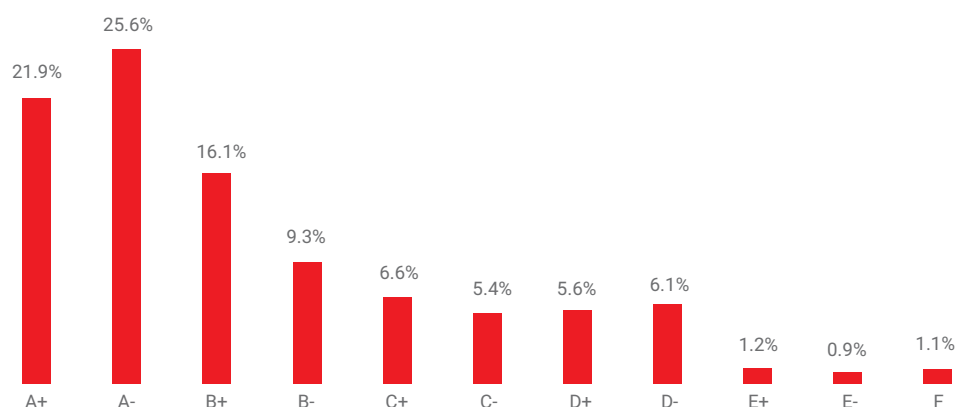
The risk quality of the customer loan portfolio is assessed through internal customer ratings.

A client's internal rating, at a given point in time, corresponds to an assessment of the risk that the client will not honour its repayment commitments within the next 12 months. Updated daily to take into

account possible risk events, it is expressed on a scale of 11 ratings, ranging from the highest rating of A+ (lowest risk) to the lowest rating of F (highest risk). The internal E- and F ratings group together doubtful and disputed loans, while the nine other ratings group sound loans.

Healthy outstandings totalled 97.9% of total outstandings and doubtful and disputed outstandings (E- and F ratings) accounted for 2.1%.

Breakdown of balance sheet (capital) outstandings by rating level at the end of 2020



Presentation of doubtful and disputed receivables (CDL)

Markets	2019		2020	
	Amount (€m)	%	Amount (€m)	%
Individuals	615.2	42.8%	604.7	41.9%
Non-financial companies	622.4	43.3%	624.7	43.3%
Sole proprietorships	200.2	13.9%	213.2	14.8%
TOTAL	1,437.9	100.0%	1,442.7	100.0%

* including farming

The group's doubtful and disputed receivables (capital and interest balance sheet) remained stable over the financial year and amounted to €1,442.7 million at the end of 2020 compared with €1,437.9 million at the end of 2019. The rate on total outstandings declined to 2.1% compared with 2.3% at the end of 2019.

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 having or about to have difficulties 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 for 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 maintenance in default is carried out for a minimum period of one year.

According to these definitions, restructured loans represent €575 million (in capital) or 0.85% of Crédit Mutuel Arkéa's total outstandings. 423 million are downgraded to doubtful or disputed loans, while 152 million euros are recorded as performing 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 based on an expert's assessment. Financo has a special feature in that it has a statistical provisioning system for all of its doubtful or disputed loans to individuals.

The provision rate for doubtful and disputed receivables (principal + interest) was 54.3% at the end of December 2020 compared with 56.7% in December 2019. This rate is 70.4% for companies, 52.6% for sole proprietorships and 38.1% for individuals.

In the current economic climate, Crédit Mutuel Arkéa has remained prudent in its approach to customer credit risk in 2020.

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, a provision for credit risk is made as soon as the loan is granted. The provisioning of each contract is also calculated according to an estimate of the "expected" loss, determined on the basis of risk parameters whose calculation methods and values are specific to Crédit Mutuel Arkéa.

In response to the current crisis caused by the Covid-19 pandemic, the calculation of provisions on sound loans has been adapted to anticipate an increase in defaults across the entire population and in particular a sharp rise in insolvencies. Thus, the scenarios for calculating provisions have been tightened on all sound loans and specific provisions have been added to take into account a more marked impact on the sectors of activity most affected by the different confinements (restaurants, tourism, hotels and transport for example).

As a result, the balance sheet provisioning rate for sound customer loans rose to 0.53% compared with 0.44% at 12.31.2019, representing a total of €349 million in provisions for sound loans (balance sheet).

4.3.1.4.2 Cost of risk

The cost of customer credit risk corresponds to the net allocation to provisions and losses not covered by provisions, less recoveries on amortised loans. It amounts, including provisions on healthy loans, to €158.1 million in 2020 compared to €95.1 million in 2019. It consists of a cost of risk of €70.8 million on downgraded loans and €87.3 million on sound loans.

The cost of risk on sound loans has changed significantly in 2020 and more particularly on bucket 2 in order to anticipate an increase in defaults in 2021. The cost of risk on doubtful or disputed loans remains at a level close to that of the previous year. Compared to the balance sheet outstanding customer loans, the cost of risk remains contained and stood at 0.23% at December 31, 2020 compared to 0.16% at December 31, 2019.

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 and conditions granted to the customer according to a generally accepted approach, in the spirit of the 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, with the cost of exceptional or "unexpected" risk being, in principle, to be covered by equity capital.

4.3.2 Credit risk on market counterparties

4.3.2.1 Group-wide limit device

Crédit Mutuel Arkéa 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 (EU) No. 575/2013, known as "CRR") that 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 Crédit Mutuel Arkéa's Board of Directors. They are set on the basis of 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.

As regards proprietary market activities, individual limits are set, in terms of amount and duration, mainly by reference to Crédit Mutuel Arkéa's equity and earnings, as well as to the "fundamentals" of the counterparty (equity, debt and ratings).

Requests for limits for a given counterparty are examined by Crédit Mutuel Arkéa's Counterparty Committee, which bases its decision on the reasoned opinions of Crédit Mutuel Arkéa's Risk Management Department, which is responsible for analysis, monitoring and second-level control. First level control is carried out by the structures carrying and/or managing the outstanding amounts on the counterparties.

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 taken by the Board of Directors of Crédit Mutuel Arkéa.

4.3.2.2 Reporting

The group's Counterparty Committee regularly reviews the credit risk related to market transactions.

A quarterly risk report is drawn up and communicated to the members of Crédit Mutuel Arkéa's Executive Committee. It includes an update on compliance with credit risk limits on market counterparties.

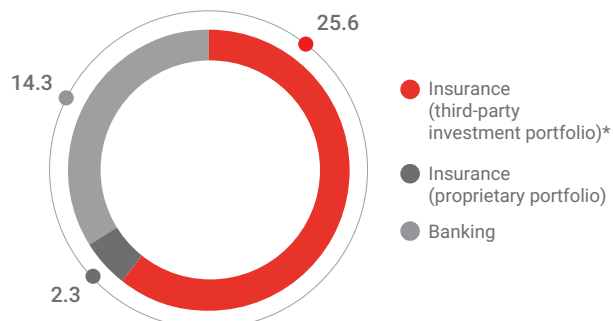
An update on compliance with credit limits is given at each meeting of the Board of Directors of Crédit Mutuel Arkéa.

4.3.2.3 Analysis of credit risk on market counterparties

4.3.2.3.1 For the entire scope

€42.2 billion (unless otherwise stated, the amounts below are expressed at redemption value) at December 21, 2020, broken down as follows:

Breakdown by structure (in € billions)



* Insurance (Third-party): assets representing euro-denominated funds

The group is directly exposed to credit risk only on the own-account portfolios of the insurance (€2.3 billion) and banking (€14.3 billion) companies. For the latter, the exposure to credit risk results mainly from the replacement of surplus cash.

€25.6 billion in third-party investments by the insurance company Suravenir is mainly borne by policyholders via the return they receive on euro-denominated funds.

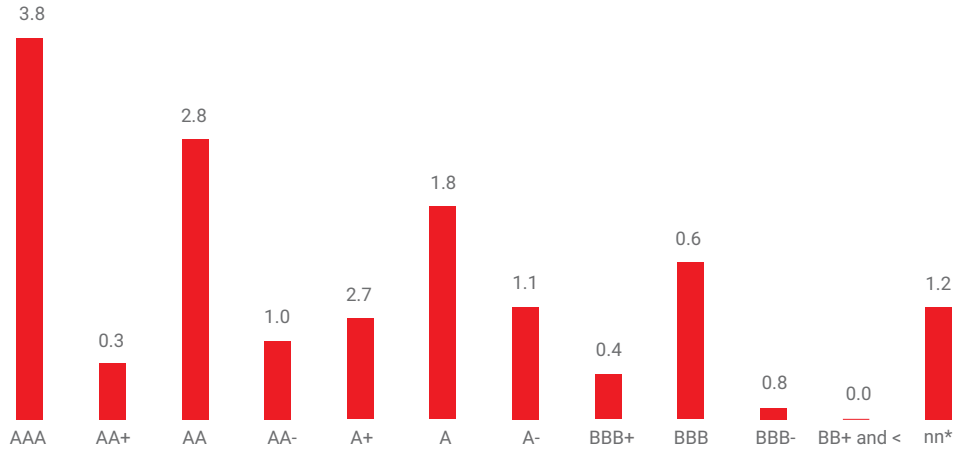
Crédit Mutuel Arkéa's analysis of counterparty risk is based on its own internal rating system as well as on the ratings of the rating agencies.

4.3.2.3.2 For the scope of proprietary portfolio (insurance and banking)

€16.6 billion of investments in the bank and insurance proprietary accounts mainly concern issuers with the best external ratings: 82% have external ratings of between AAA and A-.

Breakdown by external rating Proprietary investment portfolio

(in € billions)

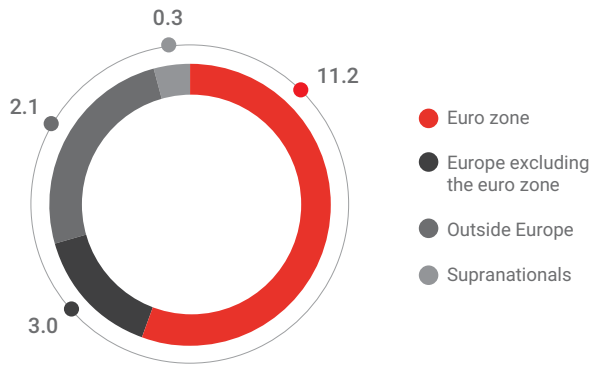


* nn: issuers not monitored by the benchmark rating agencies (S&P, Moody's and Fitch).

86% of the investments in this scope concern European issuers, 53% of which are French issuers.

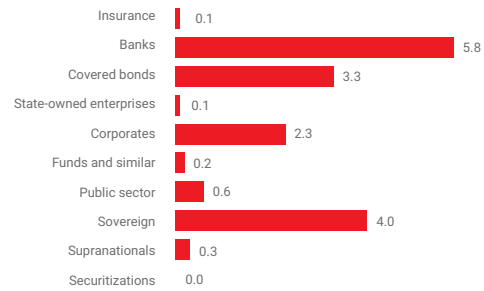
Breakdown by geographic area – Proprietary investment portfolio

(in € billions)



Breakdown by issuer category – Proprietary investment portfolio

(in € billions)



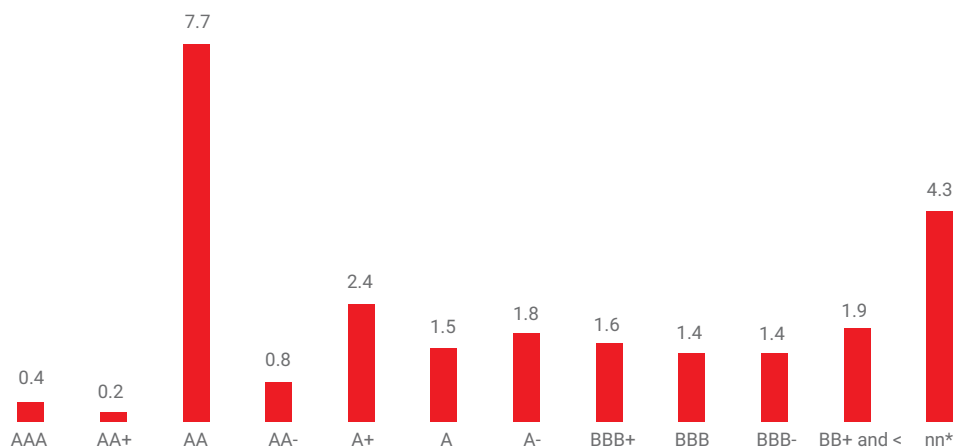
From a sectorial point of view, the investments of the bank and insurance own accounts are mainly carried out on two main types of issuers:

- The banking sector (banks and covered bonds) for 55%;
- Sovereigns, supranationals, public authorities and the public sector for 30%.

4.3.2.3.3 For the scope of Suravenir's third party investment portfolio

€25.6 billion, Suravenir's third party investment portfolio is mainly invested in issuers with the best external ratings: for 58% of them, external ratings are in fact between AAA and A-.

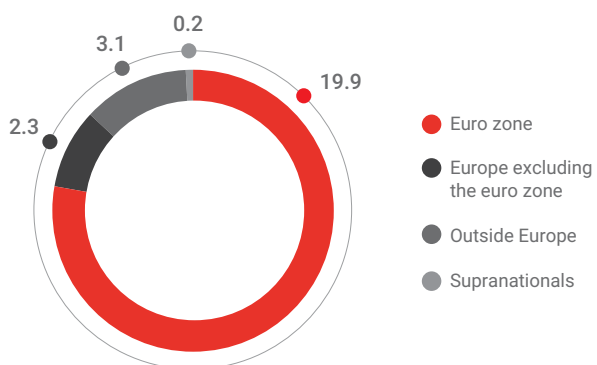
Breakdown by external rating Suravenir third-party investment portfolio (in € billions)



* nn: issuers not monitored by the benchmark rating agencies (S&P, Moody's and Fitch).

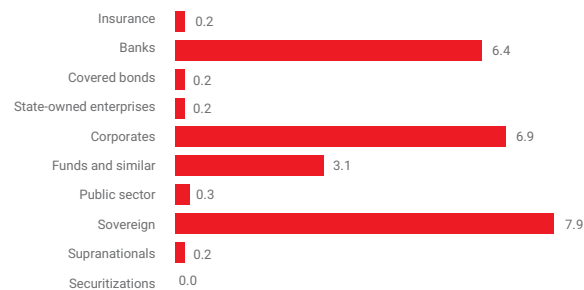
Breakdown by geographic area – Suravenir third-party investment portfolio

(in € billions)



Breakdown by issuer category – Suravenir third-party investment portfolio

(in € billions)



From an industry point of view, Suravenir's third party account is mainly present on two main types of issuers:

- The banking sector (banks and covered bonds) for 26%;
- Sovereigns, supranationals, public authorities and the public sector for 34%.

4.4 Operational risk

4.4.1 The operational risk management function

4.4.1.1 Organisation

Crédit Mutuel Arkéa has chosen to apply its operational risk management system to all its components, including those not directly subject to Basel III regulations (life insurance subsidiaries, property and casualty insurance, etc.).

The general framework for controlling operational risk is based on the functional coordination provided by the Operational Risk Department, a component of Crédit Mutuel Arkéa's Risk Management Department.

This department, consisting of two departments (Operational Risk Department and IT Risk Department) defines group policies in terms of risk management, consolidates 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 manager of the "operational risk" management function, on:

- the operational risk correspondents who report to each subsidiary's management, and who are the relay for the Operational Risk Department for the application of the operational risk management policy within each structure;
- Information systems security managers in subsidiaries, in charge of implementing the group's IT Security Policy (ITSP);
- a team, located within it, dedicated to managing and monitoring the operational and IT risks of the Crédit Mutuel Arkéa credit institution (central departments, local banks and central services of the 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 of operational risk as part of the calculation of the capital requirement.

In addition, and in order to cover its main operational risk areas, cross-functional systems are defined by the Operational Risk Department and deployed across all entities. They concern in particular

- the security of the IT;
- the implementation of emergency and business continuity plans;
- management external fraud prevention efforts;
- managing the risks associated with outsourcing.

4.4.1.2 Reporting

Quarterly reporting is prepared by Crédit Mutuel Arkéa's Risk Management Department and communicated in various formats:

- to the group Risk Monitoring Committee;
- to the group Executive Committee;
- the Risk and Internal Control Committee of Crédit Mutuel Arkéa;
- to the Board of Directors of Crédit Mutuel Arkéa.

This reporting covers four main themes:

- the observed loss rate;
- the results of the tests of the emergency and business continuity plans (PUPA);
- risk self-assessment, resulting from the mapping of operational risks;
- IT risk.

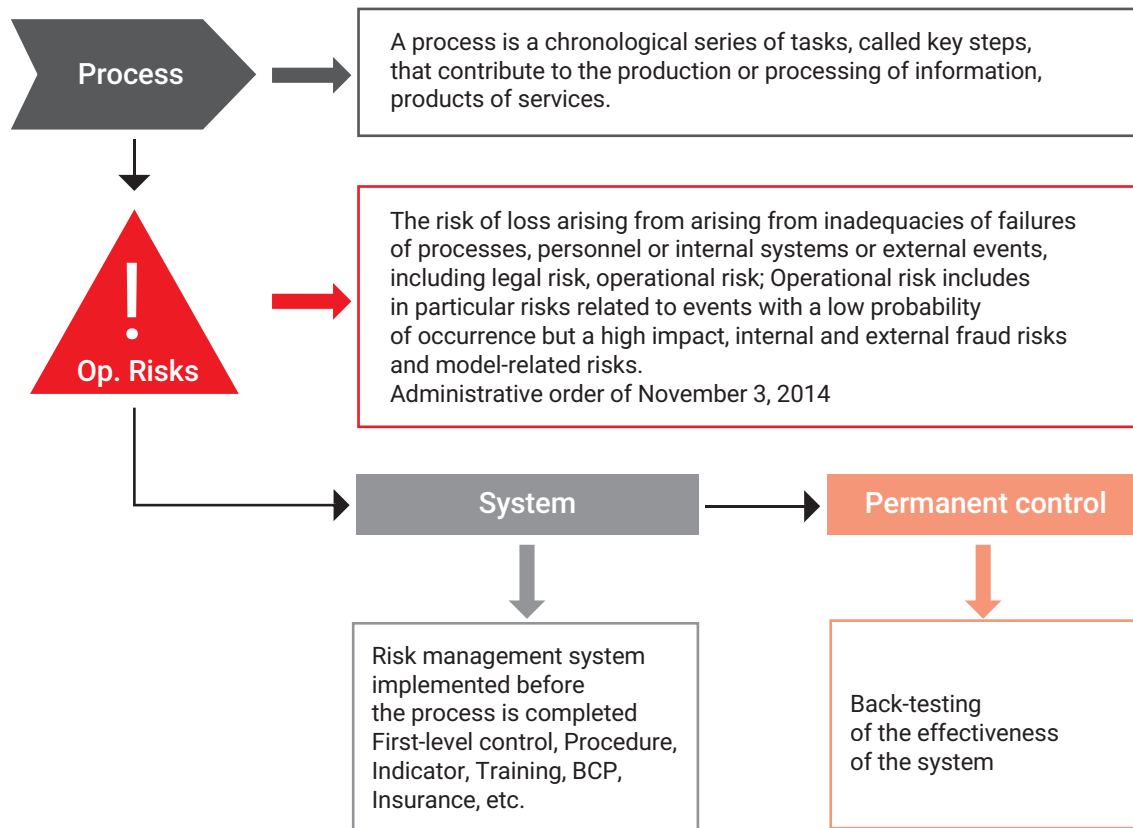
4.4.2 Measurement of operational risks

The measurement of Crédit Mutuel Arkéa's operational risk 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 recourse to 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 the mapping of processes and risks.

The self-assessment of operational risk is based on an internal approach called "PRDC" for "Process-Risk-Management 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, evaluation and prioritisation of operational risks;
- Systems: identification and evaluation of inherent risk control systems (means to reduce risks or their impacts) classified according to their nature (procedures, first-level operational control, tools, training, alerts, insurance, PUPA);
- Permanent 2nd 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 carried out on a scale of 8 levels of frequency and 10 levels of severity.

This approach covers all Crédit Mutuel Arkéa's activities. Given the level of computerisation of processes, the effectiveness of risk management systems relating to the information system is examined with particular attention.

4.4.3 Modelling operational risks

4.4.3.1 Organisation

Since January 1, 2010, the group has been authorised to use its Advanced Measurement Approach to calculate regulatory capital requirements for operational risk for a large majority of its companies.

Crédit Mutuel Arkéa participates in projects undertaken at national level by the entire Crédit Mutuel group. In this context, 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 the group to maintain the level of expertise and responsiveness required to model operational risks and quantify their capital requirements.

In addition, Crédit Mutuel Arkéa inputs risk indicators for "severity" risks and the distribution of claims for "frequency" risks into the calculation of capital requirements for Crédit Mutuel.

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 histories 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 various 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 different entities of Crédit Mutuel as a whole. For Crédit Mutuel Arkéa, the regulatory capital requirement for operational risk is €192.2 million at the end of 2020.

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 use the deduction from insurance policies taken out to cover its operating 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 determined risk profile (scope covered, full cover).

The insurance coverages used to date in the deduction process are those relative to the insurance coverage of the company:

- damage to movable and immovable property (multi-risk);
- to fraud ("global bank" insurance);
- to professional civil liability (PCR);
- to cyber risks.

Crédit Mutuel Arkéa's insurance programmes comply with Basel III eligibility criteria (rating, initial term, residual term, termination notice, etc.).

4.4.4 Business continuity

The purpose of the Emergency and Business Continuity Plan (PUPA), as defined in the decree of November 3, 2014, is to take rapid action in the event of a crisis situation in order to minimise the impact of a major disaster on Crédit Mutuel Arkéa's activities and its customers. The activities concerned are essential or important 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 period of interruption of that activity.

In line with Crédit Mutuel Arkéa's crisis management procedure, the group's contingency 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 players in the various crisis units:

- the decision-making crisis unit (head: the Chief Executive Officer of Crédit Mutuel Arkéa);
- the operational crisis unit (headed by Crédit Mutuel Arkéa's Chief Risk Officer);
- the crisis recovery unit (responsible: the 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 manager of the entity or activity concerned. The latter designates a PUPA manager who is responsible for the implementation and operational maintenance of the entity's PUPA.

The overall consistency of all PUPAs is ensured by the Operational Risk Department within Crédit Mutuel Arkéa's Risk Management Department. In this capacity, the Head of the group PUPA 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 (anywhere, including at home);
- scenario 4: energy and telecommunications unavailability (failure of the power supply or telecommunication facilities);
- scenario 5: unavailability of key suppliers (key external and internal suppliers for the essential activities).

Each scenario has three phases:

1. Emergency measures;
2. The workaround solutions;
3. The return to normal.

The PUPA starts from the moment when operations are entrusted to the operational crisis unit by decision of the decision-making crisis unit. It ends when a return to normality 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 result in the group being held liable in connection with its activities.

The group's Legal Department is part of the Development Support Division, which reports to the Associate Chief Executive Officer, who is also a member of the Executive Committee.

Crédit Mutuel Arkéa 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 lead to increased constraints on the exercise of activities 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 centralised team of nearly 50 lawyers in addition to the community of lawyers operating in the subsidiaries. In the interests of efficiency, the networks' litigation activity has been centralised in order to ensure that cases are handled consistently and optimally. At the same time, the Legal Department increased its staff and continued to refine its policy for managing outside legal counsel.

Since 2017, the new organisation of the Legal Department has enabled it to:

- fully play its role as guarantor of the group's legal security;
- leading a legal coordination committee with all of the group's legal managers to encourage cross-functional collaboration and networking;

Provisions have been set aside for legal risks outstanding at December 31, 2019 that are likely to have a negative impact on the group's assets and liabilities, in accordance with the best estimate made by Executive Management on the basis of the information available to it.

Only 4 files have claims above €1 million for a total of €25 million. 850,000 has been set aside for them. The most important request, includes 2 files that are not subject to a provision, as the merits of the requests have not been established, which is confirmed by a decision obtained on November 6, 2018.

In view of these factors, no dispute is likely to have a material impact on Cr dit Mutuel Ark a's financial position.

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 by 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 force as the Articles of Association.

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 directors of the regional groups to be removed from office without 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 (DCCP)

In order to maintain the confidence of its customers and stakeholders in its products and businesses, the group constantly strives to protect the interests of its customers while preserving its integrity and reputation.

The teams in charge of the group's compliance control 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 DCCP relies on the group's compliance charter and drives the group compliance policy. It assists the entities on a daily basis in implementing the compliance systems that it develops. Within each entity, a compliance officer reporting functionally to the group Compliance Officer advises the operational teams closest to the business lines.

This organisation is fully in line with the group's collaborative and agile spirit. Each employee is an active participant in the process and contributes through their actions to the development of a common compliance culture and the control of the risk of non-compliance.

The compliance control function ensures compliance with regulations, informs stakeholders of the challenges and risks, monitors compliance with good professional practices, the transparency of information and the consistency of systems with the group's strategy.

The DCCP carries out a regulatory watch on:

- changes in the prudential framework set out in the decree 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 out in the AMF General Regulation or the Monetary and Financial Code;
- generally speaking, any regulatory developments likely to have an impact on compliance control mechanisms (financial security, including the fight against money laundering and terrorist financing, protection of clients' interests, tax transparency, professional ethics, anti-corruption, etc.). The DCCP also participates in meetings of the French financial community.

The compliance system, described below, is deployed around 4 major axes:

- financial security including the fight against money laundering and terrorist financing (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 DCCP carries out training activities for the group's entities:

- training in compliance systems for new compliance managers and their teams when they take up their posts;
- Raising the awareness of exposed employees on themes of particular interest to the group;
- training of secondary school administrators aimed at providing them with a knowledge base on the major themes of compliance (fight against corruption and influence peddling, conflicts of interest, professional ethics and deontology, AML-FT);
- Awareness of compliance and AML-FT issues on the part of the governing bodies;
- support for compliance managers in the application of framework systems;
- Plenary meetings of compliance officers to share information on changes to the framework, tools and regulatory developments.

In each entity, the compliance officer is responsible for training the staff concerned in compliance control tools and procedures.

Local banks employees in contact with customers are trained each year according to a regulatory training schedule that changes in line with changes in regulations. In 2020, they were notably trained in the rules of professional ethics and deontology, including the prevention and management of conflicts of interest, the impact of the entry into force of the "PACTE" law, the AML-FT, regulatory changes aimed at increasing the protection of financially fragile customers, and the methods for handling customer complaints, which are recurring training topics.

The employees of the central services most at risk are also trained on specific themes according to their activity.

In investment services, in order to reduce the risk of non-compliance in relation 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 Regulation) passed an external or internal examination.

Also noteworthy is the regular training of second-level directors on the major themes of compliance. The Compliance and Permanent Control Department took part in the January 2020 seminar in order to provide directors with a knowledge base on the fight against corruption and influence peddling, conflicts of interest, professional ethics and deontology and the AML-FT. A second training session was organised in October 2020 via the training platform.

4.4.6.2 The compliance framework devices carried by the DCCP

The DCCP draws up the group's framework systems, which the group's entities are responsible for implementing according to the specific nature of their business.

4.4.6.2.1 Financial security

Anti-Money Laundering and financing of terrorism (AML/FT)

Faced in recent years with an increase in the level of risk linked to the financing of terrorism and the growing need to combat the underground economy and tax fraud in order to preserve the financial balances of states, European and French regulators have 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.

Beyond 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 during the financial year 2020 to take into account the effects of the health crisis, in addition to the regulatory changes linked to the transposition of the 5th European Directive. Thus,

increased vigilance has been implemented to ensure in particular that the funds granted via government-guaranteed loans (PGE) were used in accordance with their purpose, that the collection of short-time working benefits was consistent, and that the activity of companies specialising in the sale of sanitary equipment was supervised. Work was carried out on transaction monitoring tools and on customer due diligence at the beginning of and throughout the business relationship.

In 2020, most of the work has focused on:

- Updating the classification of money laundering and terrorist financing risks according to the five regulatory axes and, more specifically, enriching the risk factors used to calculate the level of intrinsic risk for customers;
- updating the AML-FT country classification that applies to all Crédit Mutuel Arkéa entities in the context of its international activities. This update is notably the result of an analysis of publications issued by the FATF and the French and European authorities concerning countries that are fiscally non-cooperative or that impede AML-FT or countries subject to international sanctions;
- improving the system for monitoring operations, in line with the risk classification;
- the quality of the customer knowledge files and its management, the querying of the register of beneficial owners;
- the implementation of the annual AML-FT training plan for exposed personnel;
- The annual meeting of the subsidiaries subject to regulation and the half-yearly plenaries of Crédit Mutuel Arkéa's AML-FT experts led by the Compliance and Permanent Control Department.

As every year, the procedural body has also been updated to reflect changes in regulations, guidelines and sanctions issued by ACPR, as well as publications by the TRACFIN financial intelligence unit.

Investment services

The framework arrangements under the AMF General Regulation are intended to cover the activities of group entities subject to market abuse and financial instrument market regulations.

The group thus ensures that its activities comply with the rules defined in this area:

- the circulation of confidential and privileged information and the prevention of insider trading;
- intervention on financial instruments;
- post-trade transparency;
- prevention and detection of market abuse;
- detection and management of conflict of interest situations.

A tool to monitor transactions in order to detect market abuse completes the procedural body.

4.4.6.2.2 Professional ethics and deontology

Each group entity draws up and updates its reference texts on ethics and professional conduct based on the group's framework, internal regulations, Code of Conduct and Code of Ethics.

Right to professional alerts

In addition to the usual channels for reporting malfunctions, consisting of the line management, internal control and employee representative bodies (Article 36 of the Decree of November 3, 2014 on internal control), the group has the following in accordance with Article 37 of the Order of November 3, 2014 relating to internal control and Law No. 2016-1691 of December 9, 2016 relating to transparency, the fight against corruption and the modernisation of economic life ("Sapin 2" Law), a group framework mechanism relating to "whistleblowing". The right of whistleblowing is included in Arkade's Internal Regulations and all of the requirements of the "Sapin 2" Act relating to the internal whistleblowing system are set out in the group's "Fight against corruption and influence peddling" framework.

Each employee has the option of reporting internally to the referents designated by Arkéa, i.e., the compliance officers, when he or she has good reason to believe 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 activities.

The procedure governing this warning system, which is accessible to all group employees, reminds them that the whistleblower benefits from special protection.

Crédit Mutuel Arkéa's operating procedures, the group framework procedure and the form for reporting a professional alert are made available to employees of Crédit Mutuel Arkéa on the group intranet via a portal that provides access to the internal professional 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 includes the grounds for reporting:

- malfunctions in the implementation of compliance obligations;
- serious facts covered by the definition of a whistleblower (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 or the ACPR.

Anti-corruption and influence peddling

Since 2017, Arkéa has been implementing a group-wide "Fight against corruption and influence peddling" framework that integrates the new anti-corruption measures introduced by Law 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 whistleblowers within legal entities under public or private law or State administrations.

The device:

- defines the key concepts (active and passive corruption, influence peddling, fraud, collusion);
- details the prevention mechanisms set up 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;
- sets out the penalties incurred: disciplinary or financial penalties that may be imposed by the French Anti-Corruption Agency (AFA), criminal penalties.

The governing body of each group entity appoints a compliance officer, responsible for leading the deployment, implementation, evaluation and updating of the anti-bribery compliance programme, in close cooperation with the entity's stakeholders.

The compliance officer appointed for Crédit Mutuel Arkéa is the Head of Crédit Mutuel Arkéa's Compliance Department.

Supervision of "Interest Representatives".

Pursuant to the provisions on transparency in public life, a procedure applicable to credit institution 15589 defines the capacity of interest representatives, whose main or regular activity is to influence public decision making. Credit institution 15589, which has been listed on the www.hatvp.fr directory since 2017, filed its report on March 30, 2020 in accordance with its regulatory obligations.

Conflict of interest

Crédit Mutuel Arkéa has a dedicated policy approved by its Board of Directors that sets out the principles for detecting, preventing, managing and recording situations of conflict of interest within the group.

Point 2.6 of this Universal Registration Document sets out in detail the content of the system set up 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 aimed at ensuring that customers' interests are respected, from the design of products and sales tools, the choice of partners, through product or service marketing practices (advertising, precontractual information, duty to advise) to the conclusion of the contract and the handling of complaints.

The group's framework measures contributing to customer protection within the group concern the handling of complaints; account entitlement; protection of financially fragile persons; banking mobility; inactive safes; intermediation (prescription); prior approval of the compliance of new products and projects; product governance and supervision; and protection of personal data.

Other systems listed as falling within the scope of financial security on the one hand (client knowledge of investment services, obligations to inform clients about investment services, "best execution and selection" obligations, registration obligations, incentives for investment services, protection of assets) and the scope of professional ethics and professional conduct on the other hand (fight against corruption and influence peddling, management of conflicts of interest, professional warnings-whistleblowing) also contribute to the protection of clients' interests.

