



# Half Year Results

## H1-2020

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The condensed consolidated financial statements for the 6-month period ended 30th June 2020 were approved by the Board of Directors on 27th August 2020 and have been the subject of a limited review. They are available within the Company’s universal registration document for the year ended 31st December 2019, constituting the half yearly financial report for the 6-month period ended 30th June 2020.

In this presentation, revenues represent net banking and insurance income including gains and losses on disposal or dilution of companies accounted for by the equity method.

# Our development **strategy**

# Arkéa group profile

436

outlets  
in France

403

outlets in Brittany and  
South-West

19

regional business  
centres  
for Arkéa Banque  
Entreprises  
et Institutionnels

8

regional offices  
for Financo

6

regional offices  
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, Switzerland and Luxembourg) and Monext (presence in 25 countries).



Data as at 31/12/2019

# The group's activities



## Retail banking for individuals and professionals



## Corporate and institutional market



## Insurance and asset management



## Subsidiaries dedicated to BtoB

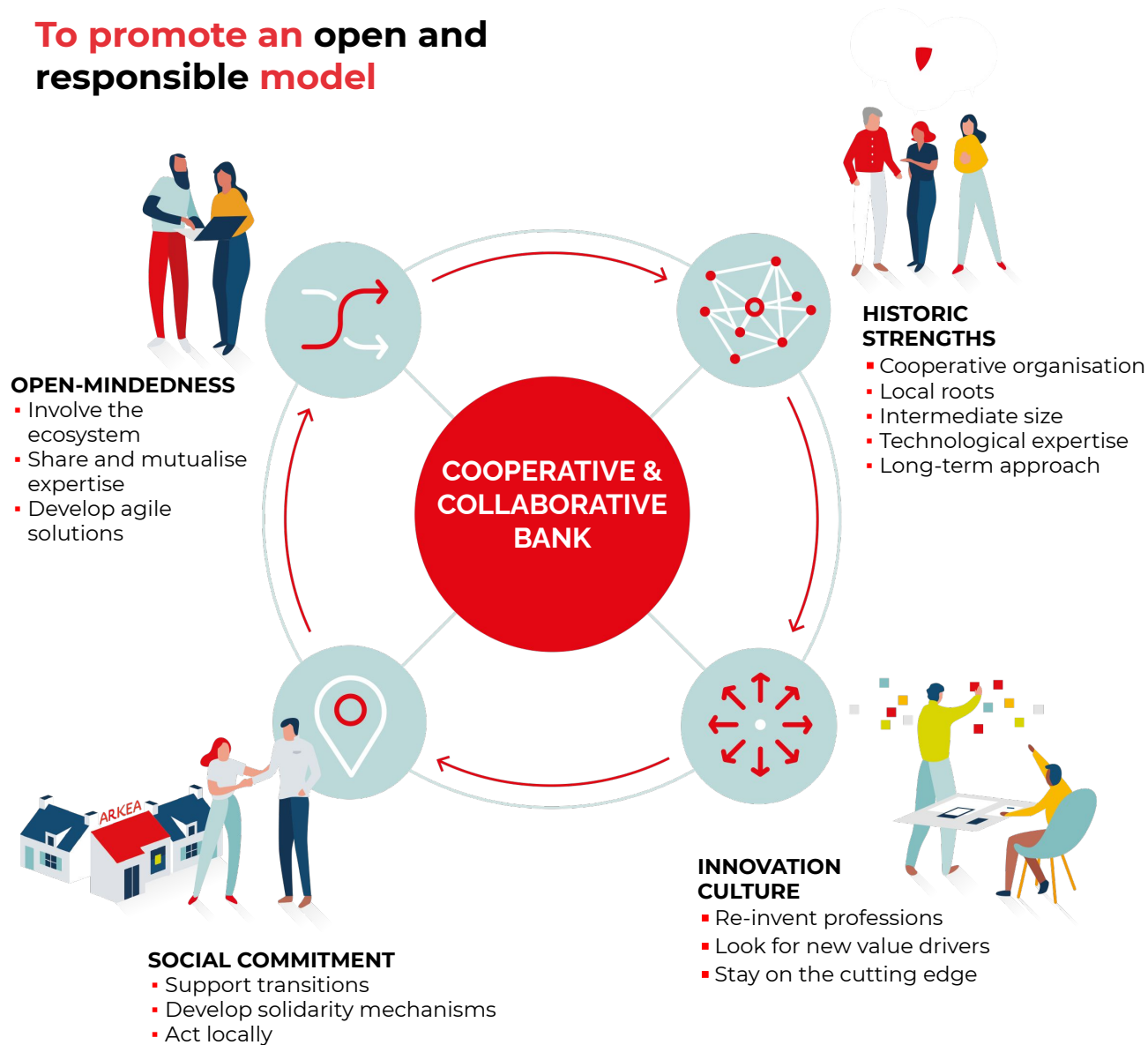


## Non-banking activities

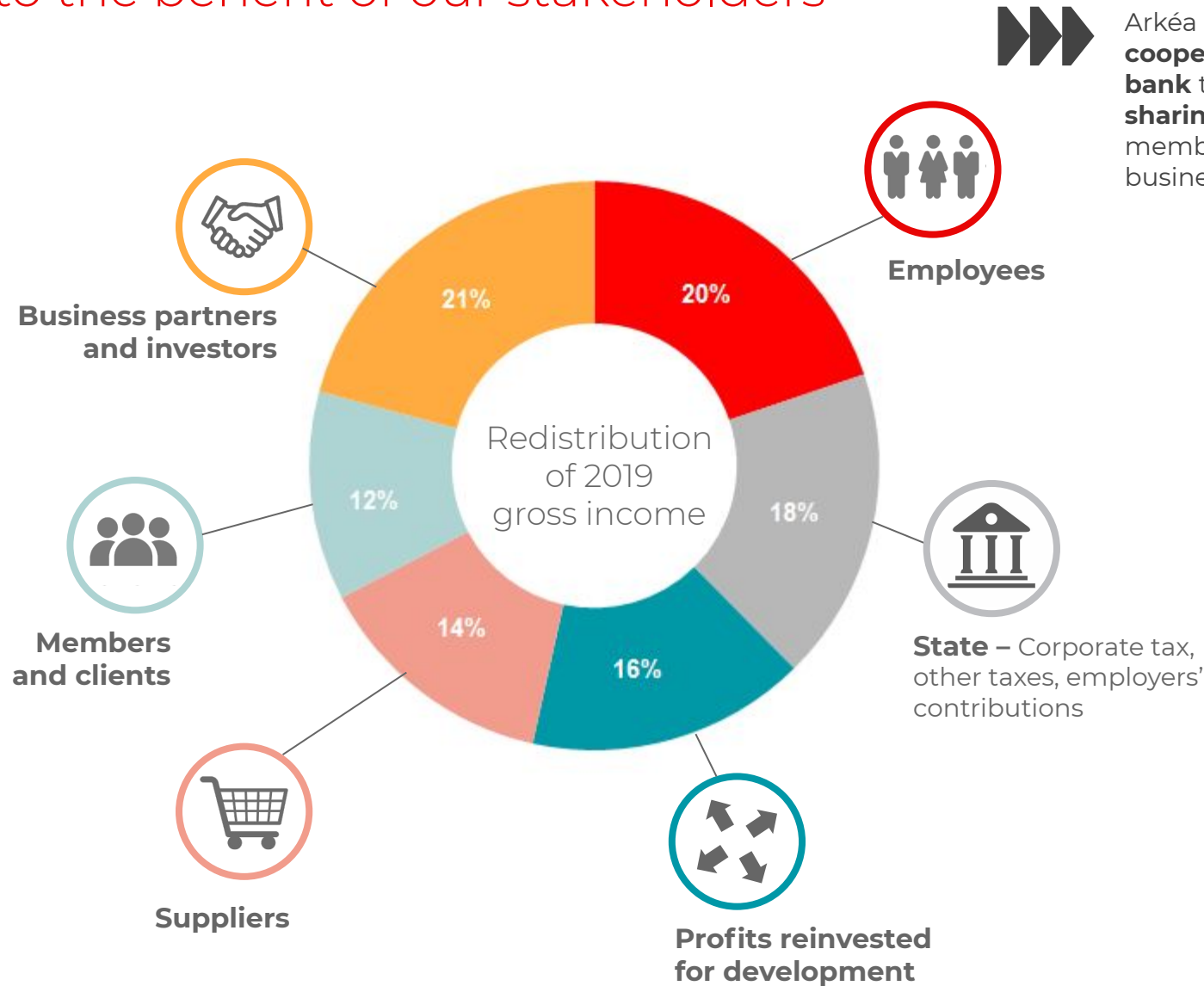


# A model that creates value for all

**To promote an open and responsible model**



# A shared value creation to the benefit of our stakeholders



**H1-2020**

Key elements



# Management of the Covid-19 health crisis



Arkéa has been fully engaged to **ensure the continuity of banking and insurance businesses and services** for its members and clients while adopting necessary protection measures to **preserve employees' health**



## Employee and customer protection

The Arkéa group massively deployed **teleworking from March 16** and closed all sales outlets (Arkéa Banque E&I, Crédit Mutuel de Bretagne et du Sud-Ouest)

Working back on site was gradually authorised following the end of lockdown



## Continuity of service for customers

Members and clients were invited to contact their advisers by telephone or e-mail and to carry out **their transactions via remote channels**



## Reinforced monitoring of the group's indicators

The Arkéa group managed the crisis in connection with supervising authorities and implemented a reinforced monitoring of key indicators : **liquidity risk** and **credit risk**

# Supporting customers



From the beginning of the health crisis, Arkéa group employees have been committed **to support individual, professional and corporate clients**



## Deferral of loan repayments

Deferral for up to six months of credit repayments (capital and interest) and removal of penalties and associated additional costs

More than **56,000 deferrals of professional, home and consumer loans** representing **€5.2 bn** of outstanding loans (Data as at 30/06/2020)



## State-guaranteed loans (“Prêts Garantis par l’Etat” or “PGEs”)

Deployment of State-guaranteed loans in connection with BpiFrance :  
Close to **9,000 “PGEs” granted** amounted to **€1.3 bn** outstanding

(Data as at 30/06/2020)



## Supporting customers affected by the crisis

Arkéa takes its 2020 **Solidarités funding** envelope to more than **€4 M**, to provide financial assistance to clients weakened by the Covid-19 crisis

**Suravenir Assurances** devotes a **€3.5 M** budget to support the most affected policyholders by redistributing part of earned premiums

# Main achievements in 2020

## Territories & CSR

Investment in the **NACI 1 fund**  
Nouvelle-Aquitaine Capital-Investissement 1

Social Bond

**2<sup>nd</sup> social bond issue**  
€750 M raised

### Arkéa Capital invesments



via Arkéa Capital Managers



via We Positive Invest



via Breizh Armor Capital

### Arkéa Banque Entreprises et Institutionnels



launched its first **impact loans**

built on **dedicated operations to finance the environmental transition**

## Innovation & BtoB



 **budgetinsight**

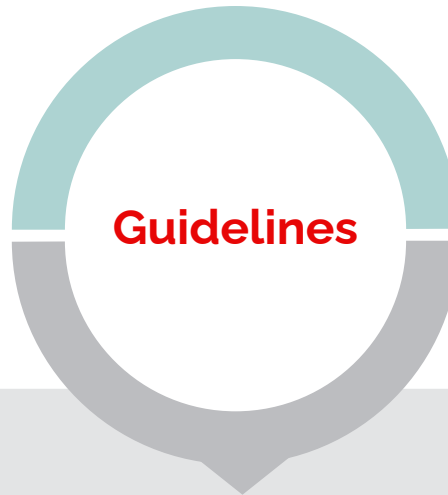
Experimental launch of **QR-Code mobile payment via transfer initiation** for CMB professional clients, in partnership with **Budget Insight**

>> **Arkéa is the first banking group** to offer this payment channel

# The 2024 strategic plan

The framing of the **future strategic plan, which will be unveiled at the end of 2020**, has been presented to the group's board of directors. **The group's development guidelines for the years to 2024 have been defined, in the context of Arkéa's independence project.**

▶ The mid-term strategic plan will form **the operational implementation of the Raison d'être**, formalised by the Arkéa group and adopted during the 2020 Annual General Meeting



▶ The 2024 plan aims to :

- reinforce Arkéa's role as a **positive impact bank** for its stakeholders
- **develop the overall performance** of the group.