These framework procedures are regularly updated to take into account regulatory changes and/or internal developments.

In addition to reviewing the procedural body, Crédit Mutuel Arkéa, which places the customer at the heart of its concerns, has also continued its actions to protect the interests of its customers.

In this respect, it is worth noting the proactive approach towards financially fragile customers that has resulted since 2018 in the creation of the Banking Inclusion Coordination Committee (CCIB), a governance body responsible for steering the system within the group and supervising work to improve the assistance provided to financially fragile customers.

In 2020, the committee continued its work to:

- implement the regulatory changes that came into force in 2020;
- make the criteria for detecting fragile customers more reliable and improve them;
- enrich the offer proposed to fragile customers;
- promote the specific offer;
- support the local banks networks in the implementation of the system.

The actions implemented are set out in more detail in the chapter dedicated to the inclusion of people in situations of fragility in the Non-Financial Performance Statement.

The group also pursued its efforts to continuously improve processes by holding the quarterly committee for the qualitative analysis of Crédit Mutuel Arkéa's customer complaints and the community of practices for handling complaints, which, as in previous years, brought together the group entities that handle complaints to share best practices.

Protection of personal data

The Personal Data Protection Department ensures that credit institution complies with the RGPD (general regulations on data protection) and manages the group's personal data protection system. To carry out its tasks, the department has five staff members and can rely on a network of contacts within each Crédit Mutuel Arkéa company. Thanks to this system, the objectives are to:

- continue to monitor the compliance of Crédit Mutuel Arkéa companies and, in particular, continue to review processing;
- follow the action plan of the monitored entities;
- ensuring staff awareness of personal data protection and the obligation of training for all new recruits;
- follow up on requests to exercise the rights of the persons concerned;
- follow up on data disclosures;
- manage complaints received by the CNIL;
- piloting and analysing the transversal control framework;
- ensure the related regulatory watch.

4.4.6.2.4 Fiscal transparency

Crédit Mutuel Arkéa has set up a framework for managing the regulatory obligations applicable to financial institutions concerning the automatic exchange of information relating to financial accounts. It covers the provisions of the American FATCA law and the international standard on tax transparency known as OECD/CRS.

In addition, in accordance with the DAC 6 Directive, the group now complies with the reporting obligations of intermediaries with regard to cross-border tax arrangements that meet the risk of tax avoidance or tax optimisation criteria.

4.5 Structural interest rate and liquidity risks

4.5.1 Organisation

The objective of the ALM management function is to steer the group's major financial balances over a medium to long-term horizon. In addition to allocating equity capital, its missions consist of measuring, monitoring and recommending actions to optimise liquidity risk and interest rate risk (exchange rate risk being marginal).

It is carried out both by a dedicated, centralised structure – Crédit Mutuel Arkéa's ALM Management Department, which reports to the Financial Department, which oversees the balance sheet balances of Crédit Mutuel Arkéa as a group and of Crédit Mutuel Arkéa as a whole – and by the finance departments of the subsidiaries, which operate 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 Management Department. The risks of the insurance subsidiaries are monitored at their level, under the supervision of the group Capital and ALM Management Committee.

Steering is organised on three levels:

- 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 Capital and ALM Management Committee. Subsidiaries' limits are adopted by their supervisory bodies within the framework defined at group level;
- the Capital and ALM Management Committee carries out strategic steering and controls the exposure of the group and its components. Chaired by the group's Chief Executive Officer, it met eight times in 2020;
- 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 Capital and ALM Management Committee. The group's Operational ALM Committee meets on a monthly basis.

Crédit Mutuel Arkéa is solely responsible for financial market transactions, enabling it to control and optimise the management of the group's liquidity and interest rate risks. Hedging decisions taken by the banking entities are therefore exclusively carried out by Crédit Mutuel Arkéa.

The reporting data relating to the main indicators of the capital and balance sheet risk management policy are included in the management charts for the attention of Crédit Mutuel Arkéa's senior management, the Risk and Internal Control Committee and the Board of Directors. The Board of Directors and senior management of Crédit Mutuel Arkéa are thus informed of any group limits that are exceeded and must be immediately rectified (unless a specific decision is taken, with reasons, and a timetable for the return of the limit, if applicable).

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 shareholders' equity and profits are exposed as a result of unfavourable movements in interest rates. It can 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 within the consolidated banking perimeter and at each of its component entities. All balance sheet and off-balance sheet items, notably financial instruments (swaps) and deferred transactions, are included in the measurement of this risk.

Three main indicators, calculated at least every quarter, make it possible to measure the interest rate risk on a static basis:

- The sensitivity of the net present value (NPV) is an indicator provided for by the Capital Requirements Directive 5 (CRD 5). Expressed as a percentage of Tier 1 capital, it measures the change in the present value of the balance sheet for the six scenarios of interest rate shocks in accordance with the EBA guidelines⁽¹⁾: +200 bp, -200 bp, pentification, depentification, increase in short rates, decrease in short rates, excluding equity, equity holdings and fixed assets. The "CRD 5" directive sets a maximum exposure threshold of -15% of Tier 1 capital.
- At the end of 2020, the sensitivity level of the group's NPV is +6.1% of Tier 1 capital for a 200 bp decrease in interest rates and +10.2% for a 200 bp increase in interest rates. These are scenarios of non-parallel shocks, flattening or inversion of the interest rate curve, which have a maximum negative impact of -2.2% on NPV sensitivity;
- Interest rate impasses consist of projecting outstandings at a known interest rate based on their contractual characteristics (maturity date and type of amortisation) or by modelling their flow.

Flow modelling is necessary when the amortisation profile is not known (products with no contractual maturity such as current accounts, passbooks or equity capital) or when implicit options are incorporated 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 behaviour. In the context of early repayments, it takes into account a possible correlation between market rates and early repayment rates.

The group's rate deadlocks are produced according to different rate scenarios, either as a going concern or with the application of stress.

(1) European Banking Authority.

At the end of 2020, exposure to interest rate risk is limited and below the group's management thresholds and limits: for the first five years of the projection, the average interest rate transformation position is €0.55 billion, i.e. 0.5% of the group's banking balance sheet;

- the sensitivity of the interest margin expresses the gain (or cost) of a change (up or down) in interest rates on the group's interest margin. It is expressed as a percentage of NBI, according to different rate variations. It is based on static interest rate impasses, 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 2020, the sensitivity of the interest margin is under control and below the group's management thresholds and limits. The maximum annual impact over 5 years for a 100 bp increase in interest rates is -1.4% of NBI, and +2% of NBI for a 100 bp decrease in interest rates.

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 in different stressed rate environments.

4.5.2.1.2 Management

Crédit Mutuel Arkéa acts as a central interest rate unit for the banking sector. The interest-rate position of the banking entities is fully backed by the central rate centre, 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 Capital and ALM 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 through 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 is maintaining a prudent policy and a high level of interest-rate backing for its balance sheet. It thus remains slightly 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 it concerns capital managed for own account or euro-denominated funds. Fixed-rate bonds expose Suravenir to a risk of changes in the value of assets; 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. Life insurance contracts in euros commit the company to serving a guaranteed minimum rate. When market rates fall, the portfolio yield 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 financial year 2020. At the end of 2020, the future risk relates to an average guaranteed rate of 0.16%, which is well below 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 on the assets held: firstly, a fall in the value of 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 2020, a 100 basis point increase in interest rates would impact Suravenir's net income by €23.1 million and its shareholders' equity by €145 million.

The second risk linked 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 the contracts in relation to other investments. In this case, in order to adjust the assets under management, the company may be forced to dispose of assets. In the event that it has to dispose of fixed-rate assets, it may have to bear capital losses. To protect itself from such a risk, Suravenir has a significant volume of variable-rate bonds in its portfolio, as well as hedging options (cap/cap-spread/adjusted cap duration). These financial instruments enable Suravenir's euro fund returns to converge more quickly with the returns offered by other savings products, thereby limiting the risk of outflows. At December 31, 2020, 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 for the reporting company that it will not be able to meet its commitments or that it will not be able to unwind or offset a position due to its situation or the market situation within a certain 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 Banking portfolio

4.5.3.1.1 Assessment and monitoring

Liquidity risk is measured and monitored within the consolidated banking perimeter 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 impacting the group's liquidity (overdraft authorisations, release of loans granted). They are established on the basis of static scenarios (without any 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 assumptions of leakage of commercial resources, drawdowns of certain off-balance sheet liquidity agreements or differentiated levels of liquidity 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).

On the basis of the crisis scenario, the group has set itself a rule for minimum credit matching over the next five years, with a level between 100% and 85% depending on the maturity. This objective has been maintained throughout 2020.

Several liquidity 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 2020 with significant room for manoeuvre. At the end of 2020, the LCR ratio stood at 149%;
- The NSFR (Net Stable Funding Ratio) is also a liquidity ratio provided for in the CRD 5 and CRR2 texts. It verifies the coverage of stable uses by stable resources. The minimum level required is 100%. The NSFR ratio will come into force on June 28, 2021 for the regulatory declaration of June 30, 2021. Calculations carried out at the end of 2020 show a ratio higher than 111%;

- the loan-to-deposit ratio measures the proportion of loans financed by bank deposits and, consequently, the dependence on the financial markets. The gross loan/deposit ratio stood at 98.3% at the end of 2020.

Limits on short-term refinancing volumes (overnight and less than three months) and on annual medium/long-term refinancing volumes are also defined in order to limit the impact of non-renewal of these lines in the event of market tensions. These limits have been respected throughout 2020.

In addition, the group has developed additional indicators to ensure its ability to withstand situations of severe tension on the financial markets or with customers. 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 therefore manages a portfolio of resources that it makes available to the banking entities.

The group's refinancing program is drawn up annually and updated on a quarterly basis 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 mobilisation 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;
- requirements in terms of equity and senior debt within the framework of solvency ratios.

The implementation of the refinancing programme also takes into account investor appetite and preferential issue periods. In 2020, the group borrowed €3.5 billion with maturities of more than one year.

4. RISKS

Structural interest rate and liquidity risks

Crédit Mutuel Arkéa has developed a policy of diversifying its refinancing channels and has:

- a short-term refinancing programme (€3 billion of⁽¹⁾ NEU CP outstandings);
- an unsecured medium-long-term refinancing programme (€9 billion):
 - senior debt: €4.8 billion,
 - non-preferred senior debt: €1.8 billion,
 - subordinated debt: €2.4 billion;
- 8.6 billion in secured refinancing programs through two refinancing vehicles:
 - a Société de Financement de l'Habitat (€6.8 billion in outstanding issues guaranteed by housing loans),
 - a Société de Crédit Foncier (€1.8 billion guaranteed by exposures to public entities);
- 1.8 billion in unsecured long-term interbank loans or secured by a mobilisation of receivables (€1.8 billion) from:
 - the Caisse de Refinancement de l'Habitat (€0.3 billion),
 - the European Investment Bank (€0.7 billion),
 - Caisse des Dépôts et Consignations (€0.8 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 option for early redemption at the group's discretion. Conversely, they do not include an option for early redemption at the option of the counterparties.

The group is therefore in control of the timing 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 by collecting bank savings from its customers. It regularly enhances its range of deposits (passbook savings accounts, term deposits) for individual, business and institutional customers as well as financial customers. €4.8 billion increase in outstanding bank deposits, net of centralisation, due to the inflows made by Arkéa Banque Entreprises et Institutionnels, the Crédit Mutuel Arkéa and Arkéa Direct Bank networks.

4.5.3.1.3 Emergency funding plan and liquidity reserves

The group's emergency funding plan is updated and validated each year by the Capital and ALM Committee.

The plan is triggered according to various qualitative and quantitative indicators: projected cash position, market situation and Crédit Mutuel Arkéa's refinancing. A Crisis Treasury Committee, which meets at least once a week with the heads of the main structures concerned (balance sheet management, trading room, middle and back office), is responsible for managing the crisis and decides on the transactions to be carried out with the central bank and on the markets; it may also propose commercial actions to the Executive Committee. The main axiom, in connection with the survival time indicator, is to finance projected cash requirements through the mobilisation of liquidity reserves (notably from the Central Bank).

The group has significant liquidity reserves to protect itself against a market closure. These are set up to comply with the various limits, including the survival period limit, set by the Board of Directors.

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 numerator of the LCR) and/or eligible with the European Central Bank, and included in 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 project within a limited timeframe;
- the amount of liquidity reserves and the level of use of collateral eligible for central bank approval are subject to a specific limit.

At the end of 2020, liquidity reserves – including available cash – are abundant, representing almost double the needs required 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 a central scenario and a stressed scenario (tripling of redemptions/deterioration in asset valuation).

In the event of a cash shortfall, Suravenir may repurchase securities, in particular those eligible for BCE refinancing, at their market value adjusted by a haircut, in order to have additional liquidity. At December 31, 2020, studies show that in the deterministic stress scenario, Suravenir could face a tripling of redemptions without encountering a liquidity problem.

(1) Negotiable European Commercial Paper.

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 claims 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 provisions set aside to cover these risks in accordance with the French Insurance Code, based on the nature of the products and therefore the group's commitments, is set out in note 21c to the consolidated financial statements at December 31, 2020 (see section 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

The surrender risk (termination risk) is a 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 vehicles.

This risk is the main underwriting risk in life insurance.

4.6.1.2 Biometric risks

The main biometric risks applicable to the insurance policies 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 pension business;
- **risk of incapacity/disability:** The risk of incapacity/disability corresponds to a loss or an unfavourable change in the value of insurance liabilities resulting from an increase in the claims record for 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 unfavourable 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 overheads are taken into account in the pricing of insurance contracts. Thus, an unfavourable 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 unfavourable 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 borrowers' insurance business, the individual provident business and the floor 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:

- analysis of pricing 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 reinsurance plan to limit certain exposures in order 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, 2020, 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 Risk Committee;
- to the Audit Committee and Supervisory Board of Suravenir;
- the Risk Monitoring Committee of Crédit Mutuel Arkéa.

4.6.2 The technical risks of non-life insurance

Suravenir Assurances is exposed to underwriting and provisioning risks in connection with its property and personal insurance business, particularly in the areas of motor, home and health.

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 the concepts of underpricing risk, antiselection risk and catastrophe risk.

The provisioning risk is linked to a shortfall in technical provisions on the liabilities side of the balance sheet.

Suravenir Assurances monitors and manages these risks on the basis of an underwriting and provisioning risk management policy.

4.6.2.1 Underwriting risk in non-life insurance

The underwriting risk in property and casualty insurance is the risk that the profitability of insurance products may be affected by inadequate acceptance rules, pricing and/or reinsurance coverage of the guarantees offered to policyholders.

The underwriting risk consists of three sub-risks:

1. the risk of underpricing, which results from the failure to adapt the pricing of guarantees to the portfolio's profitability objectives. This risk is linked to the design of new product(s), changes in the offer and/or the proposed rates;
2. the risk of antiselection, i.e. the risk that inappropriate pricing will lead to the over-underwriting of an undesired risk.

The management and control of these two sub-risks is achieved in particular through regular monitoring of the portfolio's technical indicators. This monitoring includes analysis:

- monthly and cumulative subscriptions per product and per distributor;
- the segmentation of the portfolio by product, and the evolution of this segmentation;
- changes in C/P (Claims/Premiums) rates, by product and by distributor;
- the average premium, average costs and frequency of claims per coverage;
- the evolution of the portfolio in terms of claims experience, net subscriptions and conversion rates based 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 design and guarantees offered;
 - targeting of actions by geographical area and by distributor;
3. disaster risk, which results from the occurrence of extreme or exceptional events. Covering these potential losses remains the main objective of reinsurance coverage (see 4.6.3 "The reinsurance system").

In the event of the occurrence of an exceptional climatic event with a statistical probability of occurrence of once every two hundred years (corresponding, for Suravenir Assurances, to a storm with a gross compensation cost to policyholders of more than €141 million), Suravenir Assurances' reinsurance program is structured so that the remaining cost to the company is limited to €7.5 million, in accordance with the risk appetite framework defined by Suravenir Assurances' Board of Directors.

The overall underwriting policy is also the subject of an independent opinion issued by the actuarial function. This opinion is formalised in the Actuarial Report, which is drawn up annually and presented to the Board of Directors of Suravenir Assurances.

4.6.2.2 Provisioning risk

The provisioning risk is the risk of loss or adverse change in the value of insurance commitments due to inadequate provisioning assumptions.

This risk is intrinsically linked to the underwriting risk, as the monitoring of provisions 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 the provisioning risk is carried out in particular through the following studies:

- monitoring of bonuses/malus: surplus/shortfall in provisions for claims payable associated with a financial year;
- analysis and comparison of the C/P (Claims/Premiums) ratio by product;
- analysis of distortions between provisions under French accounting standards and those under Solvency 2;
- reinsurers' reports on the management and reserving of serious bodily injury claims.

In addition, the actuarial function, as part of its regulatory duties and on the basis of an independent recalculation, ensures the appropriateness of the methodologies, models and assumptions used to calculate technical provisions under Solvency 2. Its conclusions are formalized in the Actuarial Report.

4.6.3 The reinsurance system

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 to effectively calibrate the level of risk transferred to reinsurers in line with risk appetite and to monitor the level of counterparty risk of reinsurers.

The reinsurance policy aims to control the two main reinsurance risks:

- the inadequacy of the reinsurance programme 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 the reinsurance programmes as well 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 provisions sold,
- setting limits on the maximum level of risk that can be ceded to a single reinsurer.

Beyond the selection process, sensitivity analyses are carried out. 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 unfavourable changes in market parameters that have an impact on the value of financial instruments recorded on the balance sheet. Crédit Mutuel Arkéa is mainly exposed to first-order spread, interest rate and currency rate risks. Proprietary exposure to optional risks is insignificant.

From a management point of view, the market risks of the banking scope dealt with in this paragraph stem either from the portfolios of financial instruments managed by Crédit Mutuel Arkéa's Financial Markets Department 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 under management in extinguishment. The exposure to market risks of the group's other banking subsidiaries remains insignificant due to the almost systematic centralisation of their cash investments with Crédit Mutuel Arkéa.

Interest rate risk is essentially managed globally at the level of a central interest rate centre whose risk limits and management principles are defined by the group's Balance Sheet Management function. The Financial Markets Department is responsible for the effective management of this central interest rate centre.

At the end of 2020, the market risk exposure of investments on the balance sheet amounted to €11.1 billion. This amount is up on the previous year (+€2.1 billion). It breaks down as follows:

Exposure of banking scope to market risks at December 31, 2020

(in € millions)

Crédit Mutuel Arkéa LCR portfolio	7,653
Other investments	3,430
Crédit Mutuel Arkéa	3,081
Treasury investments with initial maturities of less than five years	3,080
Securities held in connection with the origination activity	0
Investment portfolio being wound down	1
Arkéa Direct Bank (Keytrade portfolio being wound down)	333
Other entities	16
TOTAL INVESTMENTS	11,083

The value of investments in the balance sheet is exposed to the risk of changes in the spread of issuers due to the presence of long-term positions (the proportion of securities with a residual maturity of more than five years is 12%). This risk is concentrated in Crédit Mutuel Arkéa'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 centre 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, 97% of which are fixed-rate securities, are retained in full. Arkéa Direct Bank's interest rate risk is managed directly by matching assets recorded at fair value with liabilities recorded at amortised cost.

In 2020, the sensitivity of investments to spread and interest rate risks has increased due to increased exposure.

Derivatives traded with network customers in connection with the provision of investment services represent a notional amount of €8.3 billion at December 2020. Their reversal in the market means that the market risks of the business are neutralised, with the exception of CVA-DVA and FVA risks.

The valuation of derivative instruments gives rise to two adjustments.

In accordance with 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 Crédit Mutuel Arkéa'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).

€1.5 million was recognised in respect of the 2020 financial year⁽¹⁾, for a total net CVA of CVA + FVA of -€18.7 million at December 31, 2020.

Lastly, from a regulatory point of view, Crédit Mutuel Arkéa's market risk concerns the interest rate risk on the trading portfolio⁽²⁾, the CVA risk, the spread risk and the currency risk. The trading portfolio is not material since it is limited to the group's debt management transactions. It does not contain any transactions at December 2020.

With regard to CVA risk, the regulatory capital requirement stood at €6.1 million at December 2020.

With regard to foreign exchange risk, it should be noted that Crédit Mutuel Arkéa is not subject to the calculation of capital requirements, as mentioned in section 4.7.4 "Currency risk".

The above exposures relate to notes 2, 3, 4, 7 and 18 to the consolidated financial statements of Crédit Mutuel Arkéa.

(1) DVA-CVA: -€2.2 million, FVA: +€0.7 million.

(2) The trading portfolio consists of positions held with a view to short-term disposal.

4.7.1 Risk organisation and monitoring

4.7.1.1 Organisation

Crédit Mutuel Arkéa's market transactions are negotiated by a trading room attached to the Financial Markets Department. This room is organised around departments, which are themselves organised into services:

- the Structuring Department;
- the Marketing Department for customer activities;
- the Treasury, Refinancing and Foreign Exchange Department, composed of two departments:
 - The Treasury and Refinancing Department,
 - The Currency Service;
- the Support Department;
- the Investor Relations and Business Intelligence Department.

The accounting recording and settlement of transactions are handled by the Back Offices Department (Finance Department).

Within the Risk Department, the Market and Participation Risk Department is organised around two departments:

- The Participation Monitoring and Conglomerate Risk Department, responsible for organising the management and monitoring of risk relating to participations, as well as "insurance" risk in respect of the conglomerate;
- the Market Risk Monitoring Department is responsible for valuing positions, assessing the management result and market risks, and calculating capital requirements.

Each of the phases in the processing of transactions is subject to permanent control in accordance with regulations.

4.7.1.2 Monitoring

The Board of Directors of Crédit Mutuel Arkéa, on the recommendation of the Executive Committee and after a meeting of the group Risk Monitoring Committee, sets the overall framework for capital market operations on an annual basis. The detailed system of limits is then decided by the group's Executive Committee, after review by the Risk Monitoring Committee.

This system consists of management limits or thresholds that cover positions, sensitivities, losses, capital requirements and additional value adjustments.

In 2020, the limits relating to the various portfolios were adjusted mainly to support the business.

The corpus of limits is supplemented by a procedure for approving new products that takes the form of a list of instruments authorised for trading.

4.7.1.2.1 Reporting to executive management

The Risk Management Department informs the Operational Departments on a daily basis of the level of indicators subject to limits. In the event that limits are exceeded, a procedure is activated to inform the actual managers. The Risk Department also regularly prepares consolidated market risk reports for them.

4.7.1.2.2 Reporting to the supervisory body

Communication on the risks associated with market activities is made at each meeting of Crédit Mutuel Arkéa's Board of Directors. 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 presented regularly to Crédit Mutuel Arkéa'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 listed on an active market, fair value is determined on the basis of its quotation. In the absence of such a quotation, the price results from the application of market valuation techniques using market data that are generally observable. Valuations based on models may be adjusted to take into account liquidity risk.

4.7.1.3.1 Value at Risk (VaR)

The market risk of the trading book is measured in VaR.

The method used is based on a full revaluation of positions based on a history with a depth of 250 working 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 submitted for 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.

As at December 31, 2020, 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 Cr dit Mutuel Ark a's portfolios recorded at fair value are subject to sensitivity limits.

These daily measurements of the sensitivity of the portfolios to normative and low variations in spreads and interest rates are supplemented monthly by a calculation of potential losses carried out within the banking scope.

The objective is to assess the impact on the income statement and on equity capital of tensions likely to arise on the markets under reasonably possible conditions, based on a full revaluation of positions.

The choice of risk factors is based on a detailed analysis of the composition of the portfolio, as a financial instrument may be sensitive to a number of 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 time horizon of one month, with a 99% probability, over sliding periods within a historical period of three years;

- **interest rate risk:** the potential loss retained is the historical daily 99% VaR, extrapolated to one month.

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;
- due to the difficulty of obtaining individualised historical data outside of interest rates, the volatility of the portfolio's risk factors is estimated from proxies, the latter being 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 2020 shows, on the one hand, that adverse market movements would affect shareholders' equity almost exclusively (99.5% of total impairment losses) and, on the other hand, that the portfolio is mainly exposed to spread risk (93% of the total).

The results obtained are subject to ex-post control.

Maximum potential loss at 99% at December 31, 2020 - (one-month horizon)

Risk	Scenario	Exposure (�m)	Potential loss (�m)	Of which impact on net income (�m)	Of which impact on equity (�m)
TOTAL			-89.0	-0.4	-88.6
INTEREST RATE	SCENARIO APPLIED BASED ON OBSERVED HISTORICAL DATA	11,066	-6.2	0.0	-6.2
FOREIGN EXCHANGE	+/-5% (1)	8.7	-0.4	-0.4	0.0
	TOTAL	11.302	-82.33	0.0	-82.3
	+20 bp on supranationals	274	-2.21	0.0	-2.2
	+30 bp on French sovereign	1,611	-17.02	0.0	-17
	+30 bp on Austrian sovereign	151	-1.07	0.0	-1.1
	+20 bp on Finnish sovereign	8	-0.01	0.0	0.0
	+15 bp on German sovereign	289	-2.31	0.0	-2.3
	+20 bp on Dutch sovereign	161	-0.82	0.0	-0.8
	+30 bp on Belgian sovereign	157	-2.55	0.0	-2.6
SPREAD	+45 bp on Spanish sovereign	541	-0.58	0.0	-0.6
	+45 bp on Portuguese sovereign	375	-0.34	0.0	-0.3
	+105 bp on Italian sovereign	602	-3.01	0.0	-3.0
	+5 bp on Luxembourgish sovereign	26	-0.10	0.0	-0.1
	+5 bp on US sovereign	147	-0.59	0.0	-0.6
	+20 bp on covered bonds	3,141	-16.29	0.0	-16.3
	+75 bp on European financials	2,558	-15.95	0.0	-15.9
	+70 bp on US financials	5	-0.04	0.0	0.0
	+105 bp on corporates	1,255	-19.45	0.0	-19.5

(1) In relative value.

4. RISKS

Market risk

4.7.1.3.3 Scenarios

The calculation scope of the strength 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 period of

one year in a reference history whose depth varies from 11 to 16 years depending on the data available.

It should be noted that the simplifications mentioned for potential loss also apply to crisis scenarios.

Stress scenario at December 31, 2020- (one year horizon)

Risk	Scenario	Exposure (€m)	Potential loss (€m)	Of which impact on net income (€m)	Of which impact on equity (€m)
TOTAL			-268.1	-2.1	-266.0
INTEREST RATE	SHOCKS DIFFERENTIATED ACCORDING TO MATURITY	11,066	-28.6	0,0	-28.6
FOREIGN EXCHANGE	+/-24% (1)	8.7	-2.1	-2.1	0,0
	TOTAL	11,302	-216.5	0,0	-216.5
	Medium/long-term	6,335	-147,6	0,0	-147,6
	+70 bp on supranationals	266	-8.4	0,0	-8.4
	+40 bp on German sovereign	286	-6.7	0,0	-6.7
	+30 bp on US sovereign	147	-2.2	0,0	-2.2
	+45 bp on Dutch sovereign	103	-1.8	0,0	-1.8
	+115 bp on Austrian sovereign	142	-4.0	0,0	-4.0
SPREAD	+130 bp on French sovereign	1,114	-70.9	0,0	-70.9
	+215 bp on Belgian sovereign	127	-17.0	0,0	-17.0
	+25 bp on Luxembourgish sovereign	26	-0.4	0,0	-0.4
	+70 bp on covered bonds	2,512	-56.5	0,0	-56.5
	+190 bp on European financials	1,092	-29.2	0,0	-29.2
	+540 bp on US financials	2	-0.2	0,0	-0.2
	+110 bp on corporates	518	-19.2	0,0	-19.2
	Short-term	4,967	-21.0	0,0	-21.0
	+125 bp on short-term securities	4,967	-21.0	0,0	-21.0

(1) In relative value.

4.7.2 Equity and other variable-income securities risk and fixed-income securities risk

Equity risk arises when adverse movements in the equity markets lead to a decrease in the value of the portfolio.

Certain unlisted variable-income securities are exposed to property risk, which arises in the event of an adverse change in the valuation of the underlying property assets.

The fair value of the group's portfolio of shares and other variable-income securities amounted to €21.7 billion at December 31, 2020 in the IFRS financial statements.

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, out of the following four categories:

4.7.2.1 The banking perimeter

Assets at fair value by OCI (Other comprehensive income)

Shares and other variable income securities at fair value per OCI represent €82 million. They concern securities held by Crédit Mutuel Arkéa with a long-term perspective. They consist mainly 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 €445 million. They concern securities held for private equity businesses in unlisted companies.

4.7.2.2 The insurance perimeter

Assets available for sale

Shares and other variable-income securities available for sale amounted to €1.2 billion. They represent the securities held on a long-term basis by Suravenir as part of its portfolio management, mainly equities and mutual funds (private equity, real estate, fixed income).

Assets at fair value on option

Shares and other variable-income securities at fair value on option represent €19.9 billion. They are held by Suravenir in connection with unit-linked contracts in the insurance business to be consistent with the treatment applied to liabilities.

4.7.3 Long-term investment securities

In addition, the group holds a portfolio of fixed assets with a fair value of €1.2 billion at December 31, 2020. These securities are held over 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.

4.7.4 Currency risk

Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The probability of occurrence of foreign exchange risk is considered low in view of the low exposure and existing hedges. In the event of occurrence, the impact would also be low.

A limit on cumulative exposure on the foreign exchange position is set at 9 million euro equivalents. Since this limit is always less than 2% of the group's equity capital, it does not give rise to a regulatory capital requirement in accordance with Article 351 of EU Regulation 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".

Crédit Mutuel

5.

Statement of non-financial performance

5.1	Crédit Mutuel Arkéa's business model	238	5.4	Supporting clients and territories in societal, social and environmental transitions	248
5.2	Crédit Mutuel Arkéa's corporate social responsibility	238	5.4.1	Customer relationship and satisfaction	248
5.2.1	Responsible development at the heart of the group's strategy	238	5.4.2	Supporting regional development	249
5.2.2	Structured CSR governance and organisation	238	5.4.3	The integration of ESG criteria in financing and investments	253
5.2.3	An open approach for a positive impact	239	5.4.4	Products and services with a social and environmental positive impact	257
5.3	The group's main challenges and non-financial risks	241	5.4.5	Inclusion of vulnerable clients	261
5.3.1	Materiality assessment	241	5.5	A responsible corporate approach	264
5.3.2	The group's main non-financial risks	243	5.5.1	Data protection and security	264
5.3.3	Vigilance plan and implementation report	245	5.5.2	Setting an example in business and governance	264
			5.5.3	The development of human capital	269
			5.5.4	Diversity of human capital	274
			5.5.5	Social dialogue	276
			5.5.6	Responsible supplier relations	277
			5.5.7	The environmental footprint	277
			5.6	Summary table of indicators	280
				Methodology	284

5.1 Crédit Mutuel Arkéa's business model

Through its open and innovative cooperative and collaborative model, Crédit Mutuel Arkéa strives to combine the needs of its members and customers with the challenges of our times, in a quest for overall performance, in terms of financial, environmental and social issues. Crédit Mutuel Arkéa thus pursues a responsible development strategy and positions itself as a banking and financial

partner in a world that is designed for the long term, at the service of regions and their stakeholders.

The group's business model and activities are described in more detail in part 1 of this Universal Registration Document.

5.2 Crédit Mutuel Arkéa's corporate social responsibility

5.2.1 Responsible development at the heart of the group's strategy

Crédit Mutuel Arkéa's cooperative nature, which is closely aligned with the challenges faced by its members and customers, places the notion of responsibility at the heart of its strategy.

After having formalised its *Raison d'être* (Purpose) in 2019, a founding text that sets the course for the long term, the group gave itself 5 commitments on March 2020 (presented in Chapter 1 of the Universal Registration Document) aimed at providing concrete guidance for the transformation of its businesses and practices in the service of this *Raison d'être*.

Built in a participative manner (as was the *Raison d'être*), these five commitments form the basis of the reflection initiated in April 2020 on Crédit Mutuel Arkéa's medium-term plan 2021-2024: Transitions 2024. This concrete action plan is designed to take advantage of the group's many points of support in order to extend its development, in the service of the transitions and in a quest for overall performance, blurring the boundaries between financial, environmental and societal dimensions.

At the same time, without waiting for the implementation of the 2021-2024 plan, Crédit Mutuel Arkéa has continued to develop its product and service offer, as well as its financing and investment processes, convinced for many years that it is through its financing and investments that the group has the greatest leverage to support the success of these transitions. In 2020, this resulted in the definition and validation of a climate strategy, which formalises the commitments of the group and its entities to transform financing and investment practices with regard to the climate challenge by 2024.

Crédit Mutuel Arkéa thus contributes mainly 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 inequality (SDG 10).

While supporting its stakeholders, Crédit Mutuel Arkéa also pursues a responsible corporate approach. This involves a proactive human resources policy, which contributes in particular to the sustainable development goals relating to decent work and economic growth (SDG no. 8) and gender equality (SDG no. 5). Crédit Mutuel Arkéa also makes ethics a key issue in all its business relations (SDG no. 16).