## A continuous development of existing activities prolonged by :

- **the openness towards ecosystems** to encourage a balanced value sharing with members, clients, employees, partners and territories
- The implementation of **bold initiatives**, technological or linked to usage, to identify new levers for value creation
- **Agility in execution**

**The development of synergies between activities** to capitalise on their diversity

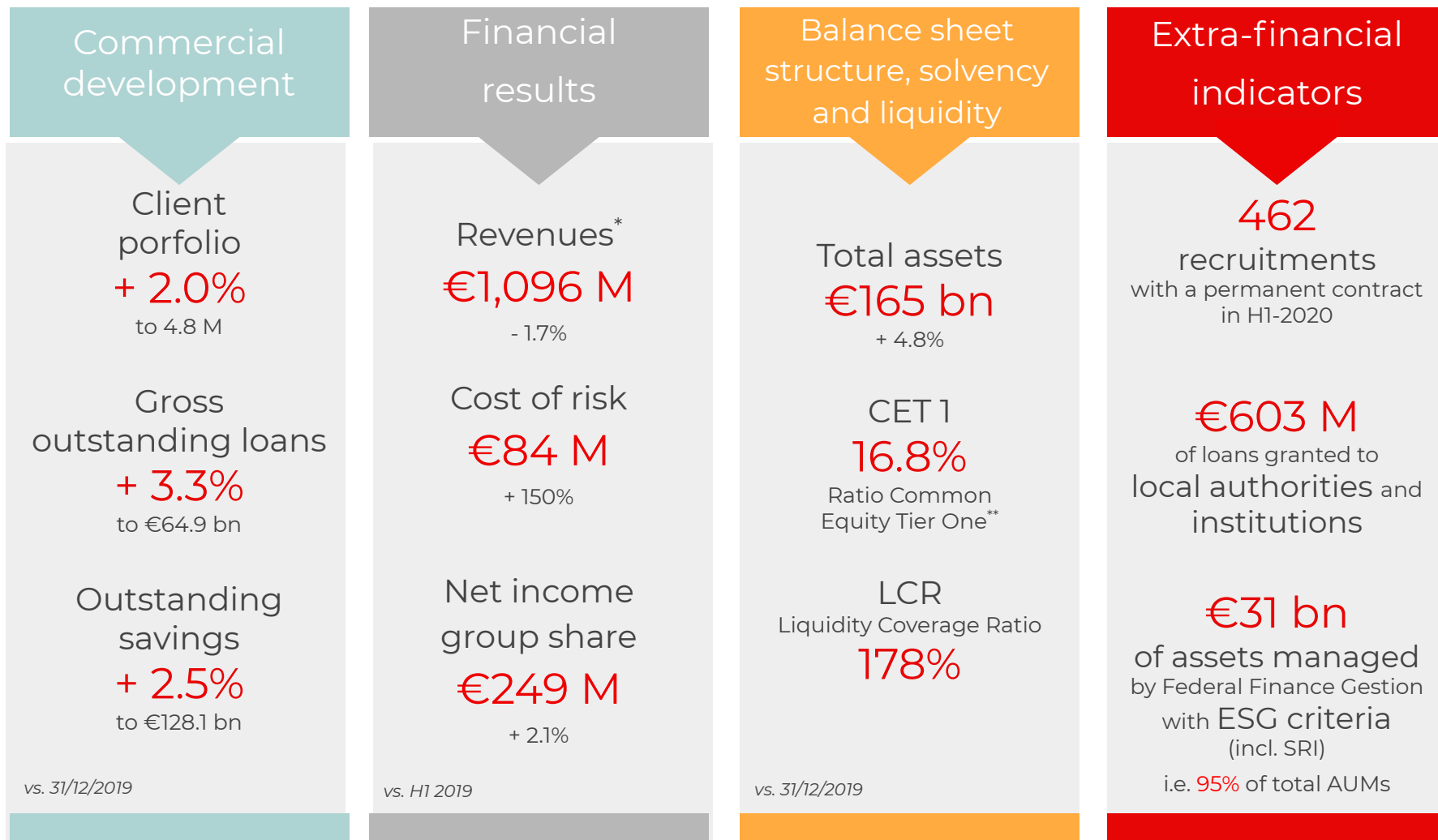
**Keeping a high level of financial strength** and of selectivity in capital allocation

**Being a reference employer** on a local & regional scale

# H1-2020 Results

# A solid model

confirmed by a stable H1 net income



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

\*\* Excluding Irrevocable Payment Commitments (13 bp-impact) and including half year result

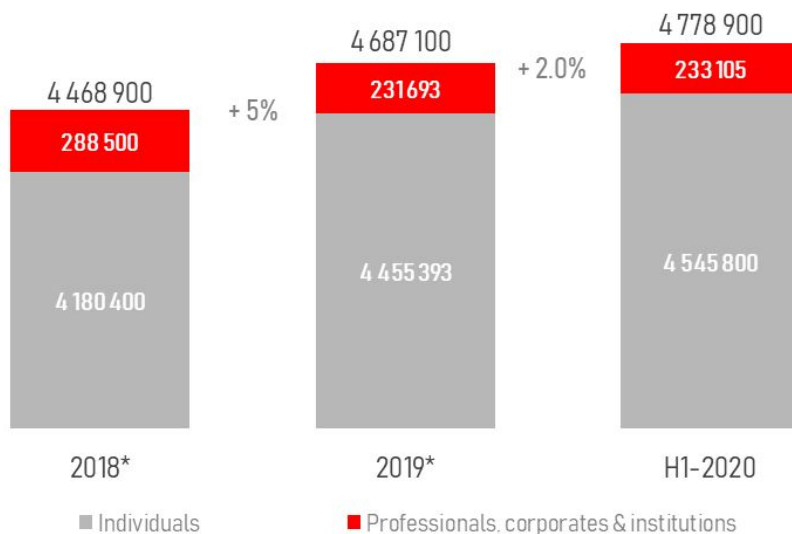


# Commercial Development

# A client portfolio

increased by 2.0 % to 4.8 million clients

Evolution of client portfolio



92,000

new clients  
net acquisition

Client acquisition is mainly **driven by subsidiaries:**

- **on-line banks** (+ 40,000 clients)
- **insurance businesses** (+ 23,000 clients)
- the personal assistant **max** (+ 25,000 clients)

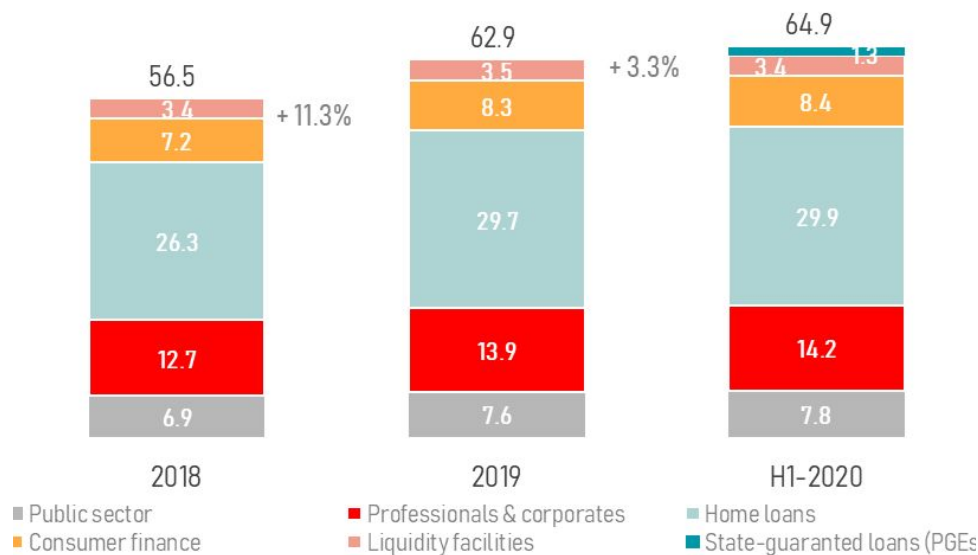
**A portfolio increased by 2.0% vs. 2019, to 4.8 million clients**