Finally, its responsible approach also involves reducing its environmental footprint, which contributes primarily to the sustainable development objective of combating global warming (SDG n°13).

5.2.2 Structured CSR governance and organisation

Crédit Mutuel Arkéa's governance is particularly attentive and involved in the group's CSR approach. The General Secretary and Corporate Communications Department regularly reports on the progress of CSR work within the group to the Executive Committee or the General Management Committee, as well as to the specialised Strategy and Corporate Social Responsibility Committee and the Board of Directors. In 2020, the subjects of the *Raison d'être*, the climate strategy, and the policy on financing and investments in thermal coal were presented for follow-up or approval by the governance bodies.

At the level of the federations, the 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").

With a dedicated team, Crédit Mutuel Arkéa's General Secretary and Corporate Communications Department is responsible for steering, coordinating and supporting the group's various entities in the implementation of the CSR strategy and the ESG roadmap. This team also helps to steer cross-functional initiatives, such as the definition of commitments and the preparation of the 2021-2024 plan.

It relies on a community of around 70 correspondents present in the federations, subsidiaries and central services.

This organisation is accompanied by a communication system aimed at all internal audiences (information space on the intranet, awareness-raising meetings for employees and directors).

5.2.3 An open approach for a positive impact

A cooperative and collaborative bank, Crédit Mutuel Arkéa places dialogue with its stakeholders at the heart of its corporate approach. Many structuring projects are carried out with a key focus on listening to the internal and external environment.

All Crédit Mutuel Arkéa entities will have been mobilised in 2020 to build the 2021-2024 strategic plan in a participative, resolutely bottom-up, cross-functional approach that is as close as possible to the business lines and challenges of its members, customers and partners. Each of the entities will thus have contributed to an in-depth

reflection on the global, financial and non-financial impact of Crédit Mutuel Arkéa's activities.

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 it to better understand their expectations, to further strengthen the relevance of its actions.

As previously mentioned, in 2020, the group continued its approach of listening to its stakeholders. This approach is complementary to the regular exchanges that the group maintains with them.

Key takeholders	Main modalities of dialogue or expression
Prospective customers, clients and members (individuals, professionals, companies, institutions, etc.)	Surveys, round tables, barometers (federations). Measures of satisfaction.
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 directors of the 2nd level. Annual assessment and three-year questionnaire for Crédit Mutuel Arkéa directors to evaluate the Board's operation. Annual seminar for new directors Co-construction of the MTP 2024 through participatory workshops Surveys of local banks Chairmen and local banks directors
Suppliers	Exchanges with the Purchasing Department (including responses to calls for tenders, contracts, questionnaires assessing the risks of non-compliance and CSR policies for the main suppliers) and purchasing managers in the entities. Operational monitoring of the service with the trades.
Analysts and investors	Investor Relations team. Investor area on the arkea.com website. Market releases. Presentation of annual and half-yearly results. Roadshows in France and abroad.
Rating agencies (financial and non-financial)	Presentation of annual and half-yearly results. Exchanges with the Finance Department correspondents in charge of monitoring the rating agencies. Periodic meetings between Crédit Mutuel Arkéa staff and each rating agency. Answers to requests and questions from agencies.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Crédit Mutuel Arkéa's corporate social responsibility

Key takeholders	Main modalities of dialogue or expression
Regulatory authorities	<p>Regular meetings and exchanges between the relevant Crédit Mutuel Arkéa management and departments and:</p> <ul style="list-style-type: none"> ■ the ECB and the ACPR in the context of their authorisation, supervision and prudential monitoring missions (authorisations and authorisations, prudential reporting, desk audits, on-site inspections, close supervision interviews, consultations, participation in workshops and working groups, questionnaires, various request, etc.); ■ the AMF as part of its regulatory and financial investment protection duties (approvals, authorisations and approvals of prospectuses, information documents and investment products, advice, consultations, document investigations and inspections, on-site inspections and investigations, periodic information reports, various types of request, etc.); ■ the Financial Sector Supervisory Commission in the framework of the visa of our EMTN Programmes; ■ foreign supervisory authorities in support and supervision of subsidiaries and branches 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. 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. Journalist exchanges. 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>

Crédit Mutuel Arkéa's commitment to corporate social responsibility is part of a process of progress.

As a sign of this commitment, the group has chosen to adhere to the UN Global Compact and to promote its 10 principles. Since October 2018, the group's Communication on Progress (COP), published annually, has been qualified at the Advanced level.

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.

Crédit Mutuel Arkéa also played an active role in the creation of the "Dirigeants responsables de l'Ouest/Finistère (DRO 29)" network in 2020, of which Philippe Rouxel, CEO of Crédit Mutuel de Bretagne, was appointed a member of the Board of Directors.

Arkéa Banque Entreprises et Institutionnels is also a founding member, along with other managers, of the same network of "Dirigeants responsables de l'Ouest" in Ille-et-Vilaine (DRO 35).

Faced with the environmental and social emergency, these leaders have the will to mobilise, experiment and transform their companies to contribute to a desirable future.

The mission of the DRO 29 and DRO 35 networks is therefore to work together on shared issues such as climate, sustainable mobility, attracting talent, listening to stakeholders, etc. to cooperate for a concrete and rapid positive impact by supporting their members in their commitment.

In the field of asset management, group entities are also involved in sustainable finance initiatives such as the Principles for Responsible Investment.

Crédit Mutuel Arkéa's involvement in these networks and initiatives aims to make an active and collective contribution to achieving sustainable economic development. The group's participation in these networks is also aimed at strengthening its non-financial performance as assessed in particular by the rating agencies Vigeo Eiris, ISS-Oekom and MSCI.

Finally, still in this spirit of openness and contribution, the group participated in 2020 in the publication by Nuova Vista "CSR and Rationale – Identifying differences to (better) activate synergies".

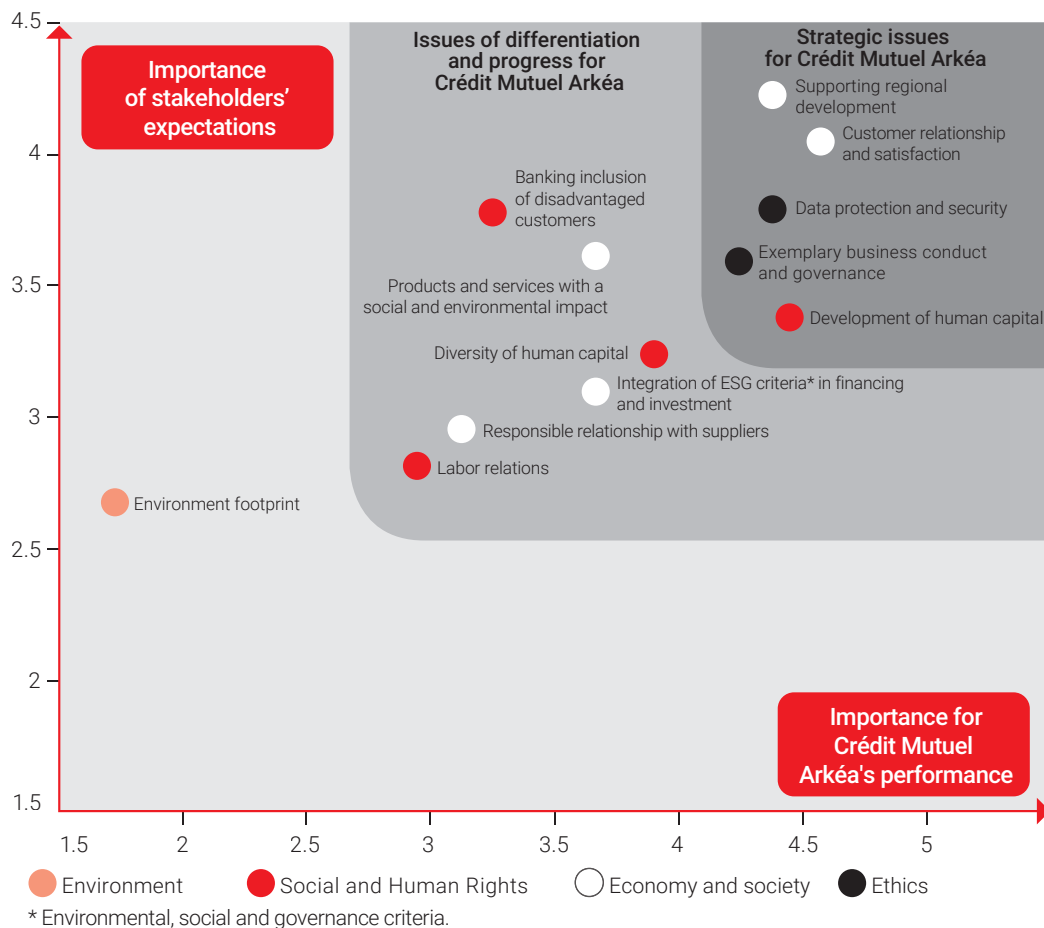
5.3 The group's main challenges and non-financial risks

5.3.1 Materiality assessment

In 2018, Crédit Mutuel Arkéa carried out an initial materiality study to identify its corporate social responsibility (CSR) challenges.

A first phase of identification of these non-financial issues was carried out. It was based on the group's existing CSR strategy, which emerged from 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;

environment; economy and society. The assessment of the materiality of these issues was carried out through collaborative workshops and individual interviews with the group's priority stakeholders. During these workshops or interviews, employees with expertise in CSR, managers, directors of Crédit Mutuel Arkéa's Board and the federations' specialized committees were questioned on their assessment of the importance of these issues for the group's performance (x-axis of the matrix). Customers, directors – representing members, employees, suppliers and partners – were asked to express their expectations of the group (y-axis). These exchanges resulted in the materiality matrix presented below.



The issues at the top right of the matrix are considered 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 centre of the matrix are considered to be issues of differentiation or areas of progress for Crédit Mutuel Arkéa 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 clients 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 Crédit Mutuel Arkéa, this exercise enabled the identification of issues where expectations are significant and/or where progress needs to be made. This materiality exercise will be repeated on a regular basis.

These various issues are presented in detail in parts 5.4 and 5.5 of this non-financial performance statement. They present both development opportunities for the group and non-financial risks, which are presented below.

5.3.2 The group's main non-financial risks

In order to identify its main non-financial risks, Crédit Mutuel Arkéa relied on the work carried out within the framework of the materiality matrix, the vigilance plan (see report below) and the existing mapping of operational risks. On the basis of these various sources, interviews were conducted with the business divisions concerned.

This cross-functional approach has highlighted 8 major categories of non-financial risks related to the social, environmental, governance and ethical consequences of the group's activities and business relationships. The direct environmental risks, with regard to the group's service activity, have not been assessed as significant compared to the other risks presented below.

The year 2020 was marked by the management of the health crisis. This context did not give rise to any major new non-financial risks,

but it may have led to an increase in certain non-financial risks already monitored by the group: psychosocial risks, risks related to the group's suppliers, etc. Mitigation measures have been strengthened or implemented to deal with them. They have thus made it possible to support the group's various internal and external stakeholders in this unprecedented economic context.

The risks presented below are related to the group's activities and its relationships with its stakeholders. Beyond the impact they may have for the latter, their main consequence is to generate an impact in terms of image and reputation for Crédit Mutuel Arkéa. Some risks have consequences that could have financial consequences: possible sanctions and fines, customer attrition, lack of employee commitment, but also medium/long-term credit or counterparty risk concerning controversial financing and investments.

Description of the risk	Key performance indicators	2019	2020	Associated non-financial issues (materiality matrix)
NON-COMPLIANCE RISK				
Non-compliance with financial security rules, including non-compliance with the regulation in the field of anti-money laundering and financing of terrorism (AML-FT)	Share of staff exposed to AML-FT trained (credit institution scope 15589) Number of sanctions by ACPR concerning the AML-FT scheme	90.1% 0	90.7% 1	Exemplarity in business and governance
Non-compliance with deontology/professional ethics rules including corruption	Share of persons trained in compliance with the rules of deontology/professional ethics within the credit institution 15589	89.3%	64.4%	
Non-compliance with customer protection rules	Number of beneficiaries of the specific offer dedicated to vulnerable customers (scope of consolidation: credit institutions 15589)	14,818	19,551	Customer relationship and satisfaction Inclusion of vulnerable clients
Non-compliance with tax transparency rules				Exemplarity in business and governance
RISK OF BREACHING THE SECURITY OF OUR DATA				
Inappropriate use or access to data	Share of targeted staff aware of IT security	85.1%	87%	Data protection and security
RISK OF INADEQUATE GOVERNANCE				
Lack of good repute and competence	Share of directors approved without conditions precedent by regulators (perimeter regulated entities)	97%	89%	Exemplarity in business and governance
	Attendance rate at Crédit Mutuel Arkéa's Board of Directors meetings	90%	90%	
	Share of subsidiaries with an attendance rate of more than 75% at meetings of the supervisory body	80%	90%	
Lack of cooperative governance	Share of members among the federations' individual customers	72%	72%	
	Attendance rate at General Meetings of local banks	2.91%	0.7%	
	Attendance rate at Crédit Mutuel Arkéa's General Meeting	79%	91%	

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

The group's main challenges and non-financial risks

Description of the risk	Key performance indicators	2019	2020	Associated non-financial issues (materiality matrix)
CONTROVERSIAL FINANCING AND INVESTMENTS				
Financing of clients/projects or investments in issuers that do not comply with standards of governance and ethics, social practices and human rights, environment and climate.	Share of assets under management with an analysis including ESG in Federal Finance Gestion's assets under management	94%	95%	Integration of ESG criteria in financing and investments
PSYCHOSOCIAL RISKS				
Psychosocial risks (PSR) result from the following risk factors: workload, quality of working life, lack of employee commitment, sexism and harassment.	QVT (quality of life at work) barometer: of positive opinions on the criterion "Meaning given to work". Share of positive opinions on the "workload" criterion	68% 24%	64% 32%	Human capital development
EMPLOYABILITY AND JOB TRANSFORMATION				
Lack of attractiveness Career and skills staging	Share of employees trained Internal mobility rate	94.2% 13.4%	89.5% 12.6%	Human capital development
POOR SOCIAL PRACTICES				
Discrimination	Gender pay gap (Economic and Social Unit)	-1%	-0.6%	Diversity of human capital
	Share of workers disabled in the workforce	3.4%	3%	
Failure to respect social dialogue	Number of collective agreements signed	50	51	Social dialogue
NOT RESPONSIBLE SUPPLIER RELATIONSHIP				
Collusion Economic dependence Late payment Non-compliant CSR practices	Share of purchases from French suppliers Share of ESG assessments of suppliers carried out for the reporting period	96% 7.4%	96% 14.5%	Responsible supplier relationship

Methodological details:

■ Risks of non-compliance:

- Non-compliance with the rules of professional deontology/ethics, including corruption and influence peddling:

The scope of deontology/professional ethics training covers training for which the Compliance Department is the instructing party, taking care to retain the same scope of employees to be trained each year (deontology/fight against corruption). In 2019, exposed persons were trained in compliance with ethical rules. In 2020, a training campaign on the fight against corruption and influence peddling was initiated and will continue through 2021.

■ Non-responsible Supplier relationship risk:

- The assessment of the share of purchases from French suppliers covers the following scope: scope of the Economic and Social Unit, Arkéa Banking Services, CFCAL, Financo, Fortuneo, Nouvelle Vague, Arkéa On Life, Suravenir. Period of one year on a sliding scale, from the second half of 2019 to the first half of 2020.
- The share of supplier ESG assessments carried out for the reporting period is related to the total amount of the group's purchases.

In 2018, these risks, policies and mitigation measures, as well as performance indicators were validated by Crédit Mutuel Arkéa's Strategy and Corporate Social Responsibility Committee and Board of Directors.

In 2020, they have been reviewed and updated by the directors concerned.

Finally, the group itself may also be subject to risks related to climate change. These risks are described in Chapter 4 of the Universal Registration Document. For example, in the area of insurance, 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 to protect its results and its equity. 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 emails and text messages to policyholders in the areas concerned.

5.3.3 Vigilance plan and implementation report

In order to meet the requirements set by the law of March 27, 2017 relating to the duty of vigilance of parent companies and contractors, Crédit Mutuel Arkéa deploys a vigilance plan relating to risks of serious violations of human rights and fundamental freedoms, health/safety and the environment.

Vigilance plan governance

The implementation of due diligence within Crédit Mutuel Arkéa is coordinated by a cross-functional steering committee, whose role is to ensure that the due diligence plan is deployed by the group's entities, to monitor validated actions and to define the progress plan. This committee, led by the CSR Department, brings together the Human Resources, Risk, Compliance and Permanent Control Departments, the Organisation and Resources Department and the Purchasing Department. In 2020, it met three times.

The 2020 Compliance Plan was presented to the group's Executive Committee on December 7, 2020, then to the group's Strategy and Corporate Social Responsibility Committee on January 25, 2021.

Main lessons learned from the 2020 exercise

The year 2020 is marked by the management of the health crisis. This health context has highlighted the importance of strong vigilance on health and safety risks and their impact on all company value chains.

The group quickly mobilised to combine business continuity and customer service with the preservation of employee health. To this end:

- contingency and business continuity plans have been put in place to ensure the continuity of its essential services;
- measures to support the economy were rapidly deployed in the networks to provide customers with the closest possible support, based in particular on the group's technological know-how enabling efficient remote processing (the government-guaranteed loan offer with electronic signature was made available on March 25), with attention paid to compliance with barrier gestures;
- the group made extensive use of distance working.

The measures implemented have also made it possible to support the various stakeholders in this unprecedented economic context.

Dedicated governance was set up in accordance with the group's crisis management policy with the constitution:

- a decision-making crisis unit (Executive Committee extended to risk functions and General Secretary/Communication);
- an organisational crisis unit and working groups dedicated to health and safety, distance working, business continuity and consolidated monitoring of risks and impacts for the group;
- a crisis communication unit ensuring that all stakeholders are properly informed of the situation and the measures implemented.

In this context, in 2020 the group also continued to implement systems to identify and prevent the risks covered by the duty of care. The main actions implemented are described below or in the chapters of this Non-financial Performance Statement dedicated to these issues.

Crédit Mutuel Arkéa's vigilance plan is divided into three parts: its risks as a company, as a principal in its relations with suppliers and service providers, and the risks related to its financial businesses.

Risks as a company

With regard to human rights, the group analyses changes in the geographical distribution of its workforce each year. In 2020, 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 it could, as a company, have a direct impact. Each of these risks was found to be low, with the exception of one risk that the group wished to assess as medium: discrimination/inequality. Numerous actions to combat discrimination and inequality are implemented, mainly around inequalities linked to gender, age and disability. These actions are presented in 5.5.4 "The diversity of human capital".

In the area of health and safety risks, the group asks its various entities about their main physical and psychosocial risks.

In 2020, significant work was carried out to generalise the assessment of physical and psychosocial occupational risks within the group, to harmonise their rating method and to share good practices in terms of mitigation plans.

- As far as physical risks are concerned, the risks that stand out as the most important are: the risks of pandemic, fire, working with screens, falls, aggressiveness, road accidents and serious events;
- Concerning psychosocial risks, 4 risk factors are identified on the "stress at work" aspect, which is specifically monitored through employee surveys: workload, clarity of roles, clarity of evaluation criteria and change.

Special attention is also paid to post-traumatic stress and harassment. Thus, a mechanism to combat moral or sexual harassment and sexist behaviour was launched in November 2020 within the scope of the Economic and Social Unit. Its aim is to clarify the reporting procedure for free speech. Communication materials and training are made available to managers and employees.

The various actions implemented by the group in the areas of quality of life at work and occupational risk management are presented in 5.5.3 "The development of human capital".

(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 (for the Sovereigns' analysis).

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

The group's main challenges and non-financial risks

Specifically with regard to managing the health crisis, the group used distance working during the various periods of the crisis and implemented strict health measures to respect the barrier gestures in its offices, catering areas and areas receiving the public. A free and anonymous external psychological support service was also offered to employees of several group entities. Guides and webinars have also been set up to provide the best possible support to the group's employees during this period of containment and health crisis.

In terms of the environment, the various building managers assess the environmental risks that may be caused by the group's facilities each year. In 2020, no significant incidents were identified. At group level, however, direct and proven impacts on the environment are identified and monitored: the climate 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 item of greenhouse gas (GHG) emissions). These actions are presented in 5.5.7 "Environmental footprint".

Risks as 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 level of risk for the TOP 50 suppliers (in terms of purchasing volume). In 2020, work to develop a new mapping was initiated.

Since 2019, the Purchasing Department has implemented two evaluation approaches. A service contract with Afnor allows the evaluation of the group's main suppliers (Acesia solution). A CSR questionnaire, developed internally, is also tested, during certain calls for tenders, in order to obtain a self-assessment of the means implemented by a supplier or service provider to prevent and control the risks related to its activities in the fields of the environment, social and human rights, governance and ethics.

At the end of 2020, a committee for the listing and monitoring of service providers was set up at group level with the aim of integrating a CSR analysis and ultimately monitoring any remediation plans.

The Supplier Code of Conduct, a code attached to each contract signed, was updated in 2020 to specify all the requirements Crédit Mutuel Arkéa sets for its suppliers in terms of human rights, labour law, business ethics and respect for the environment.

These actions are presented in 5.5.6 "Responsible supplier relations".

With regard specifically to the management of the health crisis, the group has implemented exceptional processes to minimise the impact of the crisis on its service providers, such as the authorised use of teleworking and the minimum suspension of services.

Risks within the framework of the group's financial businesses

In the area of its financing and investment activities, the duty of vigilance is fully in line with Crédit Mutuel Arkéa's ambition to take greater account of social, environmental and governance (ESG) issues in all its activities. In 2020, the group continued to implement its ESG roadmap, which was validated at the end of 2019. This roadmap aims to strengthen the consideration of these issues, in addition to financial analysis.

In the area of human rights, the group has developed an initial risk mapping for its financing and investment activities, focusing on sovereigns and companies. A level of human rights risk was assessed for each country⁽¹⁾, giving an indication of the level of human rights risk for the company headquartered in the assessed country.

As far as environmental issues are concerned, the issues initially analysed mainly concern the climate. In 2019, an initial mapping of the sectors with the highest GHG emissions was carried out, those most exposed to the transition risk. In 2020, this initial work was supplemented by an analysis of climate risks on corporate exposures.

As part of the 2020 achievements, it can be cited:

- The definition of a climate strategy for 2024 and the revision of the policy for the supervision of financing and investments for companies whose activity is linked to thermal coal;
- The validation of the implementation of an in-house sustainable finance department, which aims to support this ambition, through a dedicated organisation and governance;
- The development of new offers aimed at supporting the group's customers during transitions, such as the impact loan ("Pact") at Arkéa Banque Entreprises et Institutionnels;
- Continuing the process of labelling financial savings products;
- Participation in the ACPR and EBA sensitivity exercises on climate risks, modelling the group's trajectory in this area in relation to the strategy developed.

The ambitions and actions implemented with regard to the integration of these issues into the group's financial activities are detailed in 5.4.3 "The integration of ESG criteria in financing and investments".

(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 (for the Sovereigns' analysis).

Finally, in the area of the group's banking and insurance activities, three risks have also been identified:

- The risk of exclusion from the banking and insurance system of customers in fragile situations: this is an issue monitored by Crédit Mutuel Arkéa, which has been developing specific measures for many years. The actions implemented by the group are presented in section 5.4.5 "Inclusion of retail customers in vulnerable situations";
- The risk of a pandemic: with regard to the health risk to customers, Crédit Mutuel Arkéa has been particularly responsive in order to offer, from the start of the first containment period, a remote relationship or an appointment service and to minimise the risk for its customers and employees.

In addition, in response to the economic and financial effects of the health crisis, Crédit Mutuel Arkéa has stepped up its support measures for business and individual customers facing potential financial risk as a result of the crisis.

These measures are detailed in 5.4.2 "Support for regional development" and/or 5.4.4 "Products with a social and environmental impact";

- The risk of inappropriate use of or access to data: the actions implemented by the group in this area are presented in particular in 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, has been available to all group employees since 2018. Staff representative organisations (from the Economic and Social Unit) were involved in the construction of the alert mechanism. This mechanism is made accessible to employees, service providers and subcontractors, by posting notices in the buildings of the group's central services and local banks and via the group's intranet. It is also accessible to all persons, whether internal or external to the company, via the arkea.com website.

As part of the launch of a system to combat moral or sexual harassment and sexist behaviour, within the scope of the Economic and Social Unit, an alert system specifically dedicated to this subject was set up at the end of November 2020, which can be activated by the employee presumed to have been harassed or by a third party employee. A dedicated unit made up of experts (HR, elected members of the Social and Economic Committee, harassment representatives, etc.) meets as soon as the alert mechanism is activated. Since it was set up at the end of 2020, the alert mechanism has been activated once in December and has been handled by the dedicated unit.

5.4 Supporting clients and territories in societal, social and environmental transitions

5.4.1 Customer relationship and satisfaction

Non-financial risks associated with this issue:

- risk of non-compliance: failure to comply with customer protection rules

Crédit Mutuel Arkéa has always paid particular attention to the quality of its customer relationship and customer satisfaction.

This attention is all the more important given that the member is at the heart of the operation of a cooperative group like Crédit Mutuel Arkéa: in its cooperative movement, the member, who holds a share in the company, is both a cooperator and a customer. This participation in the share capital of his local bank makes him a co-owner. As such, they are invited to attend the Annual General Meeting of their local bank and have the right to vote to elect the members of the Board of Directors on a "one person, one vote" basis. He may also stand as a candidate for the position of director on the Board of his local bank.

At the end of 2020, 72% of the individual customers of Crédit Mutuel Arkéa's federations will be members.

The Annual General Meeting of the local banks a special time for exchanges between the members, the directors of the local bank and the employees. It provides an opportunity to present activity reports to the members, the members of the Board of Directors and to put resolutions to the vote. It is also a time for discussion on topics related to economic and financial news, bancassurance or the life of the local bank.

In 2020, 10,682 members attended the General Meetings of the local banks. The rate of participation in voting was 0.7% compared to 2.9% in 2019.

Each year, part of the distributable profit is paid to the members through the remuneration of the shares they hold. In 2020, for the financial year 2019, the members received a remuneration of their shares amounting to €36.9 million.

In the area of customer relations, the federations have set up, with the help of the Customer Experience Marketing Department, an ambitious programme known as "AOC" (Ambition Obsession Client) aimed at working on the customer relationship posture: definition of rituals for dealing with moments of truth identified as priorities, postures to make it easier to reach advisers, the ability to position oneself as an ambassador of digital tools to customers, the ability to accompany them over the long term by capitalising on the discovery of their projects, the ability to adapt the advisers' relationship to the

customer's personality, work on team dynamics, etc. A programme is delivered each year, dealing with different aspects and priorities. This work has been the subject of a certification process for the teams on this AOC posture.

Crédit Mutuel Arkéa's federations thus position the adviser as a genuine 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.

The Sud-Ouest et Bretagne federations also rely on technological innovations to make their daily lives easier and simpler. They offer a budget coaching service, Bud'JET, which enables automatic categorisation of income and expenditure, the sending of personalised alerts and the anticipation of expenditure. In 2020, the federations have upgraded their websites to offer their individual customers more digital services, more autonomy and more fluidity. The digital tools are constantly evolving through the collection of customer opinions within the navigation paths to identify improvements.

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 2020, more than 75,000 customers and prospects were listened to. Together with their members and customers, they measure the quality of their experience: hot (daily measurement), cold (measurement every 4 months) and strategic barometer (structural measurement of overall satisfaction) which alternates each year between private individuals and professionals. The results are presented, in the form of coaching sessions, to the field teams in their geographical area in order to get to know their customers better from a satisfaction perspective and identify locally the actions to be implemented to improve the customer experience.

These tools are essential to the continuous improvement of their service delivery.

To strengthen their commitment to their customers, a panel of more than 4,200 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 their customers' satisfaction, through regular measurements of this indicator.

In order to best satisfy the interests of customers, the group's 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 analyse complaints from customers of Crédit Mutuel Arkéa's federations and to adjust processes accordingly. Lastly, a community of practice brings together each year the heads of customer relations and internal control departments of the group's entities to discuss regulatory changes and best practices in handling complaints.

Concerning more specifically the area of mediation, 217 cases eligible for mediation were registered in 2020 by the Crédit Mutuel Arkéa mediator, of which 195 concerned the group's banking entities. A dedicated website is accessible to the general public (<https://lemediateur.creditmutuelarkea.fr/>).

Several systems (presented in 5.5.2 "Exemplarity in business and governance") set the rules to be followed by group entities in order to guarantee that the client's interests are respected.

Scope of federations: Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest

	2018	2019	2020*
Number of local banks	329	329	296
Number of customers	2,330,375	2,353,745	2,229,138
■ of which private individuals	2,120,918	2,141,484	2,028,275
Number of members	1,520,780	1,533,961	1,464,536
Membership rate (among individual customers)	71.7%	71.6%	72.2%
Participation rate in votes at General Meetings	3.1%	2.9%	0.7%
Average amount of shares held (in €)	1,485	1,529	1,618

* Decrease due to the departure of the Crédit Mutuel Massif Central in 2020.

In addition to monitoring non-financial risks, Crédit Mutuel Arkéa, which places social and environmental issues at the heart of its strategy, identifies real opportunities for development and differentiation by supporting territories and assisting its customers in their transitions.

5.4.2 Supporting regional development

Crédit Mutuel Arkéa is a regional banking player that supports economic development, employment and innovation in its territories through its financing, investments and participation in economic ecosystems. As a committed company, it also contributes to the cultural and sporting development of its 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 professionals and companies

Crédit Mutuel Arkéa assists professionals and businesses from their creation through to the development and transfer phases. It pays particular attention to innovative entrepreneurs who will be the leaders of tomorrow. This support takes the form of providing expertise, financing, capital support, networking and participation in external initiatives.

At the end of 2020, Crédit Mutuel Arkéa had €14.3 billion in outstanding loans to professionals and businesses.

In the unprecedented economic context of the Covid-19 health crisis, from March 25, 2020, measures to support the economy were rapidly deployed in the federation networks and by Arkéa Banque Entreprises et Institutionnels to support customers as closely as possible with the PGE (Government-guaranteed loan) offer, releasing

nearly €1.7 billion for more than 11,000 professionals over the year 2020. In addition, more than 42,000 loan restructurings have been carried out to bring flexibility to companies' cash flow.

For the group's two federations and for Arkéa Banque Entreprises et Institutionnels, supporting the creation and takeover of companies is a key issue in terms of economic dynamics. Numerous partnerships have been forged, enabling the group to be present at every stage of the business creation or takeover process, working with specialised players who provide creators or takeovers with skills that complement those of the group: accountants, chambers of commerce and industry, support structures (management shops, local platforms of the Initiative France network, France Active, Réseau Entreprendre), etc. For example, Crédit Mutuel de Bretagne is a partner of the Initiative Bretagne network, which supports businesses in the region through interest-free loans (creation and transfer) and via the BRIT (Bretagne Reprise Initiative Transmission) and PHAR funds, a regional fund to help the creation of innovative businesses in Brittany.

In September 2020, Crédit Mutuel Arkéa became a partner in the "Crédit 200 K€ scheme". This dematerialised platform was launched in 2018 by the Ordre des Experts-Comptables and the French Banking Federation (FBF) to simplify and facilitate access to credit for VSEs and SMEs.

The group's federations also offer their individual customers the "La Vie d'iCi" booklet, the funds collected from which can be used to grant loans in our 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 networks specialising in innovation (competitiveness clusters, technopoles, etc.).

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

The group has also set up complementary measures to bank loans when companies are created or taken over:

■ Under certain conditions, thanks to the solidarity mechanisms, aid is granted in the form of donations to small businesses that are in the process of being created or taken over and that create jobs. These donations can be financial and/or in the form of services such as, for example, the production of a film and/or a website to publicise the project. This aid can be granted in addition to a "Appui Pro" zero-interest loan which is granted by the local banks and which remains subject to the granting of a conventional bank loan. These schemes are managed locally, at the level of each of the Boards of Directors of the local banks. Their purpose is to promote and accelerate the economic and social development of the territories covered by the Crédit Mutuel Arkéa federations.

Against the backdrop of the 2020 crisis, Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest have adapted their aid scheme for professionals by enabling the boards of directors of the local banks to make donations to companies in difficulty or that have played an active role in the Covid-19 solidarity drive to support the local economy;

■ 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 award 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.

Support for business creation	2018	2019	2020
Donations (in € thousands)*	512	479	872
Interest-free loans (in € thousands)*	2,348	2,665	2,760
Number of jobs supported	943	965	962
Amount of funds raised via Kengo (in € thousands)	593	680	837
Number of projects funded through Kengo	120	146	239

* Scope of federations: Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest.

In addition to creating and taking over businesses, the group supports companies throughout their development, through specific organisations depending on the size of the client companies and bancassurance offers adapted to their needs.