\* Restated portfolios following quality actions undertaken on dormant accounts

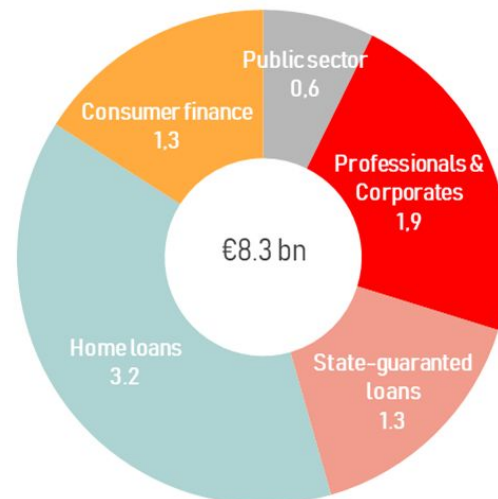


# Outstanding loans : growing by 3.3% to €64.9 bn

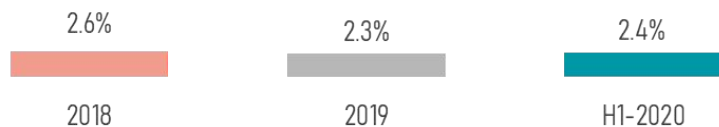
Gross outstanding loans (in €bn)



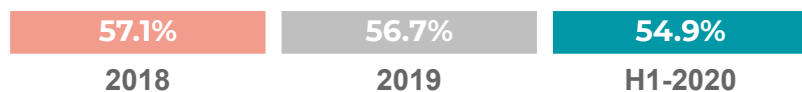
► A **growth of outstanding loans** driven by a **€8.3 bn** production in H1-2020 (vs. €7.7 bn in H1 2019) :



NPLs / Total outstanding loans



Provisioning rate / Depreciated assets



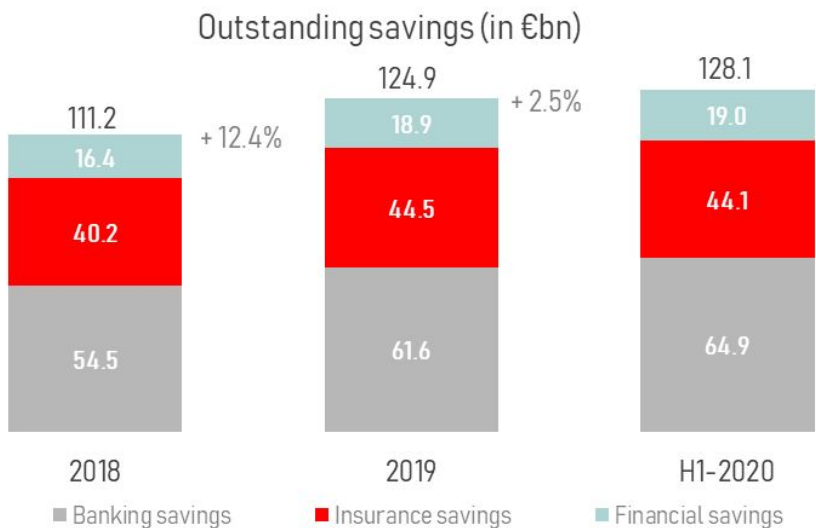
► **A quality loan portfolio**

Outstanding loans of a good quality, **with a non-performing loan (NPL) ratio of 2.4%**

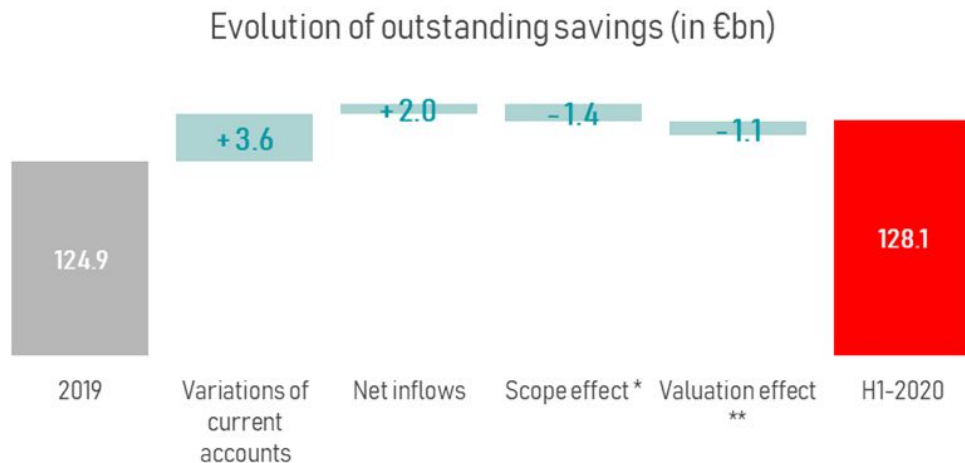
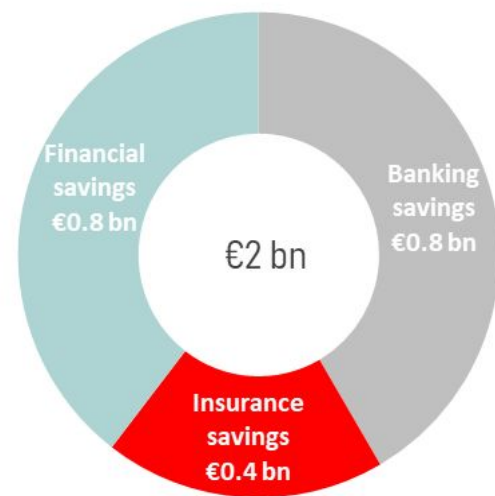
A prudent approach over client credit risk with a **55% provisioning rate** for balance sheet impaired loans

# Outstanding savings :

up 2.5 % to €128.1 bn



► **Outstanding savings** of €128.9 bn, **increased by 2.4%** in comparison to end of 2019, driven by **net inflows of €2 bn** :



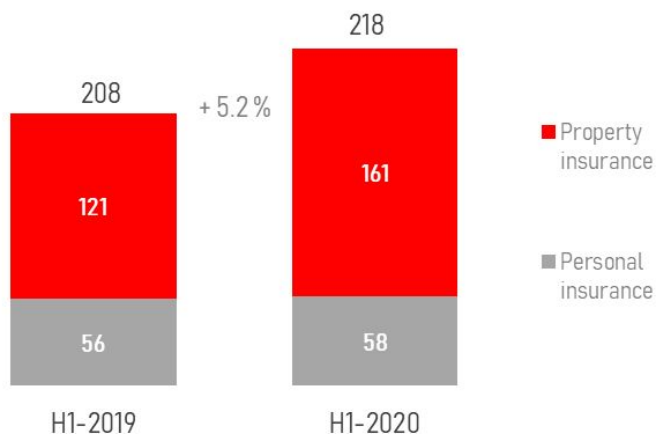
\* Exit of CMMC

\*\* including capitalisation

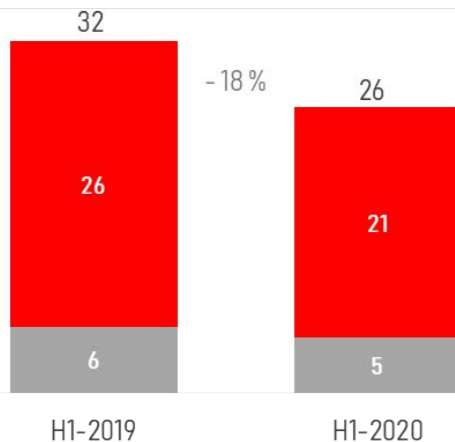
# Insurance activities :

## growing earned premiums

Earned premiums on existing policies (in €M)



New business premiums (in €M)



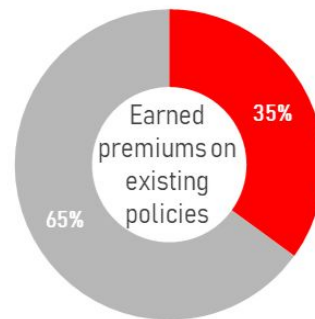
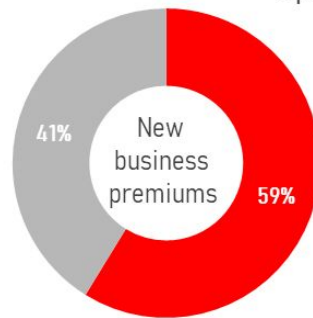
**Earned premiums on existing policies growing** by €10.7 M vs. H1-2019

**New business premiums down** by €5.6 M compared to H1-2019, affected by the lockdown period

**Business from external networks** is growing and represents

- 59 % of new business premiums (+ 3 points vs. H1-2019)
- 35 % of earned premiums on existing policies (+ 5 points vs. H1-2019)

Split of H1-2020 premiums



■ External part  
■ Internal part

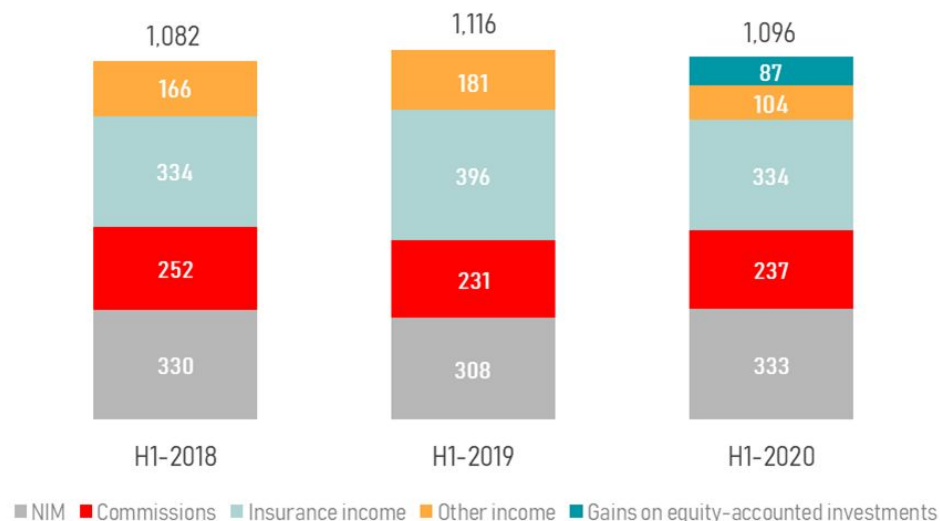


# Financial Results

# Resilient revenues\*

slightly decreasing by 1.7% to €1,096 M

Evolution of revenues\* (in €M)



**Net interest margin** is up with favourable volume effects on loans and favourable rate effects on deposits; coupled with a recovery on the provision for home saving products

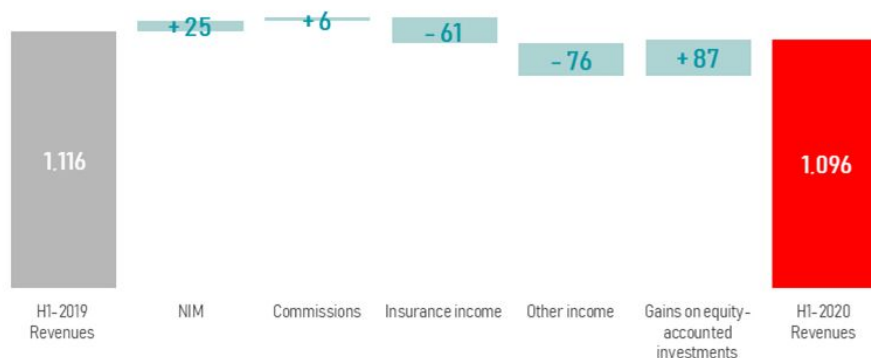
**Commissions** are increasing mainly in line with higher volumes of stock market transactions (x 1.5) carried out by clients during the lockdown

**Net revenues of insurance activities** are decreasing, penalised by the effects of the Covid-19 crisis on the valuation of assets at fair value through P&L

**Other operating income is lower**, with adverse variations on securities at fair value through P&L (Covid-19 crisis), especially from private equity investments

Gains on **equity-accounted investments** are increasing, with the favourable impact of the deconsolidation of Younited following the loss of significant influence in the first half of 2020

Main variations of revenues\* (in €M)