Arkéa Banque E&I supports more than 12,000 companies, most of which are medium-sized and mid-cap. 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, distribution, construction and public works, health, tourism, industry and transport-logistics. To support these companies, it relies on 20 business centres located in the regions. Its sales teams are specialised by sector, enabling the bank to provide solutions tailored to the needs and expectations of its customers (financing, savings, means of payment, asset management and international trade). In addition to this traditional financing, Arkéa Banque Entreprises et Institutionnels regularly provides companies in Crédit Mutuel Arkéa's traditional territories (Brittany and Nouvelle-Aquitaine) with subsidised financing packages to facilitate their investments and help them realise their projects.

Arkéa Banque Entreprises et Institutionnels, has confirmed the support it intends to give to territorial economic development in the 2020 financial year. In this respect, through its Specialised Financing teams and its Rennes Corporate Business Centre, it has notably co-arranged the financing of the merger of four medical analysis laboratories in Brittany to form an independent regional centre owned by its 33 partners committed to the values of proximity and regional presence.

The group's involvement was also illustrated through the arrangement of financing by ABEl and Crédit Mutuel de Bretagne, the takeover by its founding managers of control of the Breton group Artesa, a player in the circular economy, which provides industrial companies with solutions for recovering their waste, with a speciality in reprocessing polluted land to make it suitable for cultivation.

Private equity occupies a special place in the group's strategy. Arkéa Capital finances and supports the projects of managers, from start-ups to mid-caps, in their search for additional capital to accelerate their growth and/or in the context of transmission issues. With €1 billion under management and 7 regional offices, Arkéa Capital is today the partner of more than a hundred companies. Arkéa Capital positions itself as a minority partner and acts alone or in co-investment in equity capital through four complementary investment vehicles in the area of expansion/transfer capital:

■ Arkéa Capital Investissement and Arkéa Capital 2, endowed respectively with €250 million and €80 million, support the projects of SME managers in France;

■ Arkéa Capital Partenaire, a €400 million vehicle, supports major regional companies as a reference shareholder for periods of more than 10 years;

■ Arkéa Capital Managers, with a €200 million investment, enables managers to strengthen/consolidate their shareholding in their company.

In 2016, Arkéa Capital has diversified its activities with the launch of the We Positive Invest investment fund, which supports innovative start-ups operating in the following areas:

- Energy transition;
- Circular economy;
- Social entrepreneurship.

(See 5.4.4 "Products and services with a 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 and OFI Asset Management and its employees, specialises in responsible investment in unlisted companies and offers FCPI (Fonds Communs de Placement dans l'Innovation) and FIP (Fonds d'Investissement de Proximité) funds. These FCPIs and FIPs support the development of innovative companies based in the regions. They contribute directly to the development of the economic fabric and have supported nearly 300 companies since 2008.

Support for farmers, winegrowers and fishermen

Agriculture, wine-growing and fishing are important markers of economic activity in Crédit Mutuel Arkéa's historic regions.

In the agricultural market, the group's federations make supporting young farmers a priority. In 2020, Crédit Mutuel de Bretagne supported 33% of young farmers in Brittany. Crédit Mutuel de Bretagne is a partner of BRIT (Bretagne Reprise Initiative Transmission), which helps young farmers to set up in farming through the granting of agricultural loans.

Crédit Mutuel du Sud-Ouest has a market share of more than 20% among young farmers. At the same time, the partnership with Initiative Nouvelle Aquitaine has enabled the group to continue to support the many young farmers who have set up in the region through honour loans. The federations in Brittany and Nouvelle-Aquitaine 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, in particular, the financing of projects presented to them by young farmers.

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 modernisation and development. Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest are specifically concerned with the environmental challenges facing the profession and are developing 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 PASS Avenir, an individual support scheme initiated and supported by the Brittany region 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, monitoring of the implementation of the action plan and an assessment to evaluate its results.

Crédit Mutuel de Bretagne also provides support for maritime 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 Crédit Mutuel Arkéa and Crédit Maritime banking groups, Breizh Armor Capital was created. The purpose of this private fund is to invest in the projects of companies operating in the fishing industry, and more broadly in activities related to the Breton fishing industry. It helps strengthen the financial structure of companies and facilitates the financing of high investment programs, including the construction of deep-sea fishing vessels. Despite the health crisis, the fund has continued its actions and made promising new investments.

As regards wine-growing, Crédit Mutuel du Sud-Ouest remains fully mobilised in the VitiRev regional project, a large-scale project led by the Nouvelle Aquitaine region aimed at ending the use of pesticides in wine-growing. VitiRev brings together all the regional vineyards, 14 Laboratoires d'Innovation Territoriale (Regional Innovation Labs) and more than 130 stakeholders committed to an ambitious program of actions designed to create the attractive, environmentally-friendly wine-growing. It is in this context that Crédit Mutuel du Sud-Ouest has notably supported the Optivitis project in the Dordogne department, aimed at setting up weather stations that will enable a 30% reduction in phytosanitary treatments.

Crédit Mutuel du Sud-Ouest is also committed to supporting organic winegrowers and those undergoing a High Environmental Value initiative. Through its long-standing partnership with Agrobio and as a member of the Club des Financeurs Interbio Nouvelle Aquitaine, it is at the heart of financing organic farms. 2020 has also enabled it to strengthen its links with the Syndicat Viticole Bio Nouvelle Aquitaine and the Agence Nationale Viticole Bio.

The financing of institutions

Through its federations and Arkéa Banque Entreprises et Institutionnels, Crédit Mutuel Arkéa is a preferred partner of institutional players, with €1 billion in loans to the institutional sector in 2020.

Arkéa Banque Entreprises et Institutionnels supports both local public sector players and private players entrusted with missions of general interest. Its institutional clients include local authorities, in particular municipalities and inter-municipal bodies with more than 50,000 inhabitants, two out of three departments, 11 out of 13 regions and the 15 most populous metropolitan areas in France. The bank also finances the tools of local authorities such as local public companies, health and medico-social institutions, social housing providers, CCIs, mutual and pension funds, associations, etc.

Arkéa Banque E&I finances projects that make sense for the vitality and attractiveness of the regions: installation of very high-speed networks, development of public transport, real estate for the establishment of shops and businesses...

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

Support for the associative network

The group counts nearly 63,000 non-profit organisations among its clients, from all sectors. In addition to banking solutions, initiatives to support associations are regularly proposed: the "100% for associations" operation with the Défi Territoires d'Initiative (Territorial Initiative Challenge), which rewards associations that carry 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, the solidarity schemes have been extended and are managed at the level of the local banks of Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest, which each have a specific budget for granting donations to their member associations, whether they are charitable or organising a charity event.

Finally, in the context of the crisis in 2020 and with the support of a €2 million budget for Solidarity, the support mechanisms have been extended to be able to assist associations weakened by the crisis. Financial donations have thus been granted by local banks to support the action of associations deprived of resources due to the Covid-19 epidemic.

Social and solidarity economy	2018	2019	2020
Non-profit organisations	70,749	68,648	62,995

Support for talent and creativity in the regions

As an extension of its financing activity and its involvement in the field of economic development, Crédit Mutuel Arkéa is a company committed to local players through sponsorship and patronage. In this way, the group works alongside organisations and associations working to enhance and promote creativity, excellence, expertise and knowledge in the regions, in the fields of culture, education, health and sport. In 2020, the group contributed more than €17.4 million in patronage and sponsorship.

Crédit Mutuel Arkéa structures its financial patronage around emblematic actions in its historic territories in several complementary areas:

- Culture, by supporting cultural venues that are open and accessible to all (Hélène and Édouard Leclerc Fund for Culture, Le Quartz, Brest's national stage, the Petites Cités de Caractère, Bordeaux's Arkéa Arena, etc.).
- Health, by supporting medical research (Innovéo and Nominoë Endowment Fund, Bergonié Institute, 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 centres of excellence in the regions: the Rennes 1 University Foundation, the UBO Foundation and the Bordeaux Universities Foundation.

It should be noted that in 2020 and in line with the health context, Crédit Mutuel Arkéa has decided to increase its support for research by doubling the amount of its corporate sponsorship donation to the Innovéo and Nominoë funds. It has also stepped up its action in the Bordeaux region, notably by supporting Bordeaux Mécènes Solidaires and the "Un rien c'est tout association".

Crédit Mutuel Arkéa and its employees are also committed to their local communities and support numerous charities and public interest organisations through local initiatives such as collections and races.

In terms of sports sponsorship, Crédit Mutuel de Bretagne supports Breton Ligue 1 football clubs: Stade Rennais Football Club and Stade Brestois 29 and Ligue 2 football clubs: Football Club de Lorient and En Avant Guingamp. In addition, in Aquitaine, Crédit Mutuel Arkéa works alongside the Ligue 1 football team of Girondins de Bordeaux and the Union Bordeaux Bègles and Aviron Bayonnais top 14 rugby teams.

Crédit Mutuel de Bretagne has also been involved in sailing alongside Brittany regional council since 2011. Together, and with the support of the Finistère Pôle Course au large, they have created the Bretagne-CMB ocean racing centre of excellence. This original approach aims to detect and support talented young sailors to enable them to express themselves at the highest level (Skippers Espoir et Performance Bretagne-CMB). In 2020, this programme will be expanded to include a new section, "skipper Océane Bretagne-CMB", reserved for women skippers, in order to promote gender diversity in ocean racing.

For the first time, Crédit Mutuel Arkéa also took part in the 2020 edition of the Vendée Globe, a single-handed, non-stop, unassisted circumnavigation of the globe, in a joint partnership with Paprec. Skipper Sébastien Simon, a graduate of the Brittany-CMB ocean racing excellence programme, took the start of the event on November at the helm of the Imoca Arkéa-Paprec. On this occasion, Crédit Mutuel Arkéa and Paprec decided to support the Société Nationale de Sauvetage en Mer (SNSM) by paying it 1 euro for each new subscription registered on the skipper's social networks during the race; in all, this operation enabled the company to pay 30,000 euros to the sea rescuers.

Lastly, Crédit Mutuel Arkéa 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 social and environmental impact").

As a concrete expression of its Raison d'être, the integration of Environmental, Social and Governance (ESG) criteria into its financing and investment activities is a key issue for Crédit Mutuel Arkéa. Convinced that a company's performance cannot be solely financial but must be global, Crédit Mutuel Arkéa applies this conviction to its own operations and its interactions with its stakeholders.

At the end of 2019, Crédit Mutuel Arkéa validated a group ambition and associated action plans in terms of ESG for its financing and investment businesses, whether on its own account or on behalf of third parties. The aim is to make ESG a vector of development and growth for the group and its stakeholders.

This ambition affirms Crédit Mutuel Arkéa's positioning as a "partner in transition to serve the economic vitality of the regions".

Over the next 10 years, the regions and all 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.). Crédit Mutuel Arkéa's role is to work alongside the 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 capital;
- the transition towards an inclusive and balanced society in the regions.

In order to implement this ambition, the group plans, within the framework of a medium-term trajectory of:

- Systematise ESG analysis for all financing and investment businesses, integrating its vision of transitions;
- Formalise sectoral policies concerning the sectors of activity most exposed to these transitions;
- Define and deploy a climate trajectory;
- Develop new offers (financing, investment, savings, etc.) aimed at supporting customers in transitions and developing positive impact.

1. Advances 2020

During 2020, work to implement this strategy continued, both at group level and at the level of the entities concerned.

As part of the 2020 achievements, it can be cited:

- Training the members of the Executive Committee and the group's Board of Directors in climate issues. Group subsidiaries have also trained their governance and/or certain employees in these issues;
- The definition of a climate strategy for 2024, which formalises the commitments around the integration of climate issues into the group's business model. It has two major objectives:
 - strengthen the group's commitment to the climate vis-à-vis companies and territories, notably by setting up climate governance and training employees and directors, but also by developing financial and non-financial support for customers,
 - integrating climate as a performance and risk factor in the management of the group's activities.

Collaborative work was carried out during 2020 to define these commitments. In particular, they gave rise to the first risk, transition and physical measures on corporate finance and investment portfolios, as well as a 2-degree alignment measure on an equity portfolio. This climate strategy was approved by the group's Board of Directors on November 27, 2020. It is available on the group's institutional website (https://www.arkea.com/banque/assurance/credit/upload/docs/application/pdf/2020-12/arkea_strategie_climat_2020-12-22_12-02-53_632.pdf) and will give rise to a first TCFD report in 2021;

- the revision of its policy for the supervision of financing and investments of companies whose activity is linked to thermal coal (extraction and production of energy), with the aim of directing financial flows towards technologies and resources that are low in CO₂. At the end of November 2020, the group's Board of Directors approved an exit from coal by 2030 and a strengthening of the criteria for new financing and investments applicable as from December 31, 2020. The policy is available on the group's corporate website. It will be reviewed regularly to ensure that it is consistent with the group's overall investment and financing strategy in terms of taking ESG issues into account and in light of the climate emergency;
- the validation of the implementation of an in-house sustainable finance channel, which aims to support this ambition, through a dedicated organisation and governance;
- participation in the ACPR and EBA sensitivity exercises on climate risks, modelling the group's trajectory in this area in relation to the strategy developed;
- the development of new offers aimed at supporting the group's customers during transitions, such as the impact loan at Arkéa Banque Entreprises et Institutionnels, the rate of which varies according to changes in the ESG performance of the borrower;
- the continuation of the labelling process for financial savings products, with the SRI labelling of 7 new funds and a Greenfin fund at Arkéa Investment Services in 2020;
- The launch of a cross-disciplinary project to prepare for the requirements of the European "disclosure" regulation.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

2. Existing ESG practices in Crédit Mutuel Arkéa's business lines

Asset management

ESG is historically rooted in the DNA of Arkéa Investment Services in line with Crédit Mutuel Arkéa's identity.

There is a shared belief that ESG integration is a source of performance. Financial performance benefits from the consideration of sustainable development issues, whatever 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 clients expect more: beyond financial performance, the ambition is to offer them products that give meaning to their investments with an impact on the environment and on people.

Arkéa Investment Services' model allows it to maintain management agility with real skills for each of its areas of expertise. Thanks to this model, its integration of environmental, social and governance (ESG) issues is not monolithic, imposed in a top-down manner. On the contrary, it is linked to the expertise of each management company. This organisation 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 management investment process. Federal Finance Gestion has been practicing Socially Responsible Investment (SRI) since 2000 and is a signatory to the Principles for Responsible Investment (PRI) since 2009, the Paris Appeal, the Global Investor Statement on Climate Change and the Climate Action 100+ initiative.

Schelcher Prince Gestion signed the PRI in 2018, joined the Carbon Disclosure Project in 2020, is a member of the French Asset Management Association (AFG) and of the "Responsible Investment" technical committee, and also takes ESG issues into account in its asset management activities.

The integration carried out within these management companies is supported by a research team shared between Federal Finance Gestion and Schelcher Prince Gestion, combining financial analysts and ESG analysts. Investment research is carried out and presented by a pair of analysts. Thus, the managers benefit from financial and ESG analysis in each of their investment decisions.

The ESG analysis system is based on a model combining a reference framework and proprietary tools on the one hand, and the conviction that the quality of the analysis can only be achieved if it puts the analyst and his expertise at its centre on the other hand. The study of issuers involves understanding them, their environment, their developments, etc. The research team, shared by Federal Finance Gestion and Schelcher Prince Gestion, comprises 10 analysts, including 5 ESG experts.

In practice, the ESG Research model combines a normative approach with a best-in-class approach.

The normative approach aims to ensure that funds do not invest in:

- Actors who do not guarantee compliance with the main minimum internationally recognised social, environmental or governance standards, which are grouped together in the United Nations Global Compact. These companies are excluded from the investment universe of all Federal Finance Gestion and Schelcher Prince Gestion's active collective management;
- Actors involved in the manufacture or marketing of controversial weapons, such as cluster bombs 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, as described above.

The best in class approach aims to select the most advanced issuers on ESG issues within their industries. The criteria for analysing the benchmark are based on the study of three major non-financial issues directly related to sustainable development: 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 is made up of 2,000 companies and 160 countries.

A policy of commitment has also been put in place to build a constructive dialogue with companies whose non-financial rating is much lower than that of their sector of activity. These exchanges should encourage them to adopt responsible policies and behaviours 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 their 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 settlement of the second economic loan fund in Schelcher Prince Gestion's SP EuroCréances range integrates the first steps of an ESG approach on the investment universe of SMEs/Midcaps. Indeed, the entrepreneur 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 FRR mandate, Schelcher Prince Gestion has chosen to take a step forward in structuring this approach by commissioning a leading player in the non-financial rating of SMEs on ESG aspects: the company Ethifinance. With the assistance of Ethifinance, a non-financial analysis of the issuer is now carried out by proactively involving the issuer (interviews with managers and their teams). This process takes the form of an annual summary of the ESG impact of the funds deployed under the mandate. This study is also intended to help the company adopt best practices. It also makes it possible to open a dialogue with the company, particularly on ESG risks. This approach has been renewed for the SP EuroCréances 2018 fund.

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 management companies in its investment universe, as well as all of its portfolio holdings and underlyings. The questionnaires used were recently harmonised in collaboration with other institutional investors within the framework of a working group within France Invest. SWEN CP also organises the annual *ESG Best Practices Honours*, a benchmark event in the field of non-listed responsible investment. SWEN Capital Partners is also committed to a just 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 of a new direct and impact investment activity in infrastructure dedicated to the production of biomethane and its applications in new mobilities. Finally, SWEN Capital Partners has embarked on a new structuring approach by initiating the deployment of TCFD's recommendations. Within this framework, SWEN Capital Partners joined the Net Environmental Contribution (NEC) initiative (www.nec-initiative.org) in 2020 in order to be able to measure the environmental impact of its investments and their alignment with the energy and ecological transition using a scientific and transparent method.

Socially Responsible Investment (SRI) offer and ESG criteria (scope managed by Federal Finance Gestion)

	2018	2019	2020
SRI assets under management (in € millions)	1,060	798	5,245
Outstanding ESG (in € millions)	28,018	31,287	27,694
Number of General Meetings attended by the company	98	69	71
Rate of resolutions approval	73%	82%	86%

Institutional investors

Suravenir, the group's life insurance subsidiary, and a signatory of the PRI since 2018, integrates in its investment policy an ESG framework that includes non-financial risks in the investment process.

To do so, for the scope of financial assets excluding unit of account (UA), it relies on Federal Finance Gestion's ESG expertise and integrates 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 non-financial risk, Suravenir has also chosen to no longer invest in securities issued by issuers rated E according to the Federal Finance Gestion methodology.

In order to help limit global warming and reduce the financial risks induced by the energy transition in the short to medium term, Suravenir is finalising the definition of a climate strategy. To date, this climate strategy is materialised by:

- Measuring the carbon footprint of its portfolio (scopes 1, 2 & 3) 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, helping it 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 as part of the climate strategy. Physical assets, indirect investments and the portfolio in Units of Account are excluded from the scope of calculation. Work on the integration of Scope 3 is underway and will be completed in 2021 for the 2020 financial year;
- The framework for investment in thermal coal. Suravenir applies the group policy to all its portfolios (with the exception of

unit-linked portfolios outside the group), 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 by measuring a green share: to define the activities falling within the scope of the energy transition, Suravenir refers in particular to the nomenclatures of the Greenfin label (formerly the TEEC label) and the European taxonomy. The first investments in Greenfin-labelled funds were made as early as 2018.

Suravenir participates jointly with Federal Finance Gestion in direct engagement actions with companies whose non-financial ratings are low compared to those of their competitors. Suravenir also delegates to Federal Finance Gestion its voting rights exercise policy.

On the unit of account portfolio, it is through the offer that Suravenir can have an impact. For several years now, Suravenir has endeavoured to offer SRI-labelled Units of Account in the contracts it markets. 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.

Suravenir, together with its main property managers, Primonial REIM and Crédit Mutuel Arkéa, has initiated a process to audit its properties and determine a framework for monitoring and improving relevant ESG criteria, with a focus on the energy performance of these properties. This medium-term approach for existing assets is complementary to a policy of selecting new acquisitions that takes into account the environmental performance of the assets acquired.

Suravenir is continuing its approach of opening up to stakeholders and improving transparency, and in 2020 has integrated the "Observatoire de la Finance Durable" initiative as part of the "Finance ClimAct" project.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

Suravenir Assurances, the group's property and personal insurance subsidiary, as part of its own-account 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). Suravenir Assurances refrains from investing in securities/instruments issued by companies involved in tobacco manufacturing and applies the group's coal policy.

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 follow-up 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 (Scope 3 measure): this exercise is a necessary starting point for defining an efficient strategy to contain the CO₂ emissions resulting from its investment decisions at sustainable levels. Since 2018, Suravenir Assurances has been measuring the carbon responsibility and carbon intensity of its corporate and sovereign investments. Suravenir Assurances complements this measurement with other emerging indicators (brown/green share measurement; portfolio climate trajectory) to improve its knowledge of the environmental impacts of its investment decisions;
- The reduction of investments in the thermal coal industry, in accordance with the group policy validated at the end of 2020;
- The identification of carbon-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 has formalised 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 inclusion 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, Arkéa Capital 2, Arkéa Capital Partenaire and We Positive Invest vehicles.

Arkéa Capital has undertaken not to invest in certain activities in accordance with the Oslo and Ottawa international conventions and its values:

- Production or marketing of antipersonnel mines and cluster bombs;
- Gambling industries;
- Tobacco production or marketing activities;
- Activities related to prostitution and pornography;
- Activities related to thermal coal (mining and power generation).

During the investment phase, Arkéa Capital's team carries out 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 the study of four major non-financial issues directly related to sustainable development: governance, human capital, environment and external stakeholders. Topics 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 on an annual basis. This objective is formalised by an ESG clause inserted in shareholders' agreements.

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 is committed to mobilising to contribute, at its own level, to the COP 21 objective of limiting global warming to two degrees, contributing to the reduction of greenhouse gas emissions by its portfolio companies and ensuring the sustainability of its performance. In 2020, Arkéa Capital has formalised a climate action plan in line with the group's climate strategy. As a first step in this action plan, an analysis of the exposure of Arkéa Capital's portfolio companies to climate change-related risks was conducted by an external consultant. An estimate of the carbon footprint of Arkéa Capital's holdings was also carried out as part of this analysis.

Arkéa Capital does not have any holdings whose activity is coal mining or the production of electricity from coal-fired power plants.

In 2020, for the second consecutive year, Arkéa Capital carried out a campaign to collect non-financial data from its holdings in order to analyse them and present environmental, social and governance indicators in a first ESG report published in 2020.

Banking activity

Arkéa Banque E&I, in addition to its initiatives aimed at encouraging responsible projects on the part of its customers (see 5.4.4 "Products and services with social and environmental impact"), wishes to pay particular attention to the responsible approaches of the players it finances. Arkéa Banque E&I has deployed a qualitative CSR analysis grid for its counterparts. This grid aims to assess the degree of CSR maturity of the structure and to broaden the customer vision by addressing the issues of human capital, territorial footprint, the environment and relations with stakeholders (suppliers/partners and customers).

Since 2019, Arkéa Banque E&I has also refocused its investment product offering around responsible investment, creating CSR term deposits and offering its clients funds that meet ESG criteria in its range of UCITS, the majority of which are SRI-labelled funds.

In addition, the group's federations have initiated financing packages aimed at supporting the responsible projects of their farming and professional customers (see 5.4.4 "Products and services with a social and environmental impact").

Crédit Mutuel Arkéa's trading room, in its cash management activity, applies the group's coal policy and the exclusion of companies that do not provide assurances that they comply with the principles of the United Nations Global Compact.

3. Climate risk

The Risk Management Department has been in charge of climate risk since June 2019. Each Crédit Mutuel Arkéa risk management function manager has been made aware of climate risks (presentations at plenary meetings in 2019 and 2020) and of his or her future role in integrating climate risk.

A quarterly climate risk coordination committee was set up in the fourth quarter of 2020. Its tasks include monitoring climate risk integration projects in the Risk Department and, in the Risk Management Function, reporting on the implementation of the climate risk strategy, for arbitration on any blockage points raised in operational committees.

In order to identify the climatic risks facing Crédit Mutuel Arkéa, iterative work has been initiated in order to approach the areas concerned in a proportionate manner. As a first step, an analysis of outstandings was carried out. This analysis therefore concerns the indirect impacts related to the companies financed.

The initial physical and transition risk assessment work carried out last year showed the need to set up a climate risk reference framework specific to the group. The Risk Management Department is leading this project.

In addition, climate risks have been added to the group's risk appetite statement.

5.4.4 Products and services with a social and environmental positive impact

Crédit Mutuel Arkéa's various entities make a positive contribution to societal, social and environmental issues through their products and services. In addition to providing economic support (see 5.4.2 "Support for regional development") and ESG analysis of the customers, projects and issuers financed (see 5.4.3 "Integration of ESG criteria in financing and investment"), Crédit Mutuel Arkéa 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 encourage and enhance the responsible practices of all stakeholders, Arkéa Banque E&I has renewed each 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 put their responsible development projects into practice by offering them subsidised loan rates. Over 2020, this package has enabled 84 projects to be financed for a total amount of €337.8 million.

Also at Arkéa Banque E&I, the "PACT" impact loan enables SMEs and mid-caps to combine financial and non-financial performance. Accessible from €3 million over a period of between 5 and 20 years, it provides a subsidy of up to 20% on financial costs if the borrower improves its ESG (environmental, social and governance) performance according to predetermined criteria. In order to guarantee the neutrality of the assessments, PACT relies on the independent non-financial analysis agency Ethifinance. This agency will measure annual progress, which will be the subject of a report provided and commented on to the client by the bank. Launched in February 2020, the PACT system has already convinced some twenty public and private economic players for a total of €135 million, including the Interaction group, which has benefited from €3.5 million. This is the first "PACT" loan concluded in Brittany.

Arkéa Banque Entreprises et Institutionnels has taken a new step forward in its commitment to CSR strategy and support for local and regional authorities by creating a branch dedicated to financing environmental transition.

This new branch has several objectives:

- accelerate and structure the development of territorial financing for renewable energy, renovation and energy efficiency projects;
- federate the bank's know-how and building a solid and experienced team, capable of covering all the issues related to environmental transition financing;
- optimise the bank's privileged links with all the players (public & private sector) involved in an environmental transition process and make its network of relations available to them to facilitate synergies;
- breaking away from the traditional organisation separating projects according to their public or private character to better reflect market realities and the diversity of players;
- respond to new needs and be able to provide the best solution, whatever the size and nature of the projects, especially those of local dimension.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

More broadly, the ambition of Arkéa Banque E&I is to provide appropriate resources to support environmental transition and serve the economic vitality of the regions.

The new branch is part of the bank's global and proactive approach, following the tightening of the investment product offer around a 100% responsible range and the launch of impact loans accessible from €3 million.

In line with the "deposits make the loans" approach, Arkéa Banque E&I offers its customers a range of CSR Term Deposits, with lower interest rates and a commitment by the bank to invest part of the remuneration to finance and support CSR projects. Following a collection campaign, these CSR Term Deposit outstandings increased sharply in 2020 to reach €funde1.53 billion. In addition, Arkéa Banque E&I has chosen to select and offer its customers a range of diversified financial investments that meet 100% SRI criteria.

Products and services with environmental impact

In 2016, Crédit Mutuel Arkéa launched We Positive Invest, a capital investment fund dedicated to supporting innovative entrepreneurs in three main sectors: energy transition, the circular economy and societal entrepreneurship. With €20 million, the fund aims to support innovative companies that have already reached an initial economic threshold (around €1 million in revenues). In just over 4 years, We Positive Invest has made nine investments: Cozynergy (home energy renovation), Osmia (bee pollination services), Algo Paint (bio-sourced algae-based paints), iQspot (real-time monitoring and reporting of building consumption), Newcy (reusable coffee cup solution), Phenix (intelligent management of unsold and food waste), TokTokDoc (telemedicine solution), Ascor Communication (online professional training) and Andjaro (HR platform for internal employee mobility).

Arkéa Banque E&I also supports companies specialising in new energies and the circular economy. By the end of 2020, Arkéa Banque E&I had, for example, contributed to the financing of projects in renewable solar, wind (northern France) and offshore wind energy (off the Normandy coast), methanisation (production of green gas from agricultural products in Charente), modernisation of district heating networks to increase the supply of renewable energy (Lyon network) and supported several developers of renewable energy projects in financing their development.

Energy efficiency in housing

The group's federations offer a range of loans to finance 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.

Since 2016, Crédit Mutuel de Bretagne has been a partner of the Brittany region to facilitate housing renovation. Through this partnership, Crédit Mutuel de Bretagne has undertaken to facilitate access to interest-free eco-loans in Brittany and to encourage its customers to use the engineering services offered by home renovation platforms.

Crédit Mutuel du Sud-Ouest is a partner of the Agence Régionale pour les Travaux d'Économies d'Énergie and the Nouvelle-Aquitaine region, through which it offers financing solutions tailored to energy-saving renovation work. Crédit Mutuel du Sud-Ouest also participates in Bordeaux Métropole's "marenov" platform, which helps households to make their homes more energy-efficient.

Financo also offers a "works loan" to finance energy efficiency work (insulation, windows, etc.).

Loans for financing energy efficiency retrofits	2018	2019	2020
Number of interest-free eco-loans granted during the year	708	1,164	1,484
Average amount of interest-free eco-loans granted (in €)	17,856	13,672	12,135
Total amount of interest-free eco-loans granted (in m€)	13	16	18

Sustainable mobility

The group's federations offer advantageous loan conditions to future owners (private individuals and professionals) of ecological vehicles.

Through its property and casualty insurance offers, the group also offers price reductions on car insurance policies covering vehicles with CO₂ emission reductions and electric vehicles.

Suravenir Assurances rewards and encourages customers who use their vehicle less or better and contribute to reducing the carbon footprint through schemes such as:

- **mileage packages:** provision of price reductions according to the mileage package declared by the insured person;
- **pay-as-you-go:** contract pricing according to the number of days the vehicle is used;
- **pay-how-you-drive:** allows the rate to be adjusted according to eco-driving measures captured by a box installed in the vehicle. The associated economy favours access to populations that sometimes have very high contributions;
- **carpooling:** facilitate carpooling among customers without extra premium (authorisation to lend a wheel to a passenger and driver's bodily injury guarantee, including passenger assistance).

Sustainable agriculture and agro-ecology

Crédit Mutuel Arkéa's federations are committed to supporting farmers (see 5.4.2 "Supporting regional development") and are committed to helping their customers through the transition process.

Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest offer two loans to support energy transition projects and energy efficiency equipment: the Environment loan to finance energy-efficient 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 (methanisation, cogeneration, photovoltaic energy, etc.).

Crédit Mutuel de Bretagne has provided financial support for almost half of the agricultural methanisation installations in operation in Brittany. Crédit Mutuel de Bretagne and the Association des Agriculteurs Méthaniseurs Bretons signed an agreement to promote mentoring for methanisation projects. Training for farmers with methanisation projects is essential for the performance and safety of the installations and for the development of the industry.

Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest also offer the Clémat + loan to finance precision farming equipment to limit inputs and promote agro-ecology.

Crédit Mutuel de Bretagne plays an active role in helping young farmers with organic farming projects. Crédit Mutuel de Bretagne has joined the BBI (Initiative Bio de Bretagne) funders' club. Crédit Mutuel du Sud-Ouest is a partner of AGROBIO Périgord, an association with which various initiatives are carried out to promote more responsible farming (training, visits to organic farms, a programme to support plant biodiversity, etc.). Crédit Mutuel du Sud-Ouest has also joined the Interbio Nouvelle Aquitaine finance club, enabling it to participate in the financing round for projects by food companies specialising in organic farming. Lastly, it supports winegrowers/farmers working on short circuit projects.

Crédit Mutuel de Bretagne and Crédit Mutuel Arkéa have worked together to create a contract within the framework of PES (payments for environmental services). The purpose of signing this contract with the Finistère-based association ALLI'HOMME is to provide financial compensation for the efforts of farmers who commit to changing their farming practices. Crédit Mutuel de Bretagne is also involved in LabPSE in Ille-et-Vilaine. This project aims to test the implementation of a PES market in Western France and to demonstrate that the development of PES is favourable for farmers, buyers and to accelerate the agro-ecological transition.

In 2020, the INAF programme was rolled out by the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest networks. Launched in the wake of the États Généraux de l'Agriculture et de l'Alimentation (General Assembly on Agriculture and Food) and as part of the Major Investment Plan, the INAF (National Initiative for French Agriculture) programme is proposed by the Ministry of Agriculture and Food. Crédit Mutuel Arkéa was selected in this call for expressions of interest and, like three other networks, is able to offer its customers investing in agricultural transitions (mainly upmarket) limited risk in setting up loans, which are counter-guaranteed by the EIF (European Investment Fund). The significant amount obtained by the group is spread over the 3 years of the program. The entire network of agricultural advisers and administrators have been trained in this tool, which provides security for the financier and supports agricultural transitions.

Lastly, Crédit Mutuel Arkéa's asset management activities contribute to the development of products with an environmental impact. For example, Federal Finance Gestion manages the Federal Oxygène mutual fund (FCP), a fund whose investment themes are water, food, health and the environment. Similarly, the Federal Global Green Bonds fund, invested in green bonds, was launched in 2020. This fund, which has been awarded the Greenfin label, saves 295 tonnes of CO₂ for every million euros invested.

Products and services with a social impact

In September 2019, Crédit Mutuel Arkéa issued its first social bond on the financial markets, making it one of the first banks in Europe to do so.

€500 million fund-raising campaign enabled Arkéa Banque Entreprises et Institutionnels, Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest to refinance projects mainly in the social housing and health sectors, which are traditional areas of intervention.

Following on from this success, Crédit Mutuel Arkéa carried out a second bond issue with a social impact on June 4, 2020. €750 million will contribute to the economic development of regions in a context of unprecedented health crisis, notably through the financing/refinancing of loans to SMEs and the health sector.

Access to health care, home care, social ties

Crédit Mutuel Arkéa's federations offer their customers a range of insurance products designed by Suravenir Assurances to cover various health and long-term care risks: health insurance, long-term care insurance (annuity in the event of loss of independence), life accident cover and insurance to help carers.

In the field of public health, Crédit Mutuel Arkéa finances university hospitals and the main hospitals in Brittany. Arkéa Banque Entreprises et Institutionnels supports more than 100 establishments in the health and medico-social sector, with total financing of €164 million in 2020. The group is also a sponsor in this area (see 5.4.2 "Support for regional development").

Arkéa On Life, the group's brand dedicated to the connected services offered by the subsidiary Arkéa Assistance, is moving towards ever greater serenity for the elderly and people with reduced mobility. It offers a home remote assistance service for isolated people, as well as a connected watch for home support for elderly people wishing 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 relative and his or her entourage. Thanks to this centre, the beneficiaries can stay in permanent contact with their relatives, thus limiting the feeling of isolation. Arkéa Assistance also provides tailor-made tele-assistance solutions for senior residences and residential facilities for dependent elderly people (EHPAD). Since 2016, Arkéa On Life has also been working on health issues: a 24-hour health advice service by a general practitioner is offered to beneficiaries, with the aim of soon extending the service to teleconsultation (diagnosis and prescription by videoconference). In total, Arkéa On Life currently assists some 20,000 people.

Lastly, to enable professionals to make their premises accessible to the disabled, the Crédit Mutuel Arkéa federations offer them an "Accessibility Loan Pro" to finance this work.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

Actions in favour of housing and social home ownership

As access to housing is a major concern for its customers, Crédit Mutuel Arkéa has chosen to contribute to this issue through various types of initiatives that go beyond property financing. The banking services offered by the federations contribute to financing social housing, notably through a portion of the savings collected in CMB and CMSO savings accounts.

Since the beginning of 2018, certain major cities in Brittany (Rennes Métropole, Saint-Malo Agglomération), in consultation with social housing stakeholders, have decided, to facilitate home ownership in very tense areas, to use a new system: the Organisme Foncier Solidaire (OFS) and the Bail Réel et Solidaire (Real and Solidarity Lease). Thanks to the OFS, purchasers do not have to buy the land made available to them, for a fee that is less costly 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.

Savings and loans contributing to the financing of social housing (in € millions)

	2018	2019	2020
CMB booklet, CMSO saving accounts	6,578	6,962	7,394
Social housing incentive loans (PLS and PSLA)	1,001	866	755

Support for the social and solidarity-based economy and social entrepreneurship

By its very nature and by deep conviction, Crédit Mutuel Arkéa has always positioned itself in support of the social economy and social entrepreneurship, in its traditional territories of course, but also more widely, notably through support for innovative initiatives.

Thus, the group is a partner of several major players in the SSE: the Association pour le Droit à l'Initiative Économique (ADIE), the Crésus Foundation, Secours Catholique.

Crédit Mutuel Arkéa's financial patronage also includes support for the Low-Tech Skol in Guingamp (22), which offers training in social integration through the circular economy, and low-tech in Brittany.

The group also supported the Low-Tech Lab in Concarneau (29) whose objective was to experiment and implement 8 "low-tech" products aimed at being less dependent on electricity and electronics, without losing comfort.

In Nouvelle-Aquitaine, the group provides financial support to Bordeaux Mécènes Solidaires, a regional foundation that supports concrete projects for social and professional integration, the fight against precariousness, digital inclusion, access to housing and social innovation in the Gironde region.

In 2020, against the backdrop of an unprecedented crisis that is having a major impact on the associative world and social entrepreneurship, Crédit Mutuel Arkéa has extended its partnership with Share IT, a "Tech for Good" acceleration programme aimed at increasing the impact of associations through technology by giving them access to skills that are usually out of reach. A number of projects were launched this year, addressing a variety of social issues: inclusion and employment, education, the environment, disability, justice and gender equality.

Arkéa Banque E&I, thanks to a dedicated team, promotes the development of projects in the SSE field. In this way, it has been able

to support new players in carrying out their projects, whether in the education, health or social support sectors.

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 thus finances local authorities holding land, developers and low-income housing players, helping them to carry out their initiatives (construction of social rental housing, housing rehabilitation, urban renewal policy, social home ownership, etc.).

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 savings account, the federations offer individual customers the opportunity to donate all or part of the interest earned each year to public interest associations selected from a list of partner organisations in four areas: social and housing, employment, international solidarity and the environment. The Livret Solidaire has been awarded the solidarity finance label by Finansol. €175,000 were thus paid out to associations in 2020.

In addition, since October 2020, holders of Livret Développement Durable et Solidaire (LDDS) savings accounts can also donate the interest or capital invested in their LDDS to one or more public interest associations.

Fourteen partner associations have been selected by Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest, Fortuneo and Arkéa Banque Privée, in line with the group's *Raison d'être*, to focus on the major social and environmental challenges facing our regions.

These partnerships with these associations are long-term and special attention is paid to the use of donations.

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 Crédit Mutuel Arkéa's regions, investments made by France Active Investissement are directed towards four regional solidarity investment funds (Bretagne, Auvergne Rhône-Alpes, Nouvelle-Aquitaine and Provence-Alpes-Côte d'Azur).

Solidarity savings: outstandings (in € millions)	2018	2019	2020
Employee savings schemes	8.75	10.71	387.46
Solidarity Booklet	34.08	40.48	54.40
Total	42.83	51.19	441.86

5.4.5 Inclusion of vulnerable clients

Associated non-financial risks:

- risk of non-compliance, non-compliance with customer protection rules

Crédit Mutuel Arkéa, 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 adopted by the French Association of Credit Institutions and Investment Firms under the conditions provided for in Article L.312-1-1 (A) of the French Monetary and Financial Code, a system applicable to all group entities sets out the practical procedures for implementing the obligations depending on the activity carried out (information, proposal of suitable products, customer support). Thus, it should be noted that financially vulnerable customers holding the specific Budg'Équilibre offer can benefit from a second bank card if they have a joint account. In addition, Crédit Mutuel Arkéa has formed partnerships with specialised third parties (Crésus, Atelier Budgétaire, etc.) to facilitate customer guidance when financial difficulties cannot be dealt with by the bank alone. Crédit Mutuel Arkéa's budget coaching application Bud'JET can also be offered to customers benefiting from the Budg'Équilibre offer.

In order to provide effective support to customers in financially fragile situations, the group's entities train employees in contact with customers on the systems and procedures for implementing dedicated systems.

Crédit Mutuel Arkéa is committed to putting the customer at the heart of its concerns and has taken a proactive approach to financially fragile customers through various initiatives:

- the creation, as of 2018, of the Banking Inclusion Coordination Committee (CCIB), a genuine governance body responsible for steering the banking inclusion system within the group. The committee meets quarterly to monitor the progress of 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.

In accordance with Article R.312-4-3 of the French Monetary and Financial Code (CMF), **the detection of financially fragile persons** includes several measures. Those in force at December 31, 2020 and since November 1, 2020 are as follows:

- **monthly detection under "regulatory" criteria.** The following are concerned:

Customers who have filed an overindebtedness file that is admissible by the Banque de France during the entire period of their registration in the Fichier des Incidents de remboursement des Crédits aux Particuliers (FICP), as well as those who benefit from measures to deal with their overindebtedness, during the period of their registration in the file,

Customers who have been registered with the Fichier Central des Chèques (FCC) for more than 3 months and who have been "banned from banking",

- **monthly detection based on so-called "modular" criteria** at the discretion of each establishment. The detection process currently in force takes into account the situation of homes with all of their checking accounts:

at least 5⁽¹⁾ account operating incidents over the last month,

or at least 12 account operating incidents over the last 3 months,

or with an overdraft exceeding the authorised overdraft at least one day per month during the 3 months, and at least one account operation incident* each month during these 3 months.

Households whose monthly income paid into the accounts is less than:

- €1,500 for households with only one adult,
- €2,500 for households composed of two adults,

and where the amount of interest-bearing savings held by adults in the household is less than:

- €3,000 for households with only one adult,
- €5,000 for households composed of two adults.

The group's device also detects customers with a new registration in the Fichier Central des Chèques (FCC) that is more than 30 days old and less than 90 days old.

(1) The account operating incidents detected by these detection tools are those for which the costs incurred are those capped under Article R.312-1-2 of the Financial Markets Code, for all household chequing accounts: Intervention fees, Fees for prior information letter for NSF cheques, Fees for information letter for unauthorised debit accounts, Fixed fee per rejected cheque for lack of funds, Fees for rejected direct debits for lack of funds, Fees for non-execution of standing orders for lack of funds, Fees following the notification reported by the Banque de France of a ban on customers issuing cheques, Fees for the Banque de France declaration of a decision to withdraw a bank card, Fees for the bank to stop (block) the card.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Supporting clients and territories in societal, social and environmental transitions

When a client, previously identified as financially fragile, no longer corresponds to the criteria, a 3-month observation period is provided for. During this period, the customer continues to benefit from the cap on incident costs. The purpose of this observation is to ensure that the situation is restored on a long-term basis. In the event of a new incident during this period, the customer concerned will not experience a break in the cap on incident costs.

- early detection under the heading of prevention of overindebtedness.

This quarterly detection mechanism is based on an Artificial Intelligence model that makes it possible to identify a series of events that could eventually lead to financial fragility and result in the filing of an overindebtedness file.

200 in one of the last three months, without having been identified as financially fragile,

After analysing each of these situations, the adviser can identify these clients as financially fragile persons for a renewable period of 12 months.

- a "manual" detection at the initiative of each counsellor to identify, for a renewable period of 12 months, a situation of fragility that has not been detected by the above treatments.

Customers identified as fragile are offered the Budg'Équilibre Specific Offer.

People benefiting from one of the solidarity schemes (Budgetary Support, Assistance to Borrowers in Difficulty or Personal Micro-Credit) are also identified as financially fragile and therefore benefit from a ceiling on incident costs for a renewable period of 12 months;

- the strong mobilisation of the local bank networks to promote the specific offer dedicated to financially fragile customers.

At the end of 2020, the local bank networks of Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest had 19,551 beneficiaries of the special offer for vulnerable customers. Crédit Mutuel Arkéa, true to its cooperative banking DNA and its values of solidarity, has chosen to go further than the obligation imposed by the regulatory framework. Since January 1, 2019, Crédit Mutuel Arkéa has eliminated all incident charges for customers with the Budg'Équilibre special offer for vulnerable customers, i.e. €0 in incident charges, instead of the €20 monthly and €200 annual charges set by law. The ceiling on incident costs for customers identified as being in a situation of financial fragility is 25 euros per month, in accordance with the regulations.

These efforts are fully in line with Crédit Mutuel Arkéa's *Raison d'être*, which is to assert itself as a socially responsible, ethical and inclusive company.

Crédit Mutuel Arkéa is also developing specific solidarity schemes to help members in difficult situations.

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 to each bank. Their objective is to help people in temporary difficulty through four levers of action: assistance to borrowers, personal micro-loans, the "sensitive accounts" scheme (reversal of fees) and, since 2015 in the framework of banking inclusion, budget support by specialised partners. In 2020, 198 new subsidies were granted for a total amount of 284,000 euros.

Within this framework, and through its partners, personal micro-loans of up to €3,000 can also be granted by local banks. These loans are aimed at people excluded from "classic" loan. As part of social support, these micro-loans can finance the acquisition or maintenance of a vehicle or household equipment, promote autonomy, access to housing or family cohesion projects. In 2020, 260 personal micro-loan were granted for a total amount of €690,000.

The monitoring of sensitive accounts enables the Boards of Directors of the local banks to reverse charges for members with significant monthly expenses. In 2020, more than €250,000 were not drawn down or were reversed to the benefit of 2,000 members.

Crédit Mutuel Arkéa has been a partner of ADIE since 1994. This partnership notably provides for the opening of credit lines enabling ADIE to grant micro-loans and the endowment of honorary loan funds. These schemes benefit business creators in Brittany and in Nouvelle-Aquitaine. In 2020, €1.7 million of loans have been allocated in the form of professional micro-loans to 436 project leaders installed and supported.

In 2020, against the backdrop of the health, economic and social crisis, Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest's solidarity mechanisms have evolved to provide new responses to the needs of financially vulnerable customers. Thus, in addition to providing financial assistance to borrowers in difficulty, the local banks now have the possibility of supporting customers experiencing temporary difficulties, whether or not they are borrowers, up to a limit of €1,000 per beneficiary. The financial donation scheme for private individuals has been used extensively. In 2020, nearly €970,000 in donations have enabled households to improve their financial situation.

Suravenir Assurances, Crédit Mutuel Arkéa's property and personal insurance company, has decided to provide concrete support to its policyholders most affected by the coronavirus crisis by redistributing part of the premiums collected. A total of more than €3.5 million was paid out in 2020 to customers of its distribution networks affected by the Covid-19 crisis.

Access to home loans after a health event

In 2018, given the difficulty for some people to benefit from home loans due to health problems, 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 realise their housing project and become homeowners (main, secondary or rental residence).

Accessibility of services

The websites of the group's federations have been designed to facilitate their use by all. They comply with the web standards defined by the W3C and the guidelines of the WAI (Web Accessibility Initiative). The mobile sites are accessible to people with disabilities

using assistive technologies. At a minimum per point of sale, on one of the automatic teller machines (ATMs), withdrawals have also been made accessible to blind and partially sighted people through audio guidance that requires the use of headphones or headsets. Finally, the telephone numbers of the federations, as well as those of Suravenir Assurances and Suravenir for loan insurance, are accessible to the deaf and hard of hearing via a connected real-time transcription or interpretation service.

Since 2018, the group has strengthened its resources to deal with the issue of accessibility by appointing a dedicated staff member 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 the bank, in a context where general exposure to cyber risk is growing. This issue is also identified among the expectations expressed by the group's stakeholders.

In order to respond to this need, Crédit Mutuel Arkéa relies, in terms of governance, on the IT Risk Governance Committee ("IT Risk"), a general management committee dedicated to its monitoring set up at the end of 2018.

The Operational Risk Department, within the Risk Department, is notably in charge of assessing and controlling cyber risks and, as such, protecting the data of all its stakeholders.

In addition, the IT Security Division is supported by the group IT Security Manager (RSSI), who reports to the Operational Risk Department, and the group Operational Security Manager (RSOP). In order to ensure group coverage, this organisation is supplemented by a network of RSSIs in the main group entities, all of whom report functionally to the group RSSI.

This IT sector, and more broadly IT risk, are supervised by the group's General Management through the IT Risk Governance Committee.

Data protection, one of the major aspects of IT risk management, is covered by the group's IT Security Policy (ISSP), which is defined and regularly reviewed by the IT Risk Governance Committee.

This policy, based on the ISO 27001 and 27002 standards, sets out the general guidelines for identifying, reducing and managing risks related to any malfunction or potential vulnerability of the group's information systems, whether accidental or intentional. These general guidelines are based on thematic policies, procedures, rules, instructions and operational recommendations, which may be broken down by specialised area.

This reference framework incorporates the thematic policy on the protection of sensitive data, which defines the different levels of classification of data in terms of 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 put in place in the various areas of security contribute to the protection of Crédit Mutuel Arkéa's data and that of its stakeholders, whether hosted in its own data centres or outsourced. A number of measures have been put in place to verify their effectiveness. These include periodic intrusion tests, carried out internally and by external companies with expertise in IT security, as well as the setting up 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 the budget vision.

In addition, a user charter, available via the group's intranet and sent to each new employee, aims 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 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 establishment of an internal incident response unit with the CERT label.

Crédit Mutuel Arkéa has made 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
- risks of non-compliance

Responsible governance

Cooperative governance allows representation of the stakeholders of the enterprise at the level of the Boards of Directors.

At the level of the local banks, the directors, who are volunteers, are elected by and from 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 is truly representative of the members, independent of the company's management. Elected for three years (CMB) or four years (CMSO), the directors listen to the members and relay their expectations and suggestions to their Board of Directors. In particular, they are directly involved in Crédit Mutuel Arkéa's solidarity initiatives. They represent their federation at local or departmental events and help to strengthen relations with the various players in the local economy and the voluntary sector. The directors' involvement in local life nourishes and strengthens Crédit Mutuel 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. The elected directors' control of the decisions taken by the operating structures ensures that the company's actions are sustainable over the long term. This control emphasises responsible management to ensure the sustainability of economic, social and environmental investments.

In 2020, 163 new directors were elected in local banks. The trend is towards greater gender diversity, both in terms of gender and age group and in terms of socio-professional categories. Women account for 47% of newly elected directors and 31% of the new Chairwomen of local banks.

To support them in the exercise of their mission, the federations set up a training programme. The Arkéa 2020 corporate project has established the mandatory nature of training in all group entities where directors sit. In 2020, the training system for local bank directors was severely disrupted by the health situation, which prevented the vast majority of training sessions from being held in person. E-learning has been stepped up and will continue to be developed in line with the targets set for 2021, with nearly 1,000 directors trained in the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations.

The Boards of Directors of the federations are supported by specialised commissions. Thus, at Crédit Mutuel de Bretagne, the "Cooperative life", "Training", "Responsible development", "Member and customer 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 committees are the "Conciliation", "CSR", "Control and Audit", "Agribanque", "Training", "Investment Regulation" and "Solidarités" commissions.

In the federations, the directors are particularly involved in the CSR approach. Crédit Mutuel de Bretagne's "Responsible Development" commission is made up of 13 directors and is tasked with keeping abreast of the latest developments in corporate social responsibility and contributing to the implementation of Crédit Mutuel de Bretagne's CSR strategy. It may propose or be involved in the implementation of any event or demonstration likely to promote Corporate Social Responsibility among the directors, members and the general public of Crédit Mutuel de Bretagne. As part of the group's adoption of an ESG – Climate strategy in 2020, the Responsible Development Commission was provided with specific information on the regulatory framework and the structuring of the Sustainable Finance sector. The integration of ESG-Climate criteria into Crédit Mutuel de Bretagne's product and service offering will be an additional focus of the commission's work. The purpose of the CSR commission at Crédit Mutuel du Sud-Ouest is to enrich the debate, drive 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 five directors and five employees, the commission meets at least twice a year.

The members of these commissions contributed to the discussions on the preparation of the 2024 Medium-Term Plan, on specific themes. In addition, a participatory workshop bringing together local bank directors was also conducted in this context with regard to the group's commitments as set out in the *Raison d'être* defined in 2019.

Crédit Mutuel Arkéa's Board of Directors is composed of 19 directors:

- 15 directors representing the members. They are elected at the Annual General Meeting and come from the territories in which Crédit Mutuel Arkéa operates, namely:

- 12 directors in respect of the banks affiliated to the Crédit Mutuel de Bretagne federation,
- 3 directors in respect of the banks affiliated to the Crédit Mutuel du Sud-Ouest federation;
- 2 directors who are not members of the cooperative movement: one of them was elected and the other was re-elected at the Annual General Meeting of May 14, 2020, after prior approval by the Appointments Committee and the Board of Directors of Crédit Mutuel Arkéa;
- 2 employee directors. They are appointed by the Social and Economic Committee (ESC).

The directors of the Board are all of French nationality.

The Board of Directors is particularly vigilant with regard to the exercise of an independent and committed mandate by its members. To this end, in 2020 it adopted a Crédit Mutuel Arkéa Directors' Charter, which sets out the duties of the Board's 19 directors and refers to the formal independence criteria set by the European Banking Authority (EBA/GL/2017/11 and 2017/12 guidelines § 91 and § 92). Under these criteria, 18 of the 19 directors on the Board of Directors are independent. In addition, this charter lists the individual competencies of the members of the Board of Directors and should thus make it possible to guarantee a collective competence adapted to the exercise of sound and effective governance of the company.

With regard to the Board of Directors' diversity policy, since 2017, the percentage of women on the Board of Directors has exceeded 40% and stood at 47% as of December 31, 2020.

The Board of Directors met 12 times in 2020. The attendance rate of directors at Board meetings was 90%. Since 2020, it has benefited from a digital solution for holding meetings that aims to streamline the organisation of meetings and documentation to be studied and to strengthen dialogue between members.

Since 2016, the Board of Directors has had internal operating regulations. These confirm the essential missions of Crédit Mutuel Arkéa's directors, set out the operating procedures of the body and set out the rights and obligations of each director.

Consequently, the Board of Directors of Crédit Mutuel Arkéa fully exercises its role in accordance 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 programme. In 2019, the Board adopted a governance charter for new directors and the enhancement of their skills. In 2020, at the initiative of the Appointments Committee, a remote training platform was rolled out for the directors of Crédit Mutuel Arkéa and its subsidiaries.

In order to ensure the effectiveness of the governance exercised by the Board of Directors, at least once a year, at the initiative of the Chairman of the Appointments Committee, an item on the agenda of Crédit Mutuel Arkéa's Board of Directors 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 functioning of the Board of Directors. The last one was carried out in 2018, with the support of the Corporate Secretary's and Corporate Communications Department, on the basis of 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 dossiers presented to the Board of Directors are seen as vectors for informed

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

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. In 2020, the functioning of the Board of Directors was reviewed at the meeting of November 27 and concluded, in particular, that the Board of Directors is composed of experienced and committed members, 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 executive management.

In accordance with the provisions of the French Social Economy Act, Crédit Mutuel Arkéa's General Meeting held on May 14, 2019 heard the conclusions of the report of PHF Conseils, the firm appointed the previous year as cooperative auditor. The report deals with the mechanisms to ensure voluntary and open membership, the nature of the dual status of members (customers and members), the mechanisms to ensure the democratic governance of our cooperative society and a good level of economic participation by members, the procedures for allocating operating surpluses, the training arrangements 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.

At the level of Crédit Mutuel Arkéa subsidiaries

As part of Crédit Mutuel Arkéa's cooperative governance model, the Appointments Committee of the Board of Directors of Crédit Mutuel Arkéa selects from among the elected members of the local banks competent directors, and exceptionally additional expert staff, to sit on the supervisory bodies of the group's various subsidiaries.

In order to guarantee the good reputation and competence of these more than 200 members of supervisory bodies, the Appointments

Committee adopted a second-tier governance charter in 2019, which provides a framework for the appointment of members of the supervisory bodies of subsidiaries and the performance of their duties. This charter sets out three guidelines for the good governance of subsidiaries:

- balanced representation, proportionality of size and renewal of the supervisory bodies of the group's subsidiaries;
- strengthening the collective competence of the Boards and the individual competence of the members of the supervisory bodies, both in the process of detection and training of directors;
- strengthening the committee's role and dialogue with the Chairmen of the various Boards and the general secretaries of the group's entities.

In 2020, 90% of the subsidiaries' supervisory bodies had an attendance rate of more than 75%. In addition, 89% of the directors appointed in 2020 have been approved by a supervisory authority without conditions precedent.

With regard to strengthening the collective and individual skills of the supervisory bodies of subsidiaries and their members, a framework policy for training second level directors was adopted in 2020. It is supplemented by the opening to members of the supervisory bodies of a remote training platform which enables experts from central departments and each subsidiary to provide training on regulations, risks, governance, accounting and auditing, the products and business lines of Crédit Mutuel Arkéa entities and banking strategy.

The involvement of Crédit Mutuel Arkéa's governance in the group's CSR approach is described in section 5.2.

	2018	2019	2020*
Directors of local banks			
Number of directors 1 st level	3,016	2,924	2,713
% of women among the directors of local banks	40.6%	41.1%	41.8%
Number of new directors elected during the year	133	184	163
% of women among the new directors of local banks	59.4%	49.5%	46.6%
Participation rate on the boards of directors of local banks	83.7%	79.4%	76%
Number of new Chairmen of local banks	24	34	29
% of women among the new Chairwomen of the local banks	66.7%	32.4%	31.0%
Directors of federations			
Number of federations directors	108	105	81
% of women among the federations directors	33.3%	36.2%	43.2%
Number of newly elected members of federations	7	13	12
% of women among newly elected federation directors	57.1%	38.5%	66.7%
Training			
Number of directors of local banks who have taken at least one training course during the year	2,141	1,425	988
Total number of hours dispensed	12,831	11,147	5,615
% directors of local banks trained	71.0%	48.7%	36.4%
Duration of training per director trained (in hours)	6	8	6

* Exit from the Crédit Mutuel Massif Central federation in 2020

Business exemplarity

Adapting to regulatory inflation, which places 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 banks today.

In line with its *Raison d'être* and its ambition to be a socially responsible, ethical and inclusive company, Crédit Mutuel Arkéa aims to set an example in the conduct of its business and is constantly striving to ensure that its actions are ethical and secure processes that protect the interests of its customers and preserve its integrity and reputation. The group also works closely with its customers to understand and meet their expectations.

Crédit Mutuel Arkéa's approach is thus based mainly on promoting 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.

Promotion of a culture of ethics and responsibility

In order to guard against the risk of misconduct in the group's activities, Crédit Mutuel Arkéa makes compliance with ethical rules a priority.

To this end, Crédit Mutuel 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 penalties incurred for non-compliance with the principles set out in the internal regulations, the internal regulations set out the rules relating to transactions generated on their behalf by employees; the rules relating to transactions carried out on financial markets; the rules applicable to persons involved in activities likely to give rise to a conflict of interest or provide access to inside information, or those relating to the recording of telephone and electronic communications by certain employees in accordance with MiFID regulations. The Code of Conduct of the internal regulations constitutes the pillar of the anti-corruption plan enshrined in the so-called "Sapin 2" law. The Code of Conduct, which reflects the decision of the management body to engage the company in a process of prevention and detection of corruption, sets out 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 raising system is deployed within the group. Thus, the governance bodies and employees most at risk are regularly trained in the rules of ethics and professional conduct.

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, Crédit Mutuel Arkéa promotes a responsible compliance approach through the implementation of compliance control systems supervised and steered by its group Compliance and Permanent Control Department (DCCP).

Above all, ensuring compliance with regulations, the teams in charge of compliance work closely with the operational teams, ensuring that

a common culture of compliance is reinforced. 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, supervising, compliance works 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. To protect the group from any risk of sanctions, financial loss or damage to reputation, the DCCP 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 framework rules to which it is subject with regard to its activities and scrupulously ensures that they are properly implemented.

Financial security

Market integrity

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, intervention in financial instruments, post-trade transparency, prevention and detection of market abuse, detection and management of conflicts of interest, best execution and selection of information and advice to clients, and protection of assets.

In accordance with Article 314-10 of the AMF's General Regulations, Crédit Mutuel 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 Crédit Mutuel Arkéa's scope.

An assessment of the actions carried out is regularly reported to the group's management bodies.

Anti-money laundering and financing terrorism

In order to protect the interests of customers and the group, a framework policy incorporating the regulations in force and an organisation capable of contributing effectively to the fight against money laundering and terrorist financing (AML-FT) 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 AML/FT system, the risk of the presence and activity of terrorist organisations, the existence of international sanctions or restrictive measures against the country, and the corruption index assessed by Transparency International. Procedures are in place in order to:

- prohibit transactions from or to countries sanctioned by the European Union and French regulators;
- to 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 customers, the products and services distributed, the distribution channels, the type of customer transactions and their geographical location.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

The actions undertaken by Crédit Mutuel Arkéa in 2020 are detailed in chapters 2 and 4 of the Universal Registration Document. They take into account the trends and analyses set out by the TRACFIN financial intelligence unit in its annual reports, FATF and European Union country assessments, and communications from the regulator (guidelines, sanctions, etc.), notably concerning changes in money laundering risks in the context of the health crisis (fraud in EMPs, sale of non-compliant health equipment, fraud in short-time working benefit schemes, etc.).

The diversity of the grounds for suspicious transaction reports issued by all Crédit Mutuel Arkéa entities to the financial intelligence units to which they report demonstrates, once again this year, Crédit Mutuel Arkéa's contribution to AML-FT, whose main challenge is to...

- to dry up the sources of terrorist financing;
- to hinder the laundering of illicit money through banking channels;
- to fight against corruption;
- to fight against tax and social security fraud;
- to protect the interests of its clients who are victims of abuse of weakness, identity theft or gang fraud.

The results of the application of the AML-FT system are regularly presented by the DCCP to the Compliance and Permanent Control Committee, the Risk and Internal Control Committee and the group's Board of Directors.

In 2020, as part of the framework training programme, the DCCP provided training in the fight against money laundering and the financing of terrorism to nearly 91% of those exposed, as well as to the Executive Committee and new members of Crédit Mutuel Arkéa's decision-making body (credit institution scope 15589).

On December 22, 2020, the ACPR's Sanction Commission issued a reprimand with a financial penalty of €150,000 against Mangopay, a subsidiary of Crédit Mutuel Arkéa since 2015. This decision follows an audit, initiated in 2018, of the compliance of the ALM-FT system of this Luxembourg institution for the activity it carries on in France, supplemented by a monitoring mission in 2019. Crédit Mutuel Arkéa has supported Mangopay over the past few years to enable this subsidiary, with its recent and innovative activity at the time, to bring itself into compliance. In its report, the ACPR sanctions commission highlighted the implementation by Mangopay, since the end of the first inspection, of very significant remedial measures that have mobilised significant financial and human resources. In general, the ACPR stressed that Mangopay's organisation, both in terms of ALM-FT and asset freezing, has improved significantly since 2018.

Lastly, Crédit Mutuel Arkéa commits itself to its customers, partners and other counterparties by publishing a duly completed Wolfsberg questionnaire on the www.arkea.com website, as well as its ALM-FT policy and commitments in an AML statement.

Professional ethics and deontology

Thanks to the wide dissemination of the compliance culture within the group and the training system dedicated to professional ethics and deontology, which provides for regular awareness raising among the most exposed players within the group, the rules of ethics and deontology are an integral part of practices within the group.

The system for fighting corruption and influence peddling, which is organised around the 8 pillars enshrined in the "Sapin 2" law, is a major system 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), and the rules of control, this system is supplemented in particular by a professional warning system enabling any person to report a breach, offence or malfunction, and by a system governing the methods for preventing and managing conflicts of interest.

As ethical rules are shared up to the highest level of the company, in application of the provisions relating to transparency in public life, Crédit Mutuel 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 these internal procedures, which are detailed in chapter 4 of the Universal Registration Document, give concrete expression to Crédit Mutuel Arkéa's genuine commitment to ethics and professional conduct.

Protection of customers' interests

Protecting customers' interests is a major concern for Crédit Mutuel Arkéa, which is committed to fair behaviour and commercial practices towards its customers.

In this way, Crédit Mutuel Arkéa ensures that customers' interests are taken into account from the design of the products to the processing of their complaints. Training plays a key role in this success, and the group therefore carries out a number of awareness-raising initiatives for employees in contact with customers.

Ethics and the rules of good financial conduct are among the recurring themes of the training courses given to employees of Crédit Mutuel 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. The Personal Data Protection Department, within the Compliance and Permanent Control Department, ensures that group companies comply with the principles of the regulations, such as transparency in data processing, the strengthening of individual rights and the accountability of the various players.

In 2020, each company has finalised the operational implementation of the group's personal data protection framework.

The Personal Data Protection Department is responsible for coordinating this system, in particular through regular exchanges, bilaterally or during a plenary meeting, with the personal data referents of the group companies concerned. In addition, training initiatives for new recruits and awareness-raising initiatives for existing staff have also been carried out.

Finally, in line with its values, the group continued its actions focused on customer satisfaction and protection. Concrete actions such as capping or eliminating payment incident charges for customers in a financially fragile situation were carried out.

Transparency and the fight against tax evasion

In line with its values, Crédit Mutuel Arkéa actively contributes to the fight against tax fraud and tax evasion.

Crédit Mutuel Arkéa and the subsidiaries concerned implement several measures to combat tax fraud and tax evasion based on the principles laid down in international agreements, notably the FATCA Act between France and the United States and the OECD-CRS standard for the automatic exchange of information on financial accounts for tax purposes, and are constantly adapting their procedures and information systems to comply with regulatory changes and enhance the effectiveness of their systems.