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

# A diversification of revenue sources\*



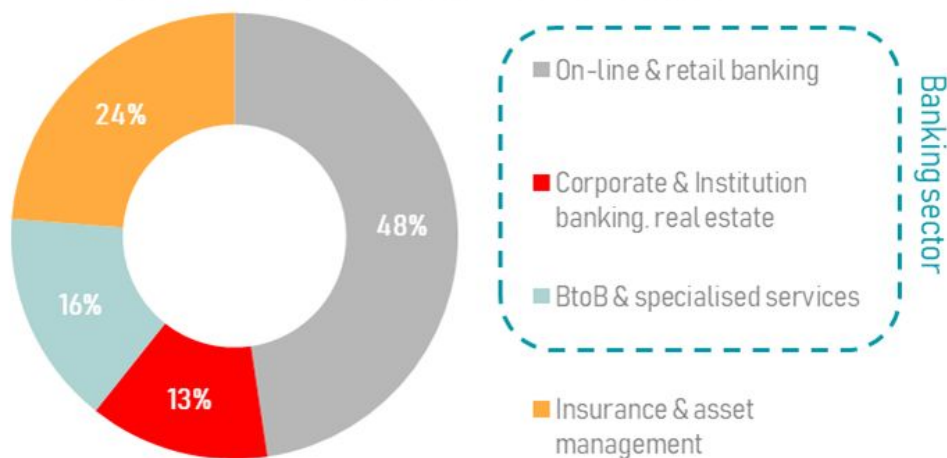
Major strategic directions resulting in revenue diversification, enabling Arkéa to be less dependent to interest rate levels with a **net interest margin** making up **30% of revenues\* in H1-2020**

**Other income** (excl. Younited) and **insurance income** represent **41% of revenues\* in H1-2020**

Main variations of the net interest margin (in €M)



Sectorial distribution of H1-2020 revenues\*

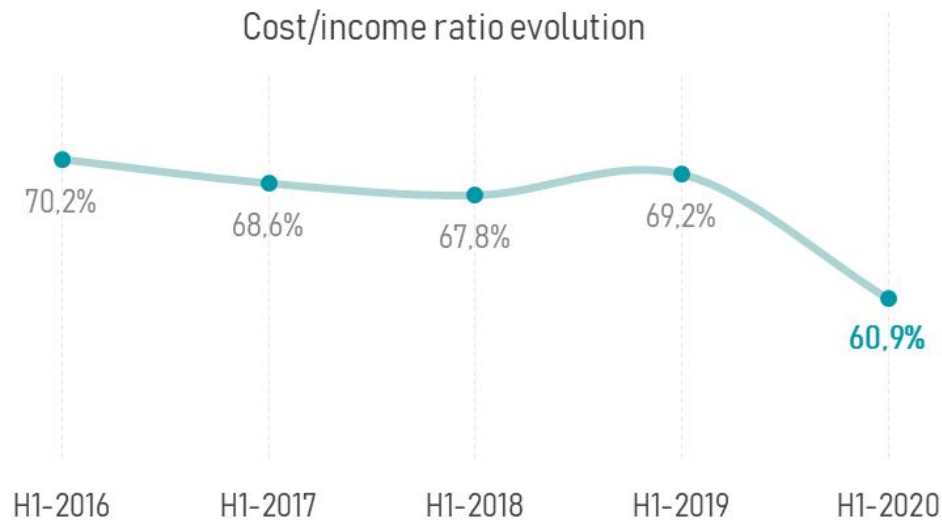


**B2B and B2B2C contribute to the growth of revenues\***

16% of Arkéa's H1-2020 revenues\* come from the development of the B2B & Specialised Services division (i.e. €171 M)

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

# A lower cost/income ratio



A cost/income ratio of **60.9%**

► **Operating expenses amount to €667 M, down by €106 M (- 13.6%),** led by a non-recurring accounting impact of €81 M, following changes to the pension system brought by the “loi Pacte”, generating a 7.4-point positive impact on the cost/income ratio.

**On a comparable basis,** operating expenses decrease by €22 M (- 3%) especially with **lower personnel expenses** (supplementary pay and employee benefits)

# An increase of the cost of risk as a consequence of the Covid-19 crisis



A cost of risk increased by €50 M to €84 M, **still a moderate proportion of outstanding client exposures (26 bps)**

In H1-2020, **this €50M increase** is due to:

- **buckets 1 and 2:** +€9 M to €37 M (see below)
- **bucket 3:** +€25 M to €47 M

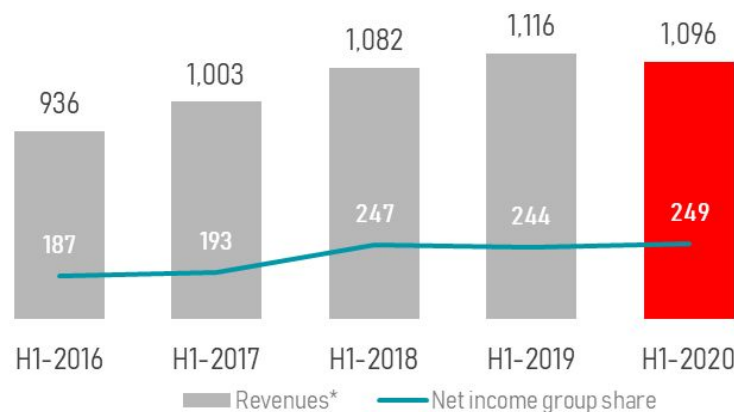
In the context of provisioning for performing loans, the Arkéa group has taken into account the **unique and brutal nature of the Covid-19 crisis** on the macro-economic environment :

- the **Forward looking** calibration on all portfolios with an internal-ratings based approach has been reviewed, leading to a **€9 M** impact;
- **An additional provision** has been accounted for to anticipate an increase of defaults within the **business sectors identified as the most vulnerable** to the health crisis, with a **€16 M** impact



# A net income of €249 M

Evolution of revenues\* and net income (in €M)



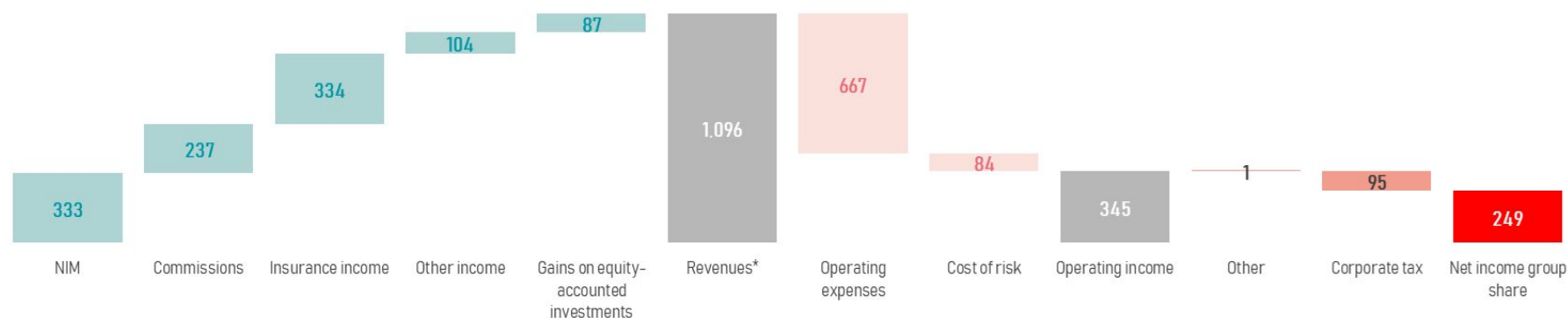
Δ over 5 years

Revenues\* : + 15%

Net income GS : + 25%

► A stable **net income group share of €249 M**

Build up of net income (in €M)