Crédit Mutuel Arkéa has no subsidiaries outside the euro zone and does not offer offshore banking services to its customers and 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 Raison d'être as a socially responsible, ethical and inclusive company, Crédit Mutuel Arkéa aims to be exemplary both in the way it deals with its customers and in the solutions it offers.

Crédit Mutuel Arkéa and its dedicated teams seek to create innovative and responsible products as well as useful and practical solutions.

Crédit Mutuel Arkéa has already set an example thanks to its well-established inclusive approach. This is reflected first and foremost in the services it offers:

- a support system for financially vulnerable customers, notably through a packaged offer of dedicated services (Budg'Équilibre), or the capping of incident costs for financially fragile customers. For subscribers to the Budg'Équilibre offer, Crédit Mutuel Arkéa has decided to go beyond the regulatory requirement by eliminating all incident charges;
- Crédit Mutuel Arkéa's own solidarity schemes such as micro-loan, budget support and assistance for borrowers in difficulty;
- the right to an account that allows customers to benefit from access to basic banking services free of charge.

(See 5.4.5 "Inclusion of clients in situations of fragility").

The inclusive approach also takes the form of the day-to-day support of network advisers who are attentive to the expectations of members and customers.

To guarantee customers the highest standards in terms of the quality of products and solutions brought to market, Crédit Mutuel 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 client the best advice and information, as well as impeccable ethics of the employees in contact with the client, the latter have, at their level, internal procedures to guide them on a daily basis, training on products and are regularly made aware of the rules of deontology and professional ethics.

5.5.3 The development of human capital

Non-financial risks associated with this issue:

- psycho-social risks, risk of employability and job transformation.

At the end of 2020, Crédit Mutuel Arkéa's total number of employees on permanent contracts stood at 9,990, up 3.6% on the previous year.

The group is mainly present in France, with 75% of its workforce located in the historical territories of its two federations, in Brittany and Nouvelle-Aquitaine. 3% of Crédit Mutuel Arkéa's workforce is located outside France (Belgium, Luxembourg, Switzerland, the United Kingdom, Germany, Spain, Italy and the Netherlands).

The group complies with the fundamental conventions of the International Labour Organisation, 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 labour and the effective abolition of child labour.

The Arkéa 2020 strategic project places particular emphasis on the importance of what constitutes Crédit Mutuel Arkéa's primary asset: its human capital. Arkéa 2020's HR policy is based on four convictions that underpin the group's HR policy guidelines:

1. Unleashing energy and entrepreneurship
2. Supporting career paths, develop talent and promote mobility in order to further open up innovation capacities;
3. Supporting managers in their role as benevolent and exemplary coaches, and to develop collaborative and cross-functional approaches;
4. Developing responsible HR with promotion of quality of working life and greater diversity.

This ambitious "HR Convictions" roadmap was distributed and shared with all employees in 2016.

Following the Arkéa 2020 Strategic Plan, a new Medium-Term Plan from the Human Resources Department "Transitions 2024" was presented to the Executive Committee on November 28, 2020, after having been drawn up in a collaborative manner during workshops and interviews with members of the group's HR community.

Supporting career paths within the group

Crédit Mutuel Arkéa has therefore implemented a dynamic recruitment, mobility and training policy designed to develop the entrepreneurial spirit of its employees.

Crédit Mutuel Arkéa is pursuing an active recruitment policy to support business growth and attract new talent to its areas of expertise. The group aims to be proactive in its recruitment drive and to invent a new "candidate experience". In 2020, the group recruited 1,117 people on permanent contracts. Given the new behaviour of applicants and the massive arrival of social networks in the context of 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. In addition, LinkedIn workshops are offered to employees to acquire the right reflexes, optimise their profile and share the group's achievements.

All Crédit Mutuel Arkéa entities have adopted harmonised recruitment procedures.

The group supports the arrival of employees, taking into account their family situation, particularly the spouse's professional situation. The Human Resources functions of the various group entities organise specific integration and training programmes for new employees. The aim is to provide the new recruit with optimal conditions for carrying out his or her job, to check that his or her skills match the company's expectations and to create a bond with other employees. Crédit Mutuel Arkéa organises a "Carrefour des nouveaux recrutés" (new recruits' forum) 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. Crédit Mutuel Arkéa also contributes to initial training

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

by welcoming interns and work-study students. A "Carrefour des alternants" is organised to raise awareness of the company's project, promote the richness of its business lines and facilitate their integration. In 2020, despite the health situation, the group continued its initiatives to promote youth employment, welcoming nearly 800 interns and work-study students, 30% of whom were recruited at the end of their internship.

Since September 2019, initially within the scope of the Economic and Social Unit, the group has launched a co-optation programme: 360 people have been selected and 26 of them have been appointed to permanent positions at the end of the process.

Given the changes in the banking and insurance market, its strategic objectives, its age pyramid and its territorial positioning, Crédit Mutuel Arkéa considers job 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 head office and in the subsidiaries to discuss job vacancies and the profiles of employees declared to be mobile. In 2020, internal mobility concerned 12.6% of the group's employees.

In addition to this commitment to mobility, the group is committed to supporting career paths and developing talent to open up its innovation capabilities even further. Each year, an annual appraisal interview enables employees to discuss the missions carried out and the employee's skills with their manager. During the 2019-2020 campaign, 77% of the annual interviews were conducted at group level. Professional interviews are organised between employees and their managers, at least every two years, in order to discuss the employee's career path and his or her wishes for a one-year and three-year career path. Employees also have the opportunity to meet with an HR correspondent to discuss in greater depth the issues raised during the professional interview. To encourage employees to take an active role in their career path, the company offers positions open for recruitment via a job exchange system. Crédit Mutuel Arkéa regularly organises a "Carrefour des métiers" to publicise and promote the group's great diversity, its business lines and the tools available to employees to enable them to play an active role in their mobility. Due to the health crisis this year, a dematerialised "Carrefour des métiers" is planned.

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, testing of the solution in real conditions, and even logistical support from the group. Following the November 2019 hackathon, which brought together more than 130 employees from all backgrounds to imagine the Open Banking services of tomorrow, a support programme was designed for the four winning teams, i.e. around 15 employees. A training session with an external company was thus set up to help them define a differentiating value proposition and discover the preliminary stages before setting up a pilot project or distributing it on the market. A new ideas challenge for all employees is being prepared for deployment in 2021.

Beyond individual career paths, when jobs are under pressure or when reorganisations are necessary, these changes are anticipated and managed as part of a policy of mobility within the group. To reinforce this moral commitment, the Economic and Social Unit has adopted an agreement on informing and supporting employees during reorganisation 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 reorganisations 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 geographical mobility). Each reorganisation

project is supported by a dedicated Human Resources correspondent, responsible for supporting collective and individual situations. The employee support process 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 to help the employees concerned stay with the group (dedicated training, skills tutoring support, skills assessment, specialised external office, etc.).

Skills development

Training is a fundamental resource for adapting to changes, developing skills, facilitating the professional career of employees and thus contributing to the company's greater efficiency. A new training application has been gradually rolled out across the group since September 2020. It aims to simplify training paths, from the catalogue to post-training evaluation. Crédit Mutuel Arkéa maintains a high level of commitment to training. In 2020, 89.5% of employees received training and this commitment corresponds to 3.9% of total payroll.

The group implements training to support the company's strategy and help its employees grow, facilitate adaptation to employment, promote professional development and maintain employee motivation.

The health situation prompted Crédit Mutuel Arkéa to convert its business training courses into digital versions as a priority: new recruits from the Crédit Mutuel de Bretagne et du Sud-Ouest (EFIBA) branches, professional and agricultural advisers ("Viviers"), new managers (Arkéa Management Académie), insurance distribution, mortgage lending, IT training, etc.

Training courses that encourage an entrepreneurial, collaborative and cross-functional spirit are offered to the group's employees, such as the "facilitator" training course, which aims to disseminate the method of running collaborative workshops within all the group's entities, or the data certification training course with Telecom Evolution to take the turn towards big data and artificial intelligence. Specifically with regard to the climate and environmental challenges, awareness and training measures 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 Professional Transition Project and the financing system governed by the CIF Joint Management Committee (COPARCIF). This system, which is specific to Crédit Mutuel Arkéa, helps to finance retraining projects outside the group, contributions to associations and personal training needs.

The quality of management

The quality of management is a major lever for success, motivation and employee commitment. The ambition of the *Managers 2020* programme is to give priority to the role of support and advice for teams in order to encourage cross-functionality and cooperation. A Management Charter was drawn up in 2017 for managers. 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, transversality and intrapreneurship. Since 2017, the group has been deploying its management induction programme with the *Arkéa Management Academy*. A programme lasting several months, it covers the following subjects: management techniques, collective leadership, motivation, employment law, stress management, personal development and quality of life at work. In addition, each manager is assessed annually on the knowledge and know-how specified in their mission sheet adapted to their managerial situation. Officers of managers are also asked to assess them on specific skills related to the *Arkéa 2020* strategic project.

In order to continue to give meaning and develop the performance of its employees, the Human Resources Department plans to develop a corporate university in line with the group's *Raison d'être*, with the mission of supporting employees in their careers.

Promotion of the quality of life at work and occupational risks management

The quality of life at work is an HR commitment: the interest in the content of the missions, the opportunity to develop new skills and the support for new missions are key motivating factors.

Crédit Mutuel Arkéa also wants to make its business plan clearer. This is the purpose of *Les rencontres du printemps ou d'automne* (the *Spring and Autumn Meetings*), which provide an ideal opportunity for management and employees to discuss the company's business plan. Information meetings also bring together all the group's managers. In order to maintain these opportunities for privileged exchanges, particularly during the health crisis, distant formats have been developed.

A team dedicated to Workplace Well-being and the prevention of psychosocial risks is responsible for this mission at the Human Resources Department in collaboration with all the entities.

To formalise 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 annual program of HR actions and the corresponding resources to be implemented, is designed on the basis of this DU. The Economic and Social Unit's employee intranet site provides information on the systems set up 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 relays are trained in occupational risk prevention through specific training courses. A model of the DU has been proposed by the Economic and Social Unit to the entities to facilitate annual updates.

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: 49 accidents in 2020, compared with 76 in 2019. The total number of days of absence related to these accidents is 2,855 days. With regard to occupational diseases, no employee has been declared to be suffering from an occupational disease recognised as such by the CPAM in France.

An agreement on the supplementary health and welfare scheme was signed in 2017. Its purpose is to define the guarantees that employees benefit from 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 dependents. It is financed up to 75% by the employer. An additional health supplement has also been unilaterally introduced to cover excess fees for doctors with optional membership.

As a service company, special attention is paid to the psycho-social risks within the group. **This year the quality of working life survey was launched for the entire group.** The key criteria assessed and monitored are workload, clarity of roles, physical environment, clarity of assessment criteria, managerial support, change, autonomy, relationship with colleagues and the meaning given to work. The results communicated in October 2020 to all employees illustrate the group's long-term and personalised support for its employees.

Overall, the Economic and Social Unit's employees are in line with the actions taken by Crédit Mutuel Arkéa during the health crisis and work in a healthy working environment (trust, friendliness, listening). Employees feel "well supported" and are able to continue their activity with good performance for the group. Whether in terms of health or organisational measures to ensure business continuity or communication, 9 out of 10 employees are in line with the actions taken since the health crisis. More than 80% of respondents say they have managed to maintain their work-life balance and have benefited from working conditions conducive to concentration. Regardless of the entity, the respondents highly appreciated the trust placed in them by their manager (more than 90% positive opinions), felt they were listened to and were able to maintain a friendly relationship with their colleagues.

In addition to strict and imperative health management, Crédit Mutuel Arkéa has also focused on ensuring that the rules are well accepted and that a spirit of cohesion is maintained: 97% of respondents consider that Crédit Mutuel Arkéa has done its utmost to ensure the continuation of business, while protecting the health of employees with appropriate health and organisational measures with the help of managers.

Respondents also appreciated "personalised" support. Even today, although Crédit Mutuel Arkéa issues health instructions common to the entire group, the organisation of work is defined by each entity according to its specific business, geographical and other constraints. As a result, nine out of ten employees believe that the group has already taken into account their personal constraints.

Clarity of roles has improved by 14 points this year and workload management, which was the most at-risk indicator in 2019, has improved while remaining a focus of attention. The level of autonomy remains a sure factor within the Economic and Social Unit; 7 out of 10 employees have a positive opinion, up sharply this year (+10 pt, boosted by the introduction of teleworking during the confinement period) and 6 out of 10 employees feel that their involvement and personal efforts are recognised by their managers. And the meaning given to work retains more than 60% of positive opinions.

L'équipe Bien-vivre au travail (the workplace well-being team) **has been integrated into the Health and Safety group and HR monitoring since its creation in February 2020.** To support employees, particularly during the pandemic crisis, employees can count, in addition to their local HR managers, their managers and their union representatives, on a community of "BienVeilleurs" deployed by the HRD at the beginning of 2020 within the group. Trained and led by the Well-being at Work team, these forty or so volunteer employees represent multiple sensors and relays of trust in the field. In addition, even before meeting a regulatory obligation, several hundred Covid-19 Arkéa Site Referees, volunteer employees, were mobilised to coordinate the smooth running of the activity on site and at a distance: raising awareness and distributing protective supplies, adapting workplaces to health constraints, etc. Communications aimed at managers and employees are regularly sent out with practical support: guides for continuing activity remotely or on site and webinars ("Being a manager in a crisis context" or "Managing stress and its personal and professional impacts" or "Managing the mental workload in times of health crisis"), which are attended by thousands of employees. In addition to the internal support already offered, an external listening and psychological support system has been in place since this year. The aim of this service is to help employees find a better balance in their lives, whether or not it is related to the health crisis they are going through, by exchanging information with health professionals, free of charge, anonymously and confidentially, 24/7. A teleconsultation service has also been made available to employees of the Economic and Social Unit and 7 group subsidiaries.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

In addition, as any employee may encounter difficulties of a professional and/or personal nature during his or her life that may have consequences for his or her health, Crédit Mutuel 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 personalised support system for employees of the Economic and Social Unit who have dropped out of the workforce for work-related or personal reasons. As part of this "Rebound Programme", which benefits around twenty employees, a personalised action plan tailored to each employee's situation is designed and then implemented.

There is also a full-time nurse on the premises of the group's central services.

Finally, with regard to **moral or sexual harassment and sexist behaviour**, the Human Resources Department's Workplace Well-being team has set up a dedicated unit to manage reported cases, thanks to a prevention and awareness-raising mechanism for employees and a process that makes it possible to mobilise the right players at the right time to take swift action. A "Stop Harassment" campaign was launched in November 2020 by the Human Resources Department. The aim is to clarify the reporting process and to free up the floor to enable this type of situation to be resolved. In addition to a communication campaign aimed at all employees and managers, the company is making a number of tools available to everyone: a guide that explains the legal framework governing harassment, concrete examples and the steps to be taken, as well as training courses that will soon be available for managers and employees in the form of e-learning, an explanatory video, a card with all the useful numbers and the reporting process, etc. Launched within the Economic and Social Unit, this new system will be rolled out on a larger scale within the group.

All these support systems are fully in line with the cooperative and solidarity identity of the group.

The organisation of work plays a major role in simplifying and lightening tasks and contributing to the effective and sustainable protection of employees' health and safety. Taking action on **workloads** by improving the quality of life of employees is therefore a priority in the fight against accidents at work, occupational diseases and stress. The group wishes to encourage a more flexible organisation 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 organisation of employees' working time:

■ Agreement on telework:

While 1 in 10 employees had practised teleworking before the crisis, a majority of employees discovered teleworking during containment. 9 out of 10 employees of the Economic and Social Unit appreciate this way of organisation and would be willing to practice telework in the future.

Currently telework is offered to the entire eligible population of the central services. Some subsidiaries (Suravenir, Suravenir Assurances, Fortuneo, Armorique Habitat, Nouvelle Vague) and employees of the commercial services offer or have experimented with teleworking. A teleworking charter for itinerant sales staff has been in place at Financo since 2017. Independently of the telework situation imposed by the Covid-19 situation, the need to set up a

hybrid organisation combining face-to-face and remote work was approved in 2020. This desire to increase access to teleworking was formulated at the Autumn Meetings by the group's General Manager and Human Resources Manager. In 2020, more than 900 employees in the group will be teleworking (excluding Covid-19). For nine out of ten employees, teleworking helps to give a positive image of Crédit Mutuel as an employer. It is also one of the main motivations for young people to join a company in France;

■ Agreement on chosen part-time work: it aims to take better account of employees' aspirations regarding their work-life balance and to give greater access to part-time work;

■ agreement on the Day Package: the spirit of this agreement lies in the desire to abandon the fixed management of daily work organisation in favour of an annual management of days worked, which allows greater flexibility in the professional and personal organisation of employees. At Crédit Mutuel Arkéa, 1,878 employees are now involved;

■ donations of leave for seriously ill children or spouses: this donation, anonymous and without compensation, enables the employee receiving the donation to maintain his or her remuneration during his or her absence. In 2020, 231 employees of the Economic and Social Unit donated days for a total of 308.50 days. Since September, employees are no longer required to use up their own leave before being able to benefit from the scheme. This holiday gift is now open to "helping" employees for up to 5 days per year. Donations of leave for seriously ill children or spouses are also in place at the Suravenir subsidiary.

These agreements aim to accompany the company's development from a social and economic point of view, to offer a more flexible working environment to employees, and to pursue initiatives in terms of work-life balance.

Moreover, while new technologies are now an integral part of the working environment and are indispensable to the smooth running 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. In 2020, the training department has included a "good e-mail management" module in its catalogue.

The quality of life at work approach also continues to be enriched. Since 2017, **Crédit Mutuel Arkéa has been working towards certification**. The Arkéa 360 department, which is part of the Human Resources Department, works transversally with all the entities around four main themes: facilitating understanding of what Crédit Mutuel Arkéa is and its strategy; improving management practices; encouraging and better recognising collaborative work at group level and strengthening the feeling of belonging to the group. This Quality of Life at Work approach has already been recognised with an award at the "Victoires des leaders du capital humain" awards in November 2018 for its innovative projects serving the commitment and well-being of employees. Since 2019, the "Sport@work" internal cohesion project has helped identify and support employees who take part in top-level sports, enabling them to display the Crédit Mutuel Arkéa colours, share their feedback and encourage all employees to take part in sports.

The company also supports its employees involved in **humanitarian or civic events**. Suravenir has set up a salary rounding which consists in the possibility for employees to make monthly micro-donations directly deducted from their pay, for the benefit of two associations.

Since 2017, initiatives have been carried out 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 2020, a more global reflection has been initiated around all the spaces, buildings and facilities of the central services, which must become important vectors of communication towards the internal and external environments. To this end, a **cross-functional "Signature" project** is underway, in conjunction with the Human Resources team's "Bien-vivre au travail" team, with the aim of contributing to the expression of the group's identity in collective spaces. In addition, in the networks, the concept of "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 wage policy

Since 2015, an egalitarian bonus system has been in place for all group employees. It is conditional on the achievement of group objectives.

The Annual Remuneration Negotiations (NAR) 2020 resulted in a general annual increase of 400 euros 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 2020, 29% of the group's employees also received an individual increase.

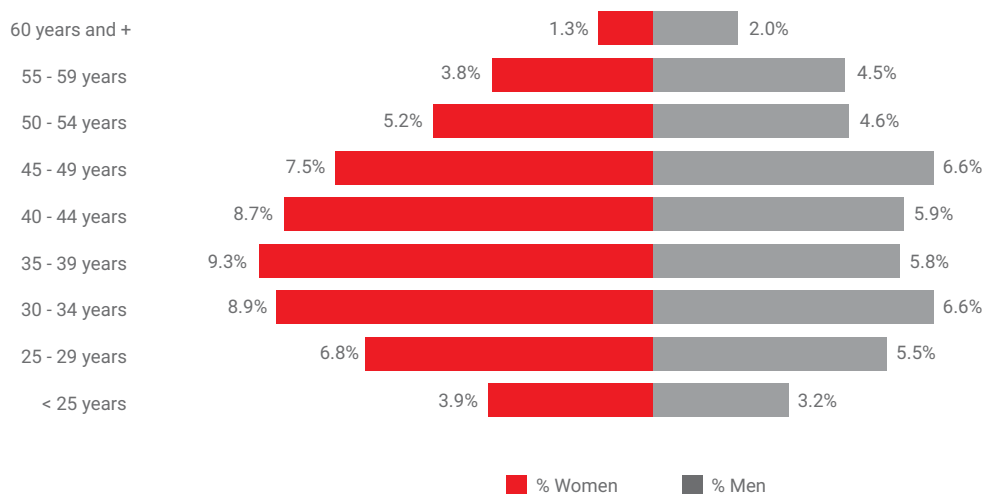
Employees are involved in the company's performance through profit-sharing and incentive schemes. In 2020, a total employee savings package of €100 million has been distributed to the group's employees. Within the scope of the Economic and Social Unit, a one-year amendment to the profit-sharing agreement 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 objective is to further strengthen the link between profit-sharing and the achievement of the plan's strategic objectives.

In addition, within the Economic and Social Unit, there are variable remuneration schemes aimed at recognising collective and individual business performance. These schemes apply to trading room managers (Federal Finance Gestion and Crédit Mutuel Arkéa), the sales staff of Arkéa Banque Entreprises et Institutionnels delegations, the sales staff of Arkéa Banque Privée, the front-office staff of Arkéa Capital and the sales network (two 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. €8 million in variable compensation to 3,313 employees.

This year, the Economic and Social Unit has reformed its supplementary pension scheme and distributes to each person a deferred remuneration at the time of retirement. Each employee benefits from an individual, portable account on a Mandatory Retirement Savings Plan (PERO) in which the employer supports the employee's retirement savings effort by paying a contribution of 3.90% of the reference salary every month (0.5% employee contributions). Suravenir, Armorique Habitat, ASCD and Fortuneo also benefit from this type of scheme.

	2018	2019	2020
Total workforce (physical persons)	10,297	10,560	10,846
Permanent staff (permanent contracts)	9407	9641	9990
Non-permanent staff	890	919	856
Executives	5,883	6,146	6,507
Non-managers	4,414	4,414	4,339
Average age (years)	40	40	40
Recruitment (permanent and fixed-term contracts)	1,972	2,085	2,058
Number of employees on permanent contracts who have left the company	613	579	824
of which dismissals	83	82	90
Average compensation per employee on permanent contracts (in euros)	46,162	47,862	48,334
Average number of hours of training per employee who has received training	22	27	20
% total payroll devoted to training	4.9%	5.3%	3.9%
Total calendar days of absence	161,285	157,232	177,041
Total workforce (Full Time Equivalent)	9979	10174	10388
Permanent staff (Permanent contract – Full Time Equivalent)	9,142	9,301	9,549
Non-permanent staff (Full Time Equivalent)	836	873	840

Age pyramid (distribution by age group, as% of total workforce)



5.5.4 Diversity of human capital

Non-financial risks associated with this issue:

- risks of non-compliant social practices linked to the risk of discrimination

Promoting diversity

Crédit Mutuel Arkéa aims to be an inclusive business model. The group’s conviction is that a company that is more inclusive of all forms of difference will improve its overall performance.

The company takes care to combat the various forms of discrimination, whether direct (such as disadvantaging one employee in favour 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 when they join the company, in which they are reminded of these principles. The internal rules are specific to each company in 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 management line participating in recruitment juries ensures that all forms of discrimination are avoided.

In addition, there is no discrimination between full-time and part-time employees with regard to the social 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 judgement, often unconsciously. The group has set itself the goal of training all its employees on this subject by the end of 2021.

Gender diversity

Crédit Mutuel Arkéa is a 55% female company, and its challenge is to ensure a balanced representation of men and women at all levels, and in particular the representation of women in senior management positions. In order to achieve a better balance, the group created a dedicated mission, “Mixité inside”, at the beginning of 2016, whose aim is to act both on the organisation of work and on mentalities (individual stereotypes and corporate culture). The objective was to initiate a dynamic to lay the foundations for lasting change, carried out autonomously 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 ambassadors, male and female employee volunteers, whose role is to raise awareness of the issue and to participate in the management of the subject within their entities.

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 decentralised action plans specific to each entity. The gender equality task force coordinates all of these action plans throughout the group. New managers also benefit from a half-day training session devoted to the subjects 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 favour 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, for equivalent jobs, to measure and eliminate differences in terms of pay and professional or career development between women and men. 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 allocation amounts to €600,000 in 2020. In 2020, 310 women benefited from a pay adjustment under this scheme. At the end of 2020, the average median gender pay gap for each level of employment was -0.63% within the Economic and Social Unit. With a gender equality index of 92/100, which is higher than required (1), Crédit Mutuel Arkéa has demonstrated its long-term commitment to promoting diversity and combating discrimination.

(1) The requirement set by the government for March 1, 2019 is 75 out of 100, failing which companies have three years to comply.

Since 2015, in accordance with the commitments made in the collective agreement, a system to support maternity, adoption or parental leave is also in place within the Economic and Social Unit. Gender equality in the workplace agreements are also in force in certain subsidiaries in 2020.

Externally, the group also supports initiatives in favour of gender diversity: it is a partner of the "Observatoire de la Mixité", a think tank of major companies committed to this subject. This partnership has led to the writing of a "Green Book of 6 concrete measures to improve gender diversity in companies".

Crédit Mutuel Arkéa is also committed to women entrepreneurship. Crédit Mutuel Arkéa was one of the first 56 signatories of the charter of commitment 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 favourable to gender diversity. For Crédit Mutuel Arkéa, this signature illustrates all the measures already implemented to promote equality in the workplace 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.

In 2020, as part of their respective initiatives to fight against discrimination, Crédit Mutuel Arkéa and Mastercard entered into a partnership to develop a programme to raise awareness among young girls of technology jobs (defined as jobs with a high numerical component, including algorithmics, artificial intelligence or programming) in which they are underrepresented. This programme, entitled "Tech the power", will be launched in the first half of 2021.

SHARE OF WOMEN IN SENIOR MANAGEMENT AND EXECUTIVE POSITIONS AS OF DECEMBER 31, 2020:

- N+2 managers (Head of Department at headquarters and Head of Territorial Unit in the networks): 33% (+1 point);
- senior management: 32.5% (-1 point);
- senior executives: 20% (+3 points);
- members of the group's General Coordination Committee: 30% (+5 points);
- members of the group Executive Committee: 44% (+14 points);
- Crédit Mutuel Arkéa's effective managers: 100%.

Employees with disabilities

Another important challenge for the group in terms of diversity is to continue and strengthen the employment of people with disabilities and to maintain and support employees with disabilities throughout their working lives. At the end of 2020, the group had 3% of its workforce with disabilities.

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 for 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 their employment in the group's territories: as part of the internal recruitment plan within the company and through partnerships with establishments in the protected sector on identified activities (see 5.5.6 "Responsible supplier relations"). Internally, the company has set itself the objective of recruiting people with disabilities, with the aim of reaching an employment rate of 6%, with a minimum of 7 recruitments per year;
- Maintaining their employability, 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 supporting their professional development and by providing individual assistance if necessary;
- Improving their working conditions by placing particular emphasis on digital accessibility to company tools.

A dedicated team, "Mission Handicap", coordinates the promotion and coordination of actions in favour of people with disabilities and organises, in conjunction with the disability correspondents in the various establishments of the Economic and Social Unit, the monitoring of actions in favour of people with disabilities. A disability IT correspondent has also been appointed. He or she works in collaboration with the Mission Handicap team and people with disabilities to ensure the availability of adapted IT tools, provide support and training for the users concerned, ensure the accessibility of communication media and 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 the year 2020, disability awareness campaigns have been carried out for all the group's employees at a distance, taking into account the health context. Various measures have been put in place to facilitate the professional integration of people with disabilities and thus promote an inclusive approach. At Crédit Mutuel Arkéa, numerous initiatives and shared moments on this subject have been organised (an online game, employee testimonials, operations relays, etc.) as part of a long-term commitment. Crédit Mutuel Arkéa is also developing partnerships in this area, such as sponsoring the Startup & Handicaps competition organised by the Morbihan Chamber of Commerce and Industry (CCI), which aims to find solutions to compensate for disability and/or loss of autonomy, and the agreement with the Kerpape rehabilitation centre to promote employment and training for the disabled.

Support for employees in the second half of their careers

In a regulatory and social context that is leading to the lengthening of 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 was signed in December 2017 by the four trade union organisations representing the Economic and Social Unit.

This agreement has the following objectives:

- implement a career management and training policy adapted to the over 50s;
- boosting and maintaining motivation through a fair work-life balance and supporting the transition towards the end of one's career;

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

- encourage measures to develop the skills of employees;
- accompany and anticipate 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.

Employee commitment and solidarity

Skills patronage

In accordance with its commitments under the above-mentioned agreement, Crédit Mutuel Arkéa initiated skills patronage in 2018. During their final years of employment, the group offers employees who volunteer to work for the group to make part or all of their working time available free of charge to a public interest organisation located in the group's territories. In this way, the employee's employment contract is maintained, and the employee continues to receive his or her compensation and all related benefits. In this way, the company wishes to encourage employees to invest in the community before they actually leave the company, in order to be able to manage the end of their working life and the beginning of their retirement in the best possible way. In 2020, 17 employees 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 around twenty of the group's employees who have committed to taking solidarity leave in 2018 or 2019 to teach French to women micro-entrepreneurs, first in Benin and then in Togo during the last quarter of 2019. In 2020, 40 employees were to participate in pairs in this solidarity operation. The health crisis prevented this from happening, but Crédit Mutuel Arkéa provided the association with financial aid of €1.2 million (compared with €0.7 million in 2019).

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.

Each group company has, in accordance with its own regulatory obligations, its employee representative bodies: employee delegates, trade union delegates, 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. There is also a body for economic, social and organisational information: the group works council. It meets twice a year. This body is informed of the situation and prospects of all entities.

At the end of 2020, 98% of the group's employees were covered by a collective agreement.

Within the Economic and Social Unit, the new architecture of the staff representative bodies was put in place at the beginning of 2020. The agreement on employee representation and trade union rights has been renewed beforehand to organise the operation of the new bodies, as requested by the government.

This agreement applies to the three Social and Economic Committees (Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Headquarters-Corporate and institutional unit) and to the Central Social and Economic Committee of the Economic and Social Unit, as well as to the various committees that make up these committees, notably the safety, health and working conditions committees.

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 2020, 51 agreements were signed at group level. In 2020, within the scope of the Economic and Social Unit, 5 agreements were signed as well as an amendment to the profit-sharing agreement.

Main collective agreements signed in 2020 or whose implementation started in 2020 (scope Economic and Social Unit)

Supplementary pension agreement set up within the ESCU

Expected impact of the agreements on the company's economic performance and on employees' working conditions

Revision of the supplementary pension schemes existing in the UES Arkade as a result of the PACTE law.

Amendment to the company-wide agreement on the EPE Regulation

Updating of the list of Corporate Mutual Funds accessible within the framework of the EPE.

Agreement on the contribution to the costs of early childhood care or personal services

Simplification of the current system and broadening of the scope of the system by allowing all employees to benefit from it.

Donations of leave between colleagues

Extension of the current system to assisting employees and abolition of the conditions for exhausting leave.

2020 profit-sharing agreement

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 at the negotiation 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

union organisations benefit from several means of communication and infrastructures are made available to them with trade union premises.

Since the beginning of the health crisis, extraordinary meetings of the central CSE have been devoted exclusively to the measures taken to deal with the pandemic (health instructions, solutions to support employees and managers, organisation of work, particularly telework) and the subject is discussed at each meeting of this body. The state of affairs related to the health crisis is also discussed on a monthly basis at the level of the establishment's CSEs. Finally, during periods of confinement, telephone interviews between the representative trade union organisations and the HR Department have been set up on a weekly basis to enable the HR Department to better understand employees' concerns. In addition, since June 2020, three representatives of the CSEs have been taking part each week in the HR Health and Safety monitoring group, made up of HR representatives from the group's entities, divisional representatives, occupational medicine, the Legal Department, the Real Estate Department and the Quality of Life at Work and communication teams. The aim of this working group is to propose HR organisation solutions to the Operational Crisis Unit so that employees can continue their work in complete safety and serenity, whether remotely or on site.

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, Crédit Mutuel Arkéa has been a signatory to the "Responsible Supplier Relations" charter, in which it undertakes to comply with ten principles of responsible purchasing, such as financial equity vis-à-vis suppliers, reducing the risks of mutual 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. Crédit Mutuel Arkéa works with nearly 2,500 local companies in its traditional territories (Brittany, Nouvelle-Aquitaine).

Knowledge of social, human rights, environmental and anti-corruption practices

Since 2017, the Purchasing Department has been carrying out an annual assessment of environmental, ethical, health/safety and human rights risks by major service families (or sectoral risks).