Δ H1-2019 / H1-2020

- 1.7%

+ 11.5%

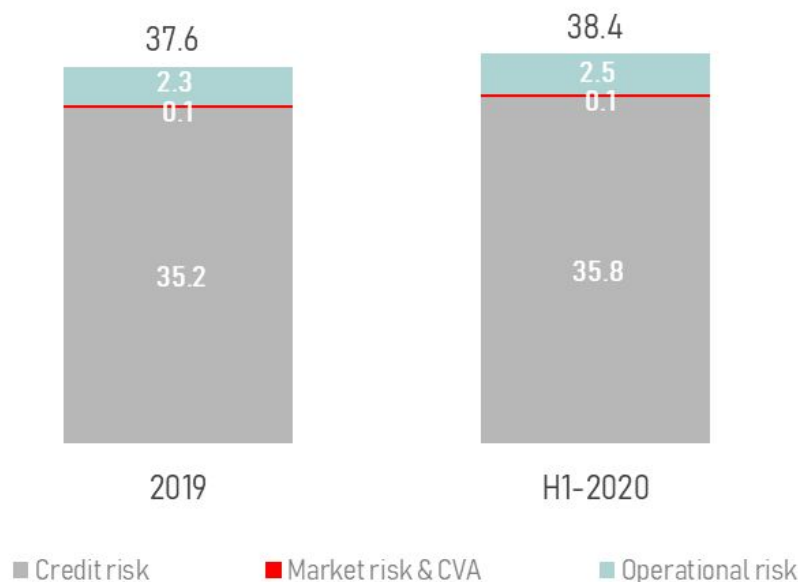
+ 2.1%

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

▶▶▶ Balance sheet structure,  
solvency and liquidity

# Slightly increased risk weighted assets in line with outstanding loans

Total risk weighted assets (in €bn)



A €0.8 bn increase driven by State-guaranteed loans with a grace period not expired by 30/06/2020

93% of risk weighted assets relate to

**credit risk** exposures, with :

- €7.0 bn from a standard approach
- €28.8 bn from an internal ratings-based approach

Total capital requirements



Higher capital requirements in line with the growth of credit risk exposures

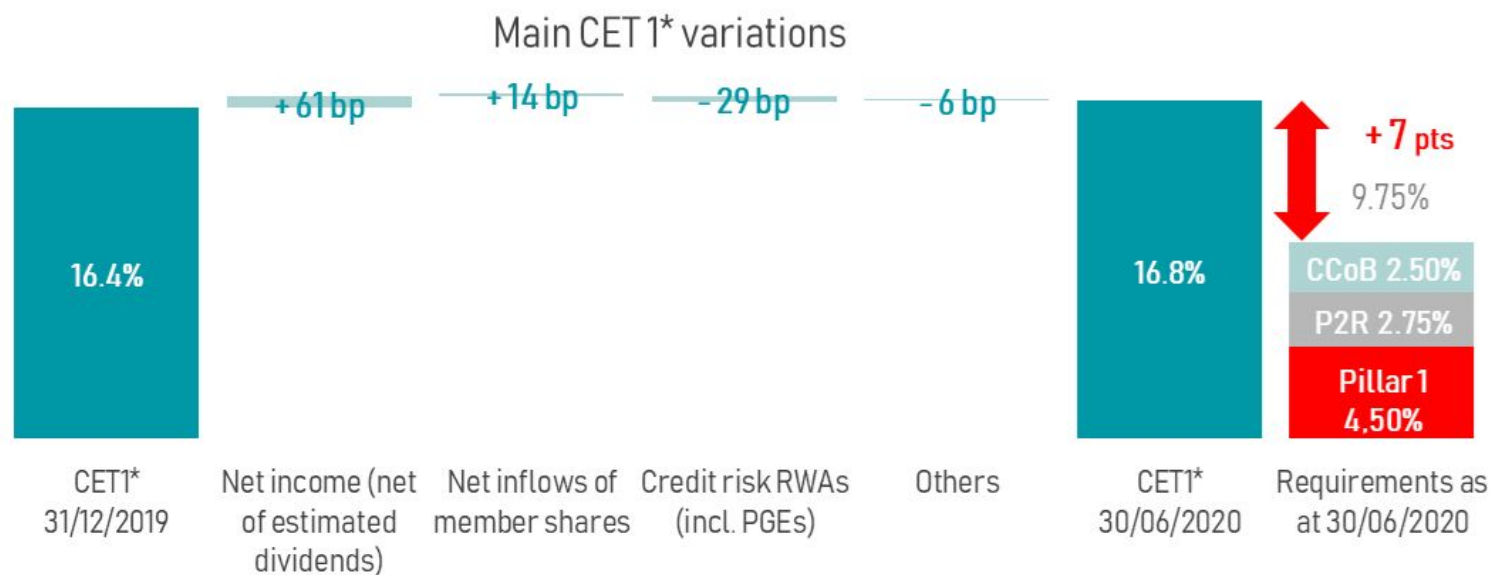
# Leading solvency levels

## A strong balance sheet structure

- **Total Assets of €165 bn** (+ 4.8% vs. 31/12/2019)
- **Shareholders' equity of €7.5 bn** (+ 2% vs. 31/12/2019)  
of which **€2.3 bn of member shares**
- **Regulatory capital of €8.3 bn** (+ 3.4% vs. 31/12/2019)