The group's framework contracts with suppliers and service providers include clauses relating to compliance with labour 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 it, the supplier undertakes to comply with human rights principles (no use of forced labour and child labour, non-discrimination, etc.) and labour rights (compensation, working hours and holidays, collective bargaining, etc.), business ethics (fight against 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 drawn up by the Purchasing Department and is intended to apply to all group entities. The questionnaire on suppliers' knowledge of CSR practices was finalised in 2019 and revised in 2020 to include new issues such as climate risk. This self-assessment questionnaire was sent to nearly 700 suppliers, representing more than 20% of 2020 purchases, and all new calls for tender systematically include it.

A Code of Ethics has been signed by the buyers in the Purchasing Department. It defines the rules of behaviour and ethical standards to be promoted within Crédit Mutuel Arkéa 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 selected on the basis of criteria such as employee remuneration policy, training plans set up to promote their development or prevent risks, resource management and waste treatment policies.

Use of the adapted and protected sector

The Purchasing Department, in conjunction with the Human Resources Department, also promotes the use of Employment Assistance Establishments and Services (ESATs) and Adapted Enterprises (AEs) 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 sectors of activity for which the use of service providers from the adapted sector is possible;
- Participation in 2020 and the internal relaying of the European week of employment of people with disabilities.

In order to develop subcontracting with the adapted and protected sector, Crédit Mutuel Arkéa buyers and specifiers were trained in 2017, in partnership with Union Nationale des Entreprises Adaptées.

In the framework of the new company agreement on the employment of people with disabilities (Economic and Social Unit scope), the company has set a target of a 30% increase in revenue from the protected sector in order to reach €1 million in revenue by 2020 (according to the regulations in force on the day the agreement was signed).

During the Covid-19 crisis, Crédit Mutuel Arkéa communicated regularly with its main service providers. In order to reduce the impact on its service providers, Crédit Mutuel Arkéa implemented various technical measures during the second containment phase to enable services to be maintained remotely and communicated on the health measures implemented in the event of continued activity on site.

5.5.7 The environmental footprint

In the context of Crédit Mutuel Arkéa'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, Crédit Mutuel Arkéa has also carried out a mapping of its direct environmental risks.

(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 one sliding year, from the second half of 2019 to the first half of 2020.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

A responsible corporate approach

Raising employee awareness of good practices

Numerous actions are carried out each year to raise employee awareness of these issues. The space dedicated to Corporate Social Responsibility on the group's intranet offers group employees various actions to reduce their environmental footprint, complemented by initiatives deployed by the entities. A film to raise awareness of the group's carbon footprint is also available on the intranet. In 2020, in view of the health situation, Cr dit Mutuel Ark a made extensive use of distance working. On-site events have been postponed. Awareness-raising campaigns focused on the use of digital remote communication tools.

Management and reduction of the group's carbon footprint

Cr dit Mutuel Ark a wishes to play its full part in achieving the objectives set by the Paris Agreement. To this end, it has set itself the objective of reducing the direct carbon footprint of its operations, with a target of reducing its greenhouse gas emissions by 16% between 2019 and 2024.

Each year, the group measures its carbon footprint through a group carbon balance sheet. The group's carbon balance was carried out at the beginning of 2021, based on 2020 data and using the method of the "Bilan 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 group's financing and investments. However, Suravenir and Suravenir Assurances do measure the carbon footprint of their investment portfolios (see 5.4.3 "Integration of ESG criteria in financing and investments").

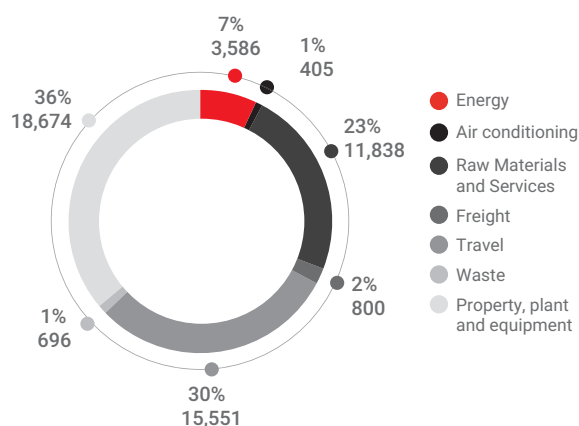
For the financial year 2020, the group's carbon balance sheet amounts to 51,548 tonnes of i.e. 5 tonnes of CO₂ per FTE.

The sharp drop of 17% compared with 2019 is explained by the context of the health crisis, which has forced the use of teleworking, which has sharply reduced business travel and home-to-work journeys. This figure will therefore not be used as a reference.

Each sector receives its carbon balance sheet in order to position itself in relation to the group average and be able to define an action plan for its scope.

Breakdown of Cr dit Mutuel Ark a's GHG emissions

Total in tons/co₂e



Emission categories	Numbers	Emission items	Source	Breakdown
Direct GHG emissions (scope 1)	1	Direct emissions from stationary combustion sources	Natural gas and domestic fuel for the sites	6%
	2	Direct emissions from combustion engine mobile sources	Diesel fuel in the fleet	
	4	Direct fugitive emissions	Cold fluid leaks	
Associated indirect emissions to energy (scope 2)	6	Indirect emissions from electricity consumption	Site electricity	3%
	8	Energy-related emissions not included in items 1 to 6	Same as item 1 and 6	
	9	Purchases of products or services	Paper, ink and services	
Other indirect emissions of GHGs (Scope 3)	10	Fixed assets	Fixed assets: buildings, vehicles and IT equipment	91%
	11	Waste	Treatment of non-hazardous waste	
	12	Inbound freight transport	Cross-country transport and internal shuttles	
	13	Business travel	Travel by car, train and plane	
	23	Commuting to work	Employee travel	
TOTAL				100%

Cr dit Mutuel Ark a aims to control its carbon footprint by focusing on travel and energy consumption, its two main sources of emissions. It has set reduction targets up to 2024 compared with 2019. In order to mobilise 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 field of transport

As travel accounts for the largest share of its carbon footprint, the group is taking proactive measures to limit the number of journeys made and to move towards eco-mobility. Mobility plans are thus deployed in many of the group's entities.

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 vehicle fleet policy has been modified to encourage the choice of rechargeable hybrid or electric vehicles and make it mandatory for employees travelling less than 25,000 km/year.

For business trips, the use of the train is preferred and compulsory on journeys of less than 3h30.

Due to the constraints of the confinements caused by Covid-19, telework has strongly developed in 2020. The use of videoconferencing and remote document sharing tools has become widespread. This has resulted in a sharp reduction in business trips and home-to-work journeys.

Energy efficiency and eco-design

As a player in the financial sector, the group's main energy consumption concerns its IT equipment and data centres. For several years now, the group has been implementing various actions to optimise the latter (insulation of cold aisles in the data centres, reflective paint testing, 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, to be delivered in 2018, incorporates the most advanced sustainable development criteria in order to meet BEPOS and High Energy Performance (HQE) standards. In 2020, the homes delivered by Armorique Habitat (a social housing company) complied with the High Energy Performance standard and even performed ten percent better than required. Finally, in 2020, the group renewed its electricity and gas supply contracts, which now have the following characteristics: the electricity supplier undertakes to inject into the network a quantity of electricity of renewable origin corresponding to 100% of the sites' consumption, the gas supplier undertakes to supply "green" gas directly from French biomethane production subject to availability.

Responsible management of resources

As a player in the financial sector, Crédit Mutuel Arkéa's consumption of natural resources remains limited compared with other activities and mainly concerns paper. The group's main lever for reducing paper consumption for its customers is the dematerialisation and electronic signature of its offers, which will continue in 2020. For its internal paper consumption, the group is continuing its efforts to reduce the volume of paper used (double-sided printing, badge publishing deployed at central sites, wifi in the meeting rooms of central departments, 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 "Programme for the Endorsement of Forest Certification" (PEFC) and Forest Stewardship Council (FSC) certified; since 2018, employees have been using recycled paper on a daily basis.

Circular economy and waste management

Different 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).

Crédit Mutuel Arkéa is committed to giving a second life to equipment that is no longer used within the group via specialised 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 customer associations.

Since 2017, bio-waste from company restaurants has been collected by a service provider in order to be recovered using a methanisation process.

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of indicators

5.6 Summary table of indicators

CSR indicators	2020 Data
KEY PERFORMANCE INDICATORS	
Annual rate of staff exposed to AML-FT trained (credit institution perimeter 15589)	91%
Number of sanctions by ACPR concerning the AML-FT scheme	1
Rate of training of persons exposed to anti-corruption in the credit institution 15589	64%
Number of beneficiaries of the specific offer dedicated to vulnerable customers (perimeter credit institution 15589)	19,551
Percentage of targeted staff aware of IT security	87%
% of directors approved without conditions precedent by the regulators (regulated entities perimeter)	89%
% attendance rate at Crédit Mutuel Arkéa's Board of Directors meeting	90%
% of subsidiaries with an attendance rate of more than 75% at meetings of the supervisory body	90%
% of members among individual customers	72%
% voting participation during Crédit Mutuel Arkéa's General Meetings	91%
% of voting participation	0.7%
% of assets under management with an analysis including ESG in Federal Finance Gestion's assets under management	95%
of positive opinions on the "Meaning given to work" criterion of the QWL barometer	64%
% positive opinions on the "Workload" criterion of the QWL barometer	32%
% pay gap Women/Men	-0.6%
% of employees trained	89.5%
Internal mobility rate	12.6%
% of people with disabilities in the total workforce	3.0%
Number of collective agreements signed during the year	51
% of group purchases from French suppliers	96%
Share of ESG assessments of suppliers carried out for the reporting period	14.5%
GOVERNANCE	
Members – customers	
Number of clients of local banks	2,229,138
■ of which private individuals	2,028,275
Number of members	1,464,536
Number of members N-1	1,533,961
% of members among individual customers	72.2%
Average amount of shares held (in €)	1,618
Amount of remuneration of the shares paid in 2020 for the year 2019 (in €)	36,939,120
Number of members present and represented at the General Meetings of the local banks	10,682
% of voting participation	0,7%
Directors of local banks	
Number of local banks	296
Number of directors of local banks	2,713
■ of which women	1,134
Number of local boards held during the year	2,697
Number of chairwomen of local banks	79
% of women chairwomen of local banks	26.7%
Number of directors summoned to local bank boards	21,245
Number of directors on local bank boards	16,072
Number of new elected directors of local banks	163
■ of which women	76
% of women among the new directors of local banks	46.6%
Number of new Chairmen of local banks	29

CSR indicators	2020 Data
■ of which women	9
% of women among the new Chairwomen of the local banks	31.0%
Directors of the federations	
Number of elected directors of federations	81
■ of which women	35
Number of newly elected directors of federations	12
■ of which women	8
% of women among newly elected directors of federations	66.7%
Number of new Presidents of federations	1
Directors of Crédit Mutuel Arkéa	
Number of members elected to Crédit Mutuel Arkéa's Board of Directors	17
■ of which women	8
■ of which independent directors	16
Training	
Number of directors or corporate officers of local banks who have attended at least one training course during the year	988
Total number of hours dispensed	5,615
% directors of local banks trained	36%
Duration of training per director trained (hours)	6
SOCIETAL	
Number of Crédit Mutuel Arkéa outlets in France and abroad	436
Number of Crédit Mutuel points of sale	377
Number of Crédit Mutuel Arkéa outlets outside France	3
Periodic points of sale	561
Micro-loans	
Personal supported micro-loans (partnerships)	
Number of personal micro-loans granted during the year	260
Average amount of personal micro-loans granted (in €)	2,654
Amount of personal micro-loans financed during the year (in €)	690,145
ADIE Intermediated professional micro-loans	
Number of intermediated professional micro-loan files	436
Amount of credit lines made available (in €)	1,122,582
Professional solidarity	
Appui Plus donations (in € thousands)	872
Amount of Appui Pro loans at 0% interest (in € thousands)	2,760
Number of 0%-rate Appui Pro loans granted during the year	664
Number of jobs supported Solidarité Pro	962
Personal solidarity	
Amount of aid under the "sensitive accounts" scheme (reversal and charges not levied) (in €)	251,095
Number of grants from the "sensitive accounts" scheme (reversal and fees not deducted)	2,004
Amount of aid to borrowers (in €)	283,864
Number of borrower's aids	198
SRI – ESG	
SRI outstandings (in €)	5,245,294,465
Outstanding ESG (in €)	27,693,641,339
Voting policy	
Rate of approval of resolutions	86.0%
Number of General Meetings attended by the company	71
Solidarity savings	
Total outstanding solidarity savings (in €)	2,047,257,684
Amount returned to associations	174,966
Outstandings excluding capitalisation Livret Solidaire (in €)	54,397,782
Outstanding savings on products with the Finansol label (in €)	55,915,378
Outstanding solidarity-based employee savings (in €)	387,459,902

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of indicators

CSR indicators	2020 Data
Non-profit organisation market	
Number of client NPOs (associations, trade unions, works councils, etc.)	62,995
Patronage and sponsoring	
Global budget dedicated to patronage and sponsoring (in €)	17,451,140
Renewable energy and energy efficiency loans	
Number of interest-free eco-loans granted during the year	1,484
Average amount of interest-free eco-loans granted (in €)	12,135
Total amount of interest-free eco-loans granted (in €)	18,008,356
Number of projects funded (professionals and farmers)	312
Products and services with social purpose	
Outstanding regulated social loans (PLS, PSLA) (in €)	754,684,756
Mediation	
Number of eligible applications	217
Number of customer-friendly decisions	53
Financial Indicators	
Gross technical provisions of insurance subsidiaries (in € thousands)	33,133,481
Technical provisions for unit-linked contracts of insurance subsidiaries (in € thousands)	15,335,077
SOCIAL	
Staff	
Workforce physical persons	10,846
■ of which France	10,477
■ of which outside France	369
■ of which non-managerial staff	4,339
■ of which men	4,838
■ of which women	6,008
Total staff FTEs	10,388
FTE permanent staff	9,549
■ of which women	5,160
■ of which non-managerial staff	3,674
of employees on permanent contracts	91.9%
Recruitment	
Total number of recruitments	2,058
■ of which women	1,159
■ of which permanent contracts	1,117
Number of trainees and work-study students welcomed over the year	794
Conversion rates (permanent and fixed-term contracts)	30.2%
Dismissals and reasons	
Number of employees on permanent contracts who have left the organisation	824
■ of which dismissals	90
Turnover	4.8%
ORGANISATION, WORKING HOURS AND ABSENTEEISM	
Organisation of working time	
of full-time employees	93.2%
of part-time employees	6.8%
Absenteeism and its reasons	
Total number of calendar days of absence	177,041
■ of which Diseases	174,187
■ of which Accidents at work	2,855
Number of declarations of occupational diseases	0
Health and safety conditions	
Number of reported accidents at work, with work stoppage	49
Training and professional development	
Payroll invested in training (in €)	19,092,875
% of payroll dedicated to training	3.9%

CSR indicators	2020 Data
Number of employees who have completed at least one training course	9,704
% of employees trained	89.5%
Total number of hours spent on employee training	190,889
Average number of hours of training per year per employee who has received training	20
% of annual evaluation interviews carried out	77.4%
Internal mobility rate	12.6%
Professional equality between men and women	
Number of women managers	2,801
% of women among managers	45.6%
% of women at Executive Committee	44%
% of women on the General Management Coordination Committee	30%
% of women in senior management	20%
% of women in executive management	32%
% of women among N+2 managers	33%
Number of managers promoted within the year to a higher level of function	423
■ of which women	188
% of women among management promotions	44.4%
Number of women who have received a pay correction under the professional equality package	310
Social dialogue	
Number of convictions for the offence of obstruction (in France)	0
Number of consultations of staff representatives (ESC)	412
Number of information procedures for staff representatives (ESC)	312
of employees covered by a collective agreement	98.0%
Employment and integration of disabled workers	
Number of disabled workers	322
% of people with disabilities in the total workforce	3.0%
Compensation and changes in compensations	
Gross payroll (in €)	490,463,775
Average gross annual compensation for all permanent positions (in €)	48,334
Average gross annual compensation for non-managerial staff on permanent contracts (in €)	33,053
Average gross annual remuneration for permanent staff (in €)	57,888
Total gross annual remuneration on permanent contracts (in €)	461,531,007
Total gross annual compensation for permanent non-managerial staff (in €)	121,421,813
Total gross annual compensation for permanent managerial staff (in €)	340,109,195
Amount of employee savings	100,174,021
% of employees who received an individual raise	29.1%
ENVIRONMENTAL	
Carbon footprint	
Carbon balance (tons of CO ₂)	51,548
Carbon balance (ton of CO ₂ /fte)	4.96
Water (m³)	
Water consumption (m ³)	52,703
Energy (kWh)	
Total energy consumption (kWh)	44,099,264
■ of which chilled water in the urban network (kWh)	112,644
■ of which steam heating – urban network, billed per tonne of water returned (kWh)	259,531
■ of which electricity (kWh)	38,041,017
■ of which gas (kWh)	5,408,651
■ of which fuel oil (kWh)	277,420
% renewable energy	62
Paper (tons)	
Paper consumption (tons)	1,047
■ of which paper for internal use (tons)	319

5. STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of indicators

CSR indicators	2020 Data
■ of which paper for external use (external services: printing, communication, customer statements, cheque books, etc.) (tons)	728
% recycled paper at purchase	67.3%
Weight of recycled paper (tons)	540
Travel (km)	
Business travel – plane (km)	2,359,601
Business travel – train (km)	2,161,818
Business travel – car fleets (km)	9,463,988
Business trips with personal vehicle (km)	4,428,201
Mail management: shuttles between cash desks and business lines + cash transport (km)	1,461,998
Number of litres of gasoline consumed by the internal fleet	143,453
Number of litres of diesel fuel consumed by the internal fleet	418,915
Direct emission leaks	
Leakage of refrigerant gases from air conditioning systems (tertiary air and water air conditioning) (kg)	237
Devices to reduce environmental impact and greenhouse gas emissions	
Number of videoconference equipment in meeting rooms	115
Number of remote conferences	388,578
Sanctions	
Amount of compensation paid during the financial year in execution of a judicial decision in environmental matters (in €)	0
Risks	
Amount of provisions for environmental risks (in €)	0
Number of ministerial decrees recognising a state of natural disaster during the calendar year	24
Number of claims reported under these decrees	604
Number of these claims handled and closed during the financial year	118
Total number of claims (natural disasters) handled and closed during the financial year, regardless of the date of recognition of the disaster	467

Methodology

Reporting scope

The scope covered by the reporting process corresponds to Crédit Mutuel Arkéa as a whole, as defined by the financial consolidation. Subsidiaries accounted for by the equity method are excluded from the scope. The group's exit from the Crédit Mutuel Massif Central federation in 2020 should be noted.

Reporting period

This report covers the calendar year 2020 (January 1 to December 31), including data relating to the group's carbon balance sheet.

In 2020, the energy data (gas, electricity) cover a sliding year from December 1, 2019 to November 30, 2020.

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 66% 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.

Clarifications on some key performance indicators

Annual rate of personnel exposed to AML-FT: the accounting is carried out for training campaigns launched in 2020.

Gender pay gap: average of the differences (in%) in median gender pay observed for each level of employment, weighted by the number of employees at each level of employment.

Clarifications on some governance indicators

Training

The duration of training for directors at 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 28 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 (including childcare related to Covid-19), unpaid sick leave, sick leave without a medical certificate, accidents at work (including those not recognised 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 internal mobility rate includes movements within and between group entities for employees on permanent contracts.

Departure rate

The departure rate is calculated by dividing the number of departures (excluding retirement) by the average number of employees during the year.

Clarifications on some environmental indicators:

Carbon footprint

The 2020 carbon balance has been carried out using the most recent method of the Bilan Carbone Association (V8.3), which provides greater precision in the calculation of emissions.

It is subject to external verification by the independent third party body.

Water consumption

Water consumption refers to actual consumption for all group entities, except for Crédit Mutuel de Bretagne, which is estimated on the basis of average water consumption per employee.

Travelling by train and plane

Air and rail travel kilometres are calculated from billing data and can accumulate 2019 journeys that have been regularised in 2020.

Business travel – Car fleets

The kilometres travelled by company vehicles are prorated based on the average number of days worked during the year.

Exclusions

The following subjects 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, Crédit Mutuel Arkéa has appointed Mazars, as an Independent Third Party Organisation, 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 policies including key performance indicators and actions relating to the main risks.

The assurance report issued by the Independent Third Party Organisation and detailing the due diligence carried out as well as their comments and conclusions are included in this Universal Registration Document.

Crédit Mutuel

6.

Additional information

General information

288

Statutory auditors

291

Declaration
of the person responsible

290

General information

Information about the company

Registered name and trading name: Crédit Mutuel Arkéa

Place 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 99 years term, i.e. for a period 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 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 cooperation;
- Articles L.231-1 to L.231-8 of the French Commercial Code on variable capital;
- the provisions of the 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 other texts relating to Crédit Mutuel;

- the provisions of its Articles of Association and internal regulations.

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 French Monetary and Financial Code, Crédit Mutuel Arkéa's capital is held by the local banks of the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations. There are no agreement that could lead to a change in control of the company. Changes in Crédit Mutuel Arkéa's capital are also governed by the provisions of Article 9 of the bylaws and are also applied in accordance with the provisions applicable to cooperatives.

Judicial and arbitration proceedings

At the date of filing of this Universal Registration Document, neither the company nor any other member of Crédit Mutuel Arkéa 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) that could have or have had in the last twelve months a significant effect on the financial position or profitability of the company and/or Crédit Mutuel Arkéa.

Information relating to the locations and activities included in the scope of consolidation at December 31, 2020

The main information relating to locations at December 31, 2020 aggregated at the level of the States and territories is as follows:

12.31.2020						
Zone	Country	NBI*	Employees (full-time equivalent)	Net income (loss) before tax*	Corporate income tax*	Subsidies*
France	France	2,044,820	9,865	475,410	(132,683)	0
Other EU countries	Belgium	96,268	259	23,469	(5,873)	0
	Luxembourg	13,748	74	(6,116)	2,215	0
Other European country	Switzerland	2,687	13	(150)	(5)	0
TOTAL		2,157,523	10,211	492,613	(136,346)	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.

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 Crédit Mutuel Arkéa a right or obligation that would have a material impact on the company's ability to meet the obligations imposed on it by 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 financial year, and in particular since the financial statements for the financial year 2020 were approved by the company's Board of Directors on February 25, 2021.

Audit of the annual historical financial information and sources of the financial information contained in this document

For the financial year 2020:

See the Statutory Auditors' report for the financial year 2020.

For the financial year 2019:

See the Statutory Auditors' report for the financial year 2019.

For the financial year 2018:

See the Statutory Auditors' report for the financial year 2018.

This Universal Registration Document does not contain any other information audited by the Statutory Auditors, and the financial information in this document is all taken 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 forecast or estimate of profit.

Date of last audited financial information

The date of the last audited financial information is December 31, 2020. They were approved by the Board of Directors on February 25, 2021 and will be submitted to the General Meeting of Shareholders for approval.

No quarterly or semi-annual financial information has been published since the date of the last audited financial statements.

Public available documents and documents incorporated by reference

During the period of validity of the Universal Registration Document, a copy of the following documents may, if necessary, 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 Crédit Mutuel Arkéa for the years ending December 31, 2017, 2018 and 2019;

- this Universal Registration Document;

- the Universal Registration Document number D.20-0288 of April 14, 2020 incorporated by reference and the half-yearly Universal Registration Document published on August 28, 2020 under number D.20-0288-A01;

- the Reference Document number D.19-0410 of April 26, 2019 incorporated by reference and the half-yearly 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 no. D.18-0427 dated April 27, 2018 incorporated by reference and updated on August 29, 2018 under no. D.18-0427.

The issuer accepts responsibility for information incorporated by reference.

The Universal Registration Document number D.20-0288 of April 14, 2020 incorporated by reference and the half-yearly Universal Registration Document published on August 28, 2020 under number D.20-0288-A01 and this Universal Registration Document are also available on the website of the 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 so requests. These documents may also be consulted on the company's website (www.arkea.com).

Legal Entity Identification

CREDIT 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, readers are referred to the previous Universal Registration Document and Reference Documents for certain information, in particular financial information concerning the assets, financial position and results of the company:

1. Relating to the financial year 2019: pages 74 to 196 of the Universal Registration Document number D.20-0288 of April 14, 2020
2. Relating to fiscal year 2018: pages 79 to 214 of the Registration Document number D.19-0410 of April 26, 2019.
3. Relating to the 2017 financial year: pages 74 to 182 of the Registration Document number D.18-0427 of April 27, 2018.

Other information included in the previous Universal Registration Document other than that set out above has, where applicable, been replaced and/or updated by information included in this Universal Registration Document.

Declaration 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 care to ensure that such is the case, 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 312 presents a true and fair view of the development of the business, results and financial position of the company and of all the companies included in the consolidation and describes the main risks and uncertainties facing them.

I have obtained a letter of completion from the Statutory Auditors indicating that they have verified the information concerning the financial position and the accounts given in this Universal Registration Document and that they have read the entire Universal Registration Document.

Done at Le Relecq Kerhuon, on April 19, 2021

Hélène Bernicot,
Chief Executive Officer of Crédit Mutuel Arkéa

Statutory auditors

The company's consolidated financial statements for the financial year 2020 have been audited by:

Statutory Auditors:

Mazars

61, rue Henri Regnault

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 **Mrs Anne-Elisabeth PANNIER** and **Mr Jean-Marc MICKELER**

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 mandate of Deloitte & Associés as from the 2014 financial year was decided on May 6, 2015 for a period of six financial years. The representation of the firm by Mrs Anne-Elisabeth PANNIER and Mr Jean-Marc MICKELER takes effect in 2020.

Substitute statutory auditors:

Mrs Anne VEAUTE,

61, rue Henri Regnault

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 period of six financial years.

and

Company BEAS

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.

Crédit Mutuel

7.

Statutory auditors' reports

7.1 Statutory auditors' report on the consolidated financial statements 2020	294	7.3 Statutory auditors' special report on regulated agreements and commitments	303
7.2 Statutory auditors' report on the aggregate financial statements 2020	299	7.4 Report of the independent third party body on the non-financial performance statement information	305

7.1 Statutory auditors' report on the consolidated financial statements 2020

To the Shareholders' Meeting of Crédit Mutuel Arkéa,

This is a free 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.

Opinion

In compliance with the assignment entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Crédit Mutuel Arkéa for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations for the year and of the financial position and assets and liabilities of the group of persons and entities included in the consolidation, in accordance with International Financial Reporting Standards as adopted by the European Union.

The above opinion is consistent with the contents 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are set out in the section of this report entitled "Statutory Auditors' Responsibilities in the Audit of the Consolidated Financial Statements".

Independence

We conducted our audit in accordance with the independence rules set out in the French Commercial Code and in the Code of Ethics of the audit profession for the period from January 1, 2020 to the date of issue of our report, and in particular we did not provide any services prohibited by Article 5⁽¹⁾ of Regulation (EU) No 537/2014.

In addition, the services other than the certification of services other than statutory audit or non-audit services that we have provided to your company during the financial year and which are not mentioned in the management report or the notes to the annual statements mainly concern:

- the issuance of letters of comfort in the context of bond issue programs;
- carrying out CSR assignments;
- issuing certificates of accounting and financial information;
- review of regulatory compliance.

Justification of assessments - Key audit matters

The global crisis linked to the COVID-19 pandemic creates particular conditions for the preparation and audit of this year's accounts. Indeed, this crisis and the exceptional measures taken within the framework of the state of health emergency have had multiple consequences for companies, particularly on their activity and financing, as well as increased uncertainties on their future prospects. Some of these measures, such as travel restrictions and teleworking, have also had an impact on the internal organisation of companies and on the way audits are carried out.

It is in this complex and evolving context that, in accordance with the provisions 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 judgement, were the most important for the audit of the consolidated financial statements for the financial year, as well as the responses we have provided to these risks.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on any individual item of the consolidated financial statements.

Credit risk assessment - Notes 6 and 40 to the consolidated financial statements

Identified risks and key judgements

Crédit Mutuel Arkéa recognises impairments to cover the credit risks inherent in its activities in accordance with IFRS 9 and the principle of expected credit losses. Covid-19 has led to an unprecedented health and economic crisis. This crisis is affecting the repayment capacities of corporate and individual borrowers with contrasting situations depending on the sector of activity. In response to this crisis, large-scale government measures were deployed: partial unemployment schemes, various allowances, government-guaranteed loans, moratoria, etc. For the Crédit Mutuel Arkéa group, the assessment of expected credit losses for customer loan portfolios was carried out in a context of uncertainty linked to the difficulties in assessing the deterioration of credit risk and the estimation of expected losses given the evolving nature of the crisis and the mitigating effects of government support measures as indicated in note "2. Calculation of expected credit losses" of the applied accounting standards described in the notes to the consolidated financial statements of the Crédit Mutuel Arkéa group at December 31, 2020.

In this context, the judgements made and assumptions made by management on the following aspects were critical:

- assess the significant deterioration in credit risk in order to classify the outstanding amounts into different groups known as "buckets" according to, in particular, a qualitative approach adapted to take account of the sectors most exposed to the health and economic crisis;
- estimate the amount of expected losses according to the different buckets, taking into account the impact of government support measures and the absence of a comparable historical situation;
- establish macro-economic projections that are incorporated into the degradation criteria and the prospective measurement of expected losses.

We considered that the assessment of credit risk and the evaluation of impairments was a key audit issue as it involves management's judgement and estimates, particularly in the context of the uncertainty associated with the health crisis and its effect on the level of corporate default in the coming years.

At December 31, 2020, the total amount of outstanding customer loans exposed to credit risk amounted to €68.4 billion for a total amount of impairments of €1.1 billion and a cost of risk of €160.1 million for the year 2020 compared with €98.7 million in 2019 as specified in note 40 "Cost of risk" in the notes to the consolidated financial statements of the Crédit Mutuel Arkéa group at December 31, 2020.

Our audit approach

We focused our work on the methodological changes made by the Crédit Mutuel Arkéa Group in response to the crisis and on the identification of significant outstandings and/or portfolios or those corresponding to more sensitive sectors of activity, particularly with regard to the Covid-19 pandemic. We assessed the relevance of Crédit Mutuel Arkéa's internal control system and tested the manual and computerised controls relating to the assessment of credit risk and the evaluation of expected losses.

Our work was reinforced on the methodological aspects implemented by the Group to provide an appropriate response to the evolution of credit risk and the level of uncertainty linked to the health crisis.

Our work focused in particular on the following areas

- Classification of stocks by bucket :
 - we assessed the relevance and correct application of the indicators applicable to the various business lines to measure the significant deterioration in credit risk, in particular through the complementary sectoral analyses of outstanding loans;
- Assessment of expected losses (buckets 1, 2 and 3) :
 - With the help of our credit risk specialists, we assessed the methodologies as well as the relevance of the macro-economic projection assumptions and scenario weightings used by Crédit Mutuel Arkéa; we paid particular attention to the adjustments made this year to the models, risk parameters and sectoral approach to integrate the effects of the Covid 19 crisis, particularly on the most risky sectors of activity and the prospective macro-economic scenarios;

We also reviewed the disclosures in the notes relating to credit risk in the evolving context of the pandemic and in particular the disclosures required by IFRS 7 in respect of credit risk.

Impairment of goodwill - Notes 15 and 49 to the consolidated financial statements

Identified risk and key judgements:

During external growth operations, the Crédit Mutuel Arkéa group generally recognises goodwill on the assets side of its consolidated balance sheet. This goodwill is then allocated to the various cash generating units (CGUs). At December 31 2020, goodwill amounted to €550m.

In the context of the Covid-19 pandemic, which has had a negative impact on the Crédit Mutuel Arkéa group's results and financial projections, as well as the various strategic initiatives initiated by the group to adjust its organisation, the group must ascertain whether there are any indications of impairment of goodwill. Goodwill is tested for impairment whenever there is an indication that it may be impaired and at least annually. These tests are based on a comparison between the carrying amount and the recoverable amount. The methods for determining the recoverable amount are 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, prepared over an explicit time horizon. These business plans are based on macro-economic parameters, which take into account the current health and economic crisis. We considered the impairment of goodwill to be a key issue in our audit because of the judgement exercised by management in establishing the future earnings assumptions of the acquired companies and assessing the recoverable amount of the homogeneous sets of businesses, particularly in the context of Pandemic Covid-19.

Our audit approach:

We analysed the Group's process for identifying potential impairment of goodwill and the process for preparing impairment tests arising from the identification of impairment indicators or from the annual review process.

We brought in our valuation experts to :

- Carrying 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 involved in the discount rate, by re-performing with internal data;
- Carrying out a critical review of the business plan forecasts drawn up by the management of the entities concerned and approved by the Board of Directors. Particular attention was paid to the impacts of the Covid-19 crisis, which were integrated into these forecast plans;
- Reviewing the sensitivity analyses conducted on both financial parameters and business plans;
- Carrying out a counter valuation.

Finally, we have validated the information communicated by the group with regard to goodwill in Note 15 "Goodwill" to the consolidated financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also carried out the specific verifications required by law of the information relating to the group given in the management report of the Board of Directors. We have no comment to make on their fairness and consistency with the consolidated financial statements. We certify that the consolidated statement of non-financial performance provided for in 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 statement has not been verified by us as being true and fair or consistent with the consolidated financial statements, and must be the subject of a report by an independent third-party organisation

Other verifications or information required by law and regulations

Format of the consolidated accounts to be included in the annual financial report

In accordance with the professional practice standard on the due diligence of statutory auditors in relation to the annual global and consolidated financial statements presented in accordance with the single European electronic information format, we have also verified compliance with this format defined by the European Delegated Regulation No. 2019/815 of 17 December 2018 in the presentation of the consolidated financial statements intended for inclusion in the annual financial report referred to in I of Article L. 451-1-2 of the French Monetary and Financial Code, which are drawn up under the responsibility of the Chief Executive. As these are consolidated financial statements, our work includes verifying that the mark-up of these financial statements complies with the format defined by the aforementioned regulation.

Based on our work, we conclude that the presentation of the consolidated financial statements for inclusion in the annual financial report complies, in all material respects, with the Single European Electronic Reporting Format.

It is not our responsibility to verify that the consolidated financial statements that will actually be included by the entity in the annual financial report filed with the AMF correspond to those on which we have performed our work.

Appointment of auditors

We were appointed as statutory auditors of Crédit Mutuel Arkéa on June 10, 1976 for Mazars (taking into account the mergers that have taken place since that date) and on May 11, 2007 for Deloitte & Associés.

As at December 31, 2020, Mazars was in the 45th year of its uninterrupted engagement and Deloitte & Associés in the 14th year, including 28 years and 14 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 relation to the consolidated accounts

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 such internal control as management determines is necessary to ensure that the consolidated financial statements are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, it is the responsibility of management to make an assessment of the company's ability to continue as a going concern, to disclose in those financial statements, where appropriate, the necessary information relating to the going concern basis of accounting and to apply the going concern basis of accounting unless the company is to be wound up or cease trading.

The Audit Committee is responsible for monitoring the financial reporting process and for monitoring the effectiveness of the internal control and risk management systems, and where appropriate the internal audit, in relation to the procedures for the preparation and processing of accounting and financial information.

The consolidated accounts have been approved by the Board of Directors.

Statutory auditors' responsibilities in relation to the audit of the consolidated accounts

Audit objective and approach

Our responsibility is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but does not guarantee that an audit performed in accordance with professional standards will result in the systematic detection of material misstatements. Misstatements may be due to fraud or error and are considered material when they could reasonably be expected to influence the economic decisions that users of the accounts make in reliance on them, either individually or in the aggregate.

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 conducted in accordance with professional standards applicable in France, the auditor exercises professional judgement throughout the audit.

In addition :

- The auditor identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures to address those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, because fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control;
- The auditor obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- It assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the related disclosures in the consolidated financial statements;
- It assesses the appropriateness of management's application of the going concern accounting policy and, based on the information obtained, whether there is any material uncertainty related to events or circumstances that may affect the company's ability to continue as a going concern. This assessment is based on information gathered up to the date of the report, bearing in mind that subsequent events or circumstances could call into question the company's ability to continue as a going concern. If the auditor concludes that there is a material uncertainty, he draws the attention of the readers of his report to the information provided in the consolidated financial statements concerning this uncertainty or, if this information is not provided or is not relevant, he issues a qualified opinion or a refusal to certify;
- Evaluating the overall presentation of the consolidated accounts and assessing whether the consolidated accounts reflect the underlying transactions and events in a fair presentation;
- With regard to the financial information of the persons or entities included in the scope of consolidation, it gathers elements that it considers sufficient and appropriate to express an opinion on the consolidated accounts. The auditor is responsible for directing, supervising and performing the audit of the consolidated financial statements and for expressing an opinion on those financial statements.

Report to the Audit Committee

We provide the Audit Committee with a report that 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 report to the Audit Committee on any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information.

The matters disclosed in the report to the Audit Committee include the risks of material misstatement that we considered to be of most significance to our audit of the consolidated financial statements for the year and which, accordingly, constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) 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 profession of Statutory Auditor. Where appropriate, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris La Défense, April 15, 2021

The statutory auditors

Mazars
Franck BOYER

Deloitte et Associés
Anne-Élisabeth PANNIER
Jean-Marc MICKELER

7.2 Statutory auditors' report on the aggregate financial statements 2020

To the Shareholders' Meeting of Crédit Mutuel Arkéa,

Opinion

In compliance with the assignment entrusted to us by the General Meeting, we have audited the aggregate financial statements of Crédit Mutuel Arkéa for the year ended December 31, 2020.

In our opinion, the aggregate financial statements give a true and fair view of the results of operations for the year ended December 31, 2020 and of the financial position and assets of the company at that date, in accordance with French accounting principles. The above opinion is consistent with the contents 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under these standards are set out in the section of this report entitled "Statutory Auditors' Responsibilities in the Audit of the Aggregate Financial Statements".

Independence

We conducted our audit in accordance with the independence rules set out in the French Commercial Code and in the Code of Ethics of the audit profession for the period from January 1, 2020 to the date of issue of our report, and in particular we did not provide any services prohibited by Article 5⁽¹⁾ of Regulation (EU) No 537/2014.

In addition, the services other than the certification of services other than statutory audit or non-audit services that we have provided to your company during the financial year and which are not mentioned in the management report or the notes to the annual accounts mainly concern:

- the issuance of letters of comfort in the context of bond issue programmes,
- carrying out CSR assignments,
- issuing certificates of accounting and financial information,
- review of regulatory compliance.

Emphasis of matter

Without calling into question the opinion expressed above, we draw your attention to the note "Accounting principles and valuation method" in the notes to the aggregate financial statements, which sets out the impacts of the change in accounting method relating to the presentation of securities borrowings and centralised regulated savings resulting from the amendment of ANC regulation no. 2014-07 by ANC regulation no. 2020-10.

Justification of assessments - Key audit matters

The global crisis linked to the COVID-19 pandemic creates particular conditions for the preparation and audit of this year's accounts. Indeed, this crisis and the exceptional measures taken within the framework of the state of health emergency have had multiple consequences for companies, particularly on their activity and financing, as well as increased uncertainties on their future prospects. Some of these measures, such as travel restrictions and teleworking, have also had an impact on the internal organisation of companies and on the way audits are carried out. It is in this complex and evolving context that, in accordance with the provisions 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 judgement, were the most important for the audit of the aggregate annual accounts for the financial year, as well as the responses we have given to these risks.

These assessments were made in the context of our audit of the aggregate financial statements taken as a whole, prepared in accordance with the conditions described above, and the formation of our audit opinion expressed above. We do not express an opinion on the elements of these aggregate annual accounts taken in isolation.

Investments in subsidiaries and affiliates - Note 6 and "Accounting policies and valuation methods" of the notes to the aggregate financial statements

Identified risk and key judgements:

Investments in subsidiaries and other long-term investments" and "Shares in affiliated companies" are recorded in the balance sheet at a net value of €5,426 million (including €61 million of impairment).

As stated in the note "Investments in subsidiaries and affiliates" in the notes to the financial statements, they are stated at the lower of cost excluding acquisition costs or value in use.

In the context of the Covid-19 pandemic, which has had a negative impact on the results and financial projections of the Crédit Mutuel Arkéa group, as well as the various strategic initiatives initiated by the latter to adjust its organisation, the entity must ascertain whether or not there are any indications of impairment of these securities, in particular with regard to their inclusion in the forecasts made in the business plans and the variables used to discount the resulting flows. The comparison of the net book value of the securities with their recoverable value is an essential element in assessing the need for any impairment.

This value in use is subject to an annual valuation using several valuation techniques and macroeconomic assumptions, including

- The use of net asset value ;
- The use of actuarially based capital valuation ;
- The use of the expected future profitability method, which uses forecast data, a discount rate and a perpetual growth rate.
- This is an estimate that requires management to exercise judgement in selecting the relevant inputs. As such, we considered the valuation of equity investments to be a key audit issue.

Given the sensitivity of the models used to changes in the data and assumptions on which the estimates are based, we considered the valuation of securities to be a key audit issue.

Audit approach:

We assessed the processes implemented by Crédit Mutuel Arkéa to measure the potential need for impairment of equity investments.

Our work consisted of:

- an analysis of the rationale for the valuation methods used by management to determine the values in use of equity investments and affiliated companies;
- a technical review, where appropriate, of the construction of the valuation models and a review of the assumptions used to determine the financial parameters used;
- a critical review of the forecast business plans drawn up by the management of the entities concerned and approved by the Board of Directors. Particular attention was paid to the impacts of the Covid-19 crisis, which were integrated into these forecast plans.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law and regulations.

Information given in the management report and in the other documents on the financial situation and the aggregate annual accounts sent to the shareholders

We have no comments as to the fair presentation and the conformity with the aggregate financial statements of the information given in the Directors' Report and in the other documents on the financial position and the aggregate financial statements addressed to the shareholders. As indicated in the management report, this information does not include banking transactions and related transactions, as your company considers that they are not included in the scope of the information to be produced.

Information on corporate governance

We hereby attest to the existence, in the section of the management report of the Board of Directors devoted to corporate governance, of the information required by Article L.225-37-4 of the French Commercial Code.

Other information

In accordance with the law, we have ensured that the various information relating to the acquisition of shareholdings and control has been communicated to you in the management report.

Information resulting from other legal and regulatory obligations

Format of the aggregate annual accounts to be included in the annual financial report

In accordance with the professional practice standard on the due diligence of statutory auditors in relation to the aggregate and consolidated annual accounts presented in the single European electronic information format, we have also verified compliance with this format defined by the European Delegated Regulation No. 2019/815 of December 17, 2018 in the presentation of the annual accounts, aggregate for inclusion in the annual financial report mentioned in I of Article L. 451-1-2 of the Monetary and Financial Code, prepared under the responsibility of the Chief Executive.

Based on our work, we conclude that the presentation of the aggregate annual accounts to be included in the annual financial report complies, in all material respects, with the single European electronic reporting format. It is not our responsibility to verify that the consolidated financial statements that will be effectively included by your company in the annual financial report filed with the AMF correspond to those on which we have performed our work.

Appointment of auditors

We were appointed as statutory auditors of CREDIT MUTUEL ARKEA by the general meeting of June 10, 1976 for the firm Mazars (taking into account the mergers of firms that have occurred since that date) and on May 11, 2007 for the firm Deloitte & Associés.

At December 31, 2020, Mazars was in the 45th year of its uninterrupted engagement and Deloitte & Associés in the 14th year, including 28 years and 14 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 relation to the aggregate annual financial statements

It is the responsibility of management to prepare financial statements that give a true and fair view in accordance with French accounting rules and principles and to implement such internal control as it determines is necessary to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, it is the responsibility of management to make an assessment of the company's ability to continue as a going concern, to disclose in those accounts, where appropriate, the necessary information relating to the 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 financial reporting process and for monitoring the effectiveness of the internal control and risk management systems, and where appropriate the internal audit, in relation to the procedures for the preparation and processing of accounting and financial information.

The consolidated annual accounts have been approved by the Board of Directors.

Statutory auditors' responsibilities in relation to the audit of aggregate financial statements

Audit objective and approach

Our responsibility is to express an opinion on the consolidated annual accounts. Our objective is to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but does not guarantee that an audit performed in accordance with professional standards will result in the systematic detection of material misstatements. Misstatements may be due to fraud or error and are considered material when they could reasonably be expected to influence the economic decisions that users of the accounts make on the basis of the accounts, either individually or in aggregate.

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 conducted in accordance with professional standards applicable in France, the auditor exercises professional judgement throughout the audit. In addition :

- The auditor identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures to address those risks, and obtains audit evidence that the auditor believes to be sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, because fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control;
- The auditor obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- It assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the related disclosures in the consolidated annual accounts;

- it assesses the appropriateness of management's application of the going concern accounting policy and, based on the information obtained, whether there is any material uncertainty related to events or circumstances that may affect the company's ability to continue as a going concern. This assessment is based on information gathered up to the date of the report, bearing in mind that subsequent events or circumstances could call into question the company's ability to continue as a going concern. If the auditor concludes that there is a material uncertainty, he draws the attention of the readers of his report to the information provided in the consolidated annual accounts concerning this uncertainty or, if this information is not provided or is not relevant, he issues a qualified opinion or a refusal to certify;
- It assesses the overall presentation of the aggregated annual accounts and whether the aggregated annual accounts reflect the underlying transactions and events in a fair presentation.

Report to the Accounts Committee

We provide the Audit Committee with a report that 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 report to the Audit Committee on any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information.

The matters disclosed in the report to the Audit Committee include the risks of material misstatement that we considered to be most significant to our audit of the consolidated financial statements for the year and which, accordingly, are the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) 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 for Statutory Auditors. Where appropriate, we discuss with the audit committee the risks to our independence and the safeguards applied.

Paris La Défense, April 15 2021

The statutory auditors

Mazars
Franck BOYER

Deloitte et Associés
Anne-Élisabeth PANNIER
Jean-Marc MICKELER

7.3 Statutory auditors' special report on regulated agreements and commitments

To the Shareholders' Meeting of Crédit Mutuel Arkéa,

In our capacity as statutory auditors of your company, we hereby present our report on regulated agreements.

It is our responsibility to inform you, on the basis of the information provided to us, of the characteristics and essential terms and conditions of the agreements of which we have been informed or which we may have discovered in the course of our work, without having to express an opinion on their usefulness or appropriateness, or to ascertain whether any other agreements exist. 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 provide you with the information provided for in Article R. 225-31 of the French Commercial Code relating to the execution, during the past financial year, of agreements already approved by the General Meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (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 is derived.

Agreements subject to approval by the general meeting

Pursuant to Article 225-40 of the French Commercial Code, we have been advised of the following agreements entered into during the past financial year which were subject to the prior authorisation of your Board of Directors.

Employment contract of the Chief Executive Officer

On April 3, 2020, the Board of Directors approved the provisions of the amendment to the employment contract of Mrs Hélène Bernicot, Chief Executive Officer of Crédit Mutuel Arkéa. The amendment to the employment contract mentions the following provisions:

- the date of suspension of the employment contract,
- the conditions for reinstatement at the end of the mandate,
- the inclusion of the mandate in the calculation of seniority and related rights,
- subscription to a private unemployment insurance scheme during the period of suspension of the employment contract,
- the terms of compensation in the event of termination of the employment contract by the employer, for any reason whatsoever, with the exception of dismissal for gross misconduct or gross negligence, as well as in the event of termination by agreement of the employment contract, payment of an indemnity equal to two years' remuneration (calculated on the basis of the average gross monthly salary including benefits in kind), whether in respect of the employment contract or the corporate mandate, received during the twelve months preceding the date of termination, plus the monthly average of all variable remuneration received during the three years preceding the date of termination), in addition to the sums due by application of the law and the applicable contractual provisions.

Employment contract of the Associate Chief Executive Officer

On April 3, 2020, the Board of Directors approved the provisions of the amendment to the employment contract of Ms Anne Le Goff, Associate Chief Executive Officer of Crédit Mutuel Arkéa. The amendment to the employment contract mentions the following provisions:

- the date of suspension of the employment contract,
- the conditions for reinstatement at the end of the mandate,
- the inclusion of the mandate in the calculation of seniority and related rights,
- subscription to a private unemployment insurance scheme during the period of suspension of the employment contract,
- the terms of compensation in the event of termination of the employment contract by the employer, for any reason whatsoever, with the exception of dismissal for gross misconduct or gross negligence, as well as in the event of termination by agreement of the employment contract, payment of an indemnity equal to two years' remuneration (calculated on the basis of the average gross monthly salary including benefits in kind), whether in respect of the employment contract or the corporate mandate, received during the twelve months preceding the date of termination, plus the monthly average of all variable remuneration received during the three years preceding the date of termination), in addition to the sums due by application of the law and the applicable contractual provisions.

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, already approved by the General Meeting in previous years, continued to be executed during the past year.

Employment contract of the Chairman

On September 12, 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 amendment to the suspension of the employment contract mentions the following provisions:

- the date of suspension of the employment contract,
- the conditions for reinstatement at the end of the mandate,
- the inclusion of the mandate in the calculation of seniority and all related rights,
- subscription to a private unemployment insurance scheme during the period of suspension of the employment contract,
- the terms of compensation in the event of termination of the employment contract at the initiative of Crédit Mutuel Arkéa, excluding dismissal for gross misconduct or willful misconduct, i.e.: sums due in application of the law and the collective bargaining agreement and additional redundancy compensation of a net amount corresponding to 18 months' gross salary.

On May 7, 2010, the Board of Directors authorised the following changes to 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 in application of the law and the collective bargaining agreement, and additional redundancy compensation corresponding to 18 months' net gross salary .

- in the event of termination of the employment contract by Crédit Mutuel Arkéa, for any reason whatsoever, with the exception of dismissal for serious or gross misconduct, as well as in the event of termination by agreement of the employment contract, payment of a net amount equal to two years' remuneration (calculated on the basis of the average gross monthly salary calculated on the basis of the average gross monthly salary received during the twelve months preceding the date of termination, plus the average gross monthly variable part 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 collective bargaining agreement applicable within Crédit Mutuel Arkéa.

Employment contract of the Chief Executive Officer

On September 12, 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 amendment to the suspension of the employment contract mentions the following provisions:

- the date of suspension of the employment contract ;
- the conditions for reinstatement at the end of the mandate ;
- the taking into account of the mandate in the calculation of seniority and for all the rights linked to it;
- subscription to a private unemployment insurance scheme during the period of suspension of the employment contract.

On May 7, 2010, the Board of Directors authorised 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, with the exception of dismissal for gross misconduct or gross negligence, as well as in the event of termination of the employment contract by agreement, payment of an indemnity of a net amount equal to two years' remuneration (calculated on the basis of the average gross monthly salary, including benefits in kind, whether in respect of the employment contract or the corporate mandate, received during the twelve months preceding the date of termination, plus the average gross monthly variable part 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 collective bargaining agreement applicable within Crédit Mutuel Arkéa.

On February 12, 2020, the Board of Directors noted the resignation of Mr Ronan Le Moal from his position as Chief Executive Officer.

Paris-La Défense, April 15, 2021

The statutory auditors

Mazars
Franck BOYER

Deloitte et Associés
Anne-Élisabeth PANNIER
Jean-Marc MICKELER

7.4 Report of the independent third party body on the non-financial performance statement information

Year ending December 31, 2020

To the Shareholders' Meeting of Crédit Mutuel Arkéa,

In our capacity as an independent third party, 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 extra-financial performance statement for the year ended December 31, 2020 (hereinafter 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 in relation to these risks and the results of these policies, including key performance indicators.

The Statement has been prepared using the company's procedures (hereinafter the "Standards"), the significant elements of which are set out in the Statement or available on the website or on request from the company's head office.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the Commercial Code and the profession's code of ethics. In addition, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with the applicable legal and regulatory texts, ethical rules and professional doctrine.

Responsibility of the Independent Third Party Organisation

It is our responsibility, based on our work, to express a reasoned opinion with a moderate level of assurance on :

- the compliance of the Declaration with the provisions of Article R. 225-105 of the 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 comment on the company's compliance with other applicable legal and regulatory requirements, in particular with regard to due diligence and the fight against corruption and tax evasion, nor on the compliance of products and services with applicable regulations.

Nature and scope of the work

Our work described below was carried out in accordance with the provisions of Articles A. 225 1 et seq. of the French Commercial Code, the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes (CNCC) relating to this type of work and the international standard ISAE 3000 :

- We have reviewed the activities of all the entities included in the scope of consolidation and the description of the main risks;
- We have assessed the appropriateness of the Framework in terms of its relevance, completeness, reliability, neutrality and understandability, taking into account, where appropriate, good industry practice;
- We have verified that the Declaration covers each category of information provided for in III of Article L. 225-102-1 with regard to social and environmental matters, as well as the information provided for in the second paragraph of Article L. 22-10-36 with regard to respect for human rights and the fight against corruption and tax evasion;
- We have verified that the Statement presents the information required by II of Article R. 225-105 when relevant to the principal risks and includes, where applicable, an explanation of the reasons for the absence of the information required by the second paragraph of III of Article L. 225-102-1 ;
- We have verified that the Statement presents the business model and a description of the principal risks of the business of all 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 policies, actions and results, including key performance indicators relating to the principal risks;
- We consulted documentary sources and conducted interviews to :
 - assess the process for selecting and validating key risks and the consistency of the results, including the key performance indicators selected, with the key 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 a selection of entities ;
- We have verified that the Declaration covers the consolidated perimeter, i.e. all the entities included in the consolidation perimeter in accordance with Article L. 233-16 with the limits specified in the Declaration;
- We have examined the internal control and risk management procedures implemented by the entity and have assessed the process of collecting information with a view to ensuring its completeness and fairness;
- For the key performance indicators and other quantitative results that we considered most important [presented in Annex 1], we implemented :
 - analytical procedures consisting of verifying the correct consolidation of the data collected as well as the consistency of their evolution;
 - detailed testing on a sample basis, consisting of verifying the correct application of definitions and procedures and reconciling the data with supporting documents. This work was carried out on a selection of contributing between 43 and 100% of the consolidated data selected for testing;-
- We assessed the overall consistency of the Statement with our knowledge of all the entities included in the scope of consolidation

In our opinion, the work we have carried out in the exercise of our professional judgement enables us to provide a moderate level of assurance; a higher level of assurance would have required more extensive audit work.

Means and resources

Our work involved the skills of 4 people and took place between October 2020 and March 2021 over a total intervention period of 3 weeks.

We conducted some 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, FederalFinance Gestion, the Organisation and Resources Department, the Operational and IT Risks Department , the Compliance and Permanent Control Department, and the General Secretary and Institutional Communication Department.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the non-financial performance statement is not in compliance with the applicable regulations and that the information, taken as a whole, is presented fairly in accordance with the Reporting Criteria.

Comments

Without calling into question the conclusion expressed above and in accordance with the provisions of Article A. 225-3 of the Commercial Code, we make the following comment:

- The Group does not present in the Statement a key performance indicator for the risk of non-compliance with tax transparency rules.

Paris La Défense, April 15, 2021

The independent third party organisation,

Mazars SAS

Franck BOYER

Associate

Edwige REY

CSR & sustainable
development Associate

Appendix 1: Information considered most important Qualitative information (actions and results) on the main risks

Qualitative information (actions and results) on the main risks

- Compliance (financial security - anti-money laundering and combating the financing of terrorism (AML/FT) regulations, professional ethics, customer protection, tax transparency ; -Data security ;
- Governance: good character and competence - cooperative governance ;
- Controversial funding and investments ;
- Psychosocial risks ;
- Employability and job transformation ;
- Discrimination and social dialogue ;
- Responsible supplier relations.

Quantitative indicators including key performance measures

Category	Heading
Total number of employees	Workforce: Women executives on permanent contracts - France
	Workforce: Non-executive women on permanent contracts - France
	Workforce: Female managers on fixed-term contracts - France
	Workforce: Non-executive women on fixed-term contracts - France
	Workforce Male executives on permanent contracts - France
	Workforce: Non-executive men on permanent contracts - France
	Workforce: Male managers on fixed-term contracts - France
	Workforce: Male non-managers on fixed-term contracts - France
	Women with managerial responsibility - Abroad
	Women without managerial responsibilities - Abroad
	Men with managerial responsibility - Abroad
	Men without managerial responsibility - Abroad
	Movements
Number of employees with permanent contracts who left the organisation	
Number of employees with permanent contracts who left the organisation due to redundancy	
Internal mobility rate	
Diversity	Pay gap M/F
	Employment rate of disabled workers 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 attended at least one training course
	Total hours spent on employee training
	of employees trained
Compensation	Total gross annual compensation (in euros) for permanent contracts, of which :
	- Total gross annual compensatio (in euros) - Permanent non-executive staff
	- Total gross annual compensatio (in euros) - Executive permanent staff
Social dialogue	Number of collective agreements signed
RPS	QWL Barometer: Meaning of work - Workload
Energy consumption	Total energy consumption (in kWh), of which :
	- Electrical energy consumption (in kWh)
	- Gas energy consumption (in kWh)
	- Energy consumption of gas in tanks (in litres)
	- Gas energy consumption in the network (in kWh)
	- Energy consumption of fuel oil (in litres)
	- Urban steam networks (in kWh)
	- Urban chilled water systems (in kWh)
SRI / ESG	Total assets managed by the management company
	SRI outstandings (in euros)
	Share of ESG assets managed in Federal Finance Gestion's assets under management
Solidarity-based employee savings	Outstanding solidarity-based employee savings
NPO clients	Number of NPO clients (associations, trade unions, works councils etc.)

7. STATUTORY AUDITORS' REPORTS

Report of the independent third party body on the non-financial performance statement information

Category	Heading
Governance	Number of Local Banks
	Number of new directors - Local Banks
	Number of new directors - women - Local Banks
	Total number of hours of training provided to directors
	% of directors approved without condition precedent by the regulators (scope of regulated entities)
	% of attendance at Arkéa's Board of Directors
	% of subsidiaries with an attendance rate of more than 75% at meetings of the supervisory body
	% of member-policyholders among the federations' individual customers
	% of participation in the General Meetings of the local mutuals
	% attendance at Arkéa's General Meeting
Compliance	Annual rate of AML-FT exposed personnel trained
	Number of sanctions by the ACPR concerning the AML-FT system
	Rate of anti-corruption training of exposed persons within the credit institution 15589
	Number of beneficiaries of the specific services dedicated to vulnerable customers (scope of the credit institution 15589)
Suppliers	Share of purchases from French suppliers
	Share of ESG supplier assessments carried out for the reporting period
Information security	% of targeted staff aware of information systems security
Patronage & sponsorship	Overall budget for sponsorship (euros)

Crédit Mutuel

8.

Cross-reference tables and alternative performance measures

Cross-reference table of the Universal Registration Document	312	Cross-reference table with international commitments	315
Cross-reference table for Crédit Mutuel Arkéa's 2020 annual financial report	314	Alternative performance measures - Article 223-1 of the AMF general regulation	316

Cross-reference table of the Universal Registration Document

This concordance table contains the headings provided for in Annex 1 (cross-referenced from 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 given.

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	6	
1.1 Name and function of the person responsible	6	290
1.2 Declaration of the person responsible	6	290
1.3 Statement or report attributed to a person acting as an expert	6	289
1.4 Certification on information from third parties	6	289
1.5 Declaration by the issuer		1
2. STATUTORY AUDITORS	6	
2.1 Names and addresses of the statutory auditors	6	291
2.2 Resignation, dismissal or non-renewal of statutory auditors	NA	
3. RISK FACTORS	4	
3.1 Risk Factors	4.1	194
4. INFORMATION ABOUT THE ISSUER	6	
4.1 Corporate and business name of the issuer	6	288
4.2 Place and registration number and Legal Entity Identifier (LEI) of the issuer	6	289
4.3 Date of incorporation and lifetime of the issuer	6	288
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	288
5. BUSINESS OVERVIEW		
5.1 Main activities	1.4; 1.5; 3.2; 3.5	12; 16; 65; 155
5.2 Main markets	6	288
5.3 Important events in the development of activities	1.6	17
5.4 Strategy and objectives	1.5	16
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	1.4	12
5.7 Investments	1.3; 1.6	9; 17
6. ORGANISATIONAL SET-UP		
6.1 Description	1.2	6
6.2 List of significant subsidiaries	1.4; 3.5; 3.6	12; 159; 178
7. REVIEW OF FINANCIAL POSITION AND RESULTS		
7.1 Financial position	3.2; 3.5; 3.6	65; 73; 165
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	62; 65
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	65; 74; 167
8. CASH AND CAPITAL RESOURCES		
8.1 Information on the issuer's capital	3.5	76-77
8.2 Source and amount of issuer's cash flows	3.5	78
8.3 Information on the issuer's financing requirements and funding structure	3.3; 3.5; 4.5	67; 121; 227
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	

Headings of Annex I of the Delegated Regulation (EU) n°2019/980		Sections	Pages
9.	REGULATORY ENVIRONMENT	4.1	197
10.	TREND INFORMATION		
	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	70; 194
10.1			
	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	70; 194
10.2			
11.	PROFIT FORECASTS OR ESTIMATES	6	289
12.	ADMINISTRATIVE, MANAGEMENT, SUPERVISORY BODIES AND SENIOR MANAGEMENT		
12.1	Board of Directors and Executive Management	2.2; 2.3; 2.4	26; 42; 43
12.2	Conflicts of interest at the level of the administrative, management and supervisory bodies and the Executive Management	2.6	45
13.	COMPENSATION AND BENEFITS		
13.1	Amount of compensation paid and benefits in kind	2.8; 3.5	52; 157
13.2	Total amounts provided for or recognized for the payment of pensions, retirement or other benefits	2.8; 3.5	52; 157
14.	FUNCTIONING OF THE ADMINISTRATIVE AND MANAGEMENT BODIES		
14.1	Expiry date of current terms of office	2.2	26
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	44
14.3	Information on the issuer's Audit Committee and Compensation Committee	2.2	39-40
14.4	A statement as to whether or not the issuer complies with the corporate governance regime	2.1	25
14.5	Potential significant impacts on corporate governance, including future changes in the composition of administrative and management bodies and committees	NA	
15.	EMPLOYEES		
15.1	Number of employees	3.5; 5.5; 5.6	139; 273; 282
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	248
16.2	Existence of different voting rights	2.2	26
16.3	Control of the issuer	2.2; 5.4	26; 248
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	1.2; 3.5; 3.6	8; 73; 165
18.2	Interim and other financial information	6	289
18.3	Audit of historical annual financial information	7	293
18.4	Pro forma financial information	NA	
18.5	Dividend distribution policy	NA	
18.6	Legal and arbitration proceedings	4.4; 6	220; 288
18.7	Significant change in the issuer's financial position	6	289
19.	ADDITIONAL DETAILS		
19.1	Share capital	3.5; 3.6	122; 185
19.2	Memorandum and Articles of Association	2.1; 6	25; 288
20.	MAJOR CONTRACTS	6	289
21.	AVAILABLE MATERIAL	6	289

Cross-reference table for Crédit Mutuel Arkéa's 2020 annual financial report

The information contained in the 2020 annual financial report, represented by the headings in the table below, is set out in full in this Universal Registration Document.

Cross-reference table of the 2020 Annual Financial Report	Sections	Pages
Aggregate financial statements	3.6	164
Consolidated Financial Statements	3.5	73
Management report (see cross-reference table of the Management report)		314
Statement of the responsible person	6	290
Statutory auditors' reports	7	293

Table de concordance du Rapport de gestion 2020	Sections	Pages
1. OVERVIEW OF ACTIVITIES	1; 3; 5	
1.1 Financial and non-financial key Indicators	1.1; 5.6	8; 280
1.2 Main activities of the Arkéa group and its subsidiaries	1.3; 1.4; 3.2; 3.5	12; 16; 65; 155
1.3 Information on the Group's locations and activities	6	288
1.4 Important events occurring between the closing date of the financial year and the date of preparation of the Management Report	3.5; 3.6	163; 192
2. RISK FACTORS	4.1	194
2.1 Description of the main risks and uncertainties facing the Group	4.1	194
2.2 Main characteristics of the internal control and risk management procedures implemented	2.7; 4.3-4.7	46; 211-235
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; 194
4. PROFIT FORECASTS OR ESTIMATES	6	289
5. REPORT ON CORPORATE GOVERNANCE	2	23
5.1 Compensation and benefits of any kind paid to each corporate officer	2.8	52
5.2 Mandates and functions exercised by each of these corporate officers	2.2; 2.3	26; 42
6. SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY	5	237
7. TABLE OF RESULTS FOR THE LAST FIVE FINANCIAL YEARS	1.2; 3.6	8; 169
8. INFORMATION ON PAYMENT DEADLINES FOR SUPPLIERS AND CUSTOMERS	3.6	168
9. GENERAL INFORMATION ON CRÉDIT MUTUEL ARKÉA	6	288

Cross-reference table with international commitments

	Global Compact Principles	Sustainable Development Goals
5.1 THE CRÉDIT MUTUEL ARKÉA GROUP'S BUSINESS MODEL		
5.2 SOCIAL RESPONSIBILITY OF THE CRÉDIT MUTUEL ARKÉA GROUP		8, 10, 12, 13, 16
5.3 THE GROUP'S MAIN NON-FINANCIAL CHALLENGES AND RISKS	1 to 10	1 to 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 to 10	1 to 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 vulnerable situations	1	1, 10
5.5 A RESPONSIBLE BUSINESS APPROACH		
5.5.1 Data protection and security	2	
5.5.2 Exemplarity in business and governance	1, 10	10, 16
5.5.3 Human capital development	1, 3, 4, 5, 6	4, 8
5.5.4 Human capital diversity	1, 6	5, 8
5.5.5 Social dialogue	1, 3, 6	
5.5.6 Responsible supplier 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 NON-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 Bank Insurance 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

A variable capital limited liability credit cooperative and insurance brokerage

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