## Ratios significantly above regulatory requirements

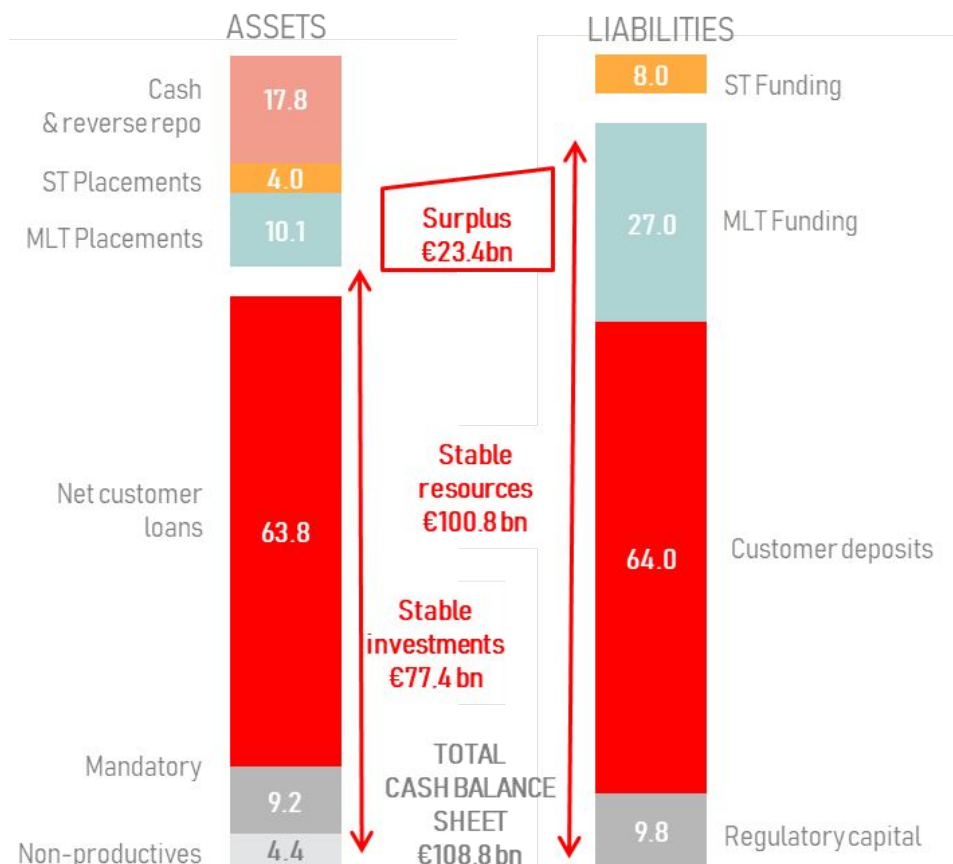
	30/06/2020	Regulatory requirements
<b>CET 1 ratio *</b>	<b>16.8%</b>	9.75% (excl. P2G)
<b>Total capital ratio*</b>	<b>21.7%</b>	13.25% (excl. P2G)
<b>Leverage ratio</b>	<b>5.9%</b>	3.0%



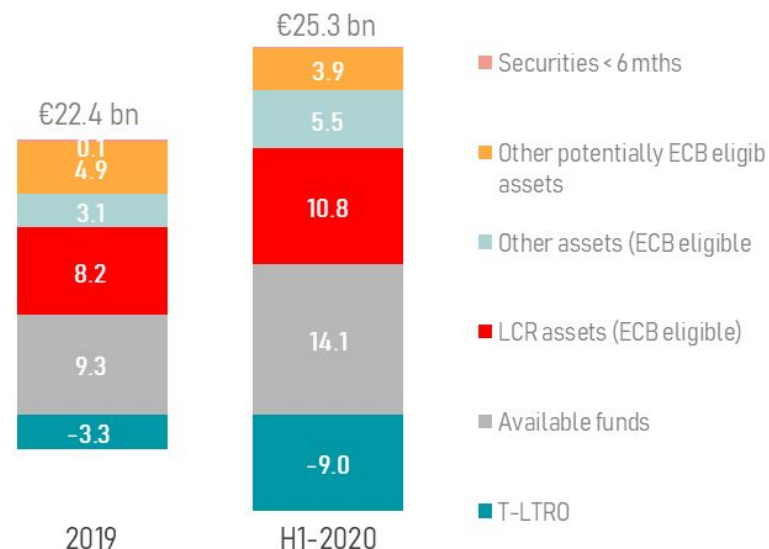
\* Solvency ratios excluding Irrevocable Payment Commitments (13 bp impact on CET1 ratio) and including half year result

# High liquidity levels

## ► Surplus MLT funding of €23.4 bn



## ► Liquidity reserves of €25.3 bn

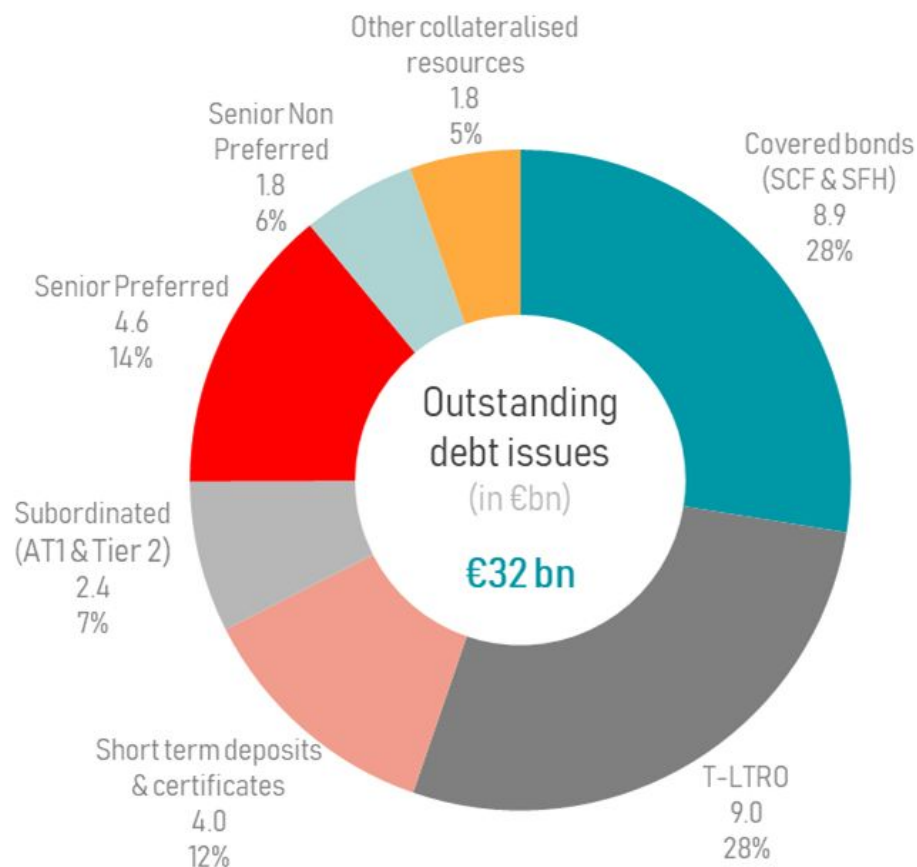


► The Arkéa group actively took part to operations implemented by the ECB in the 1st half of 2020 (TLTRO, LTRO)

► 1-year market redemptions 2.2x covered by HQLAs and cash

**A LCR of 178%**

# A diversification of funding programmes



## H1-2020 public bond issues

### Senior Preferred

7 yr / MS + 112 bps  
€750 M

### Senior Non Preferred

9 yr / MS + 150 bps  
€750 M  
**Social Bond**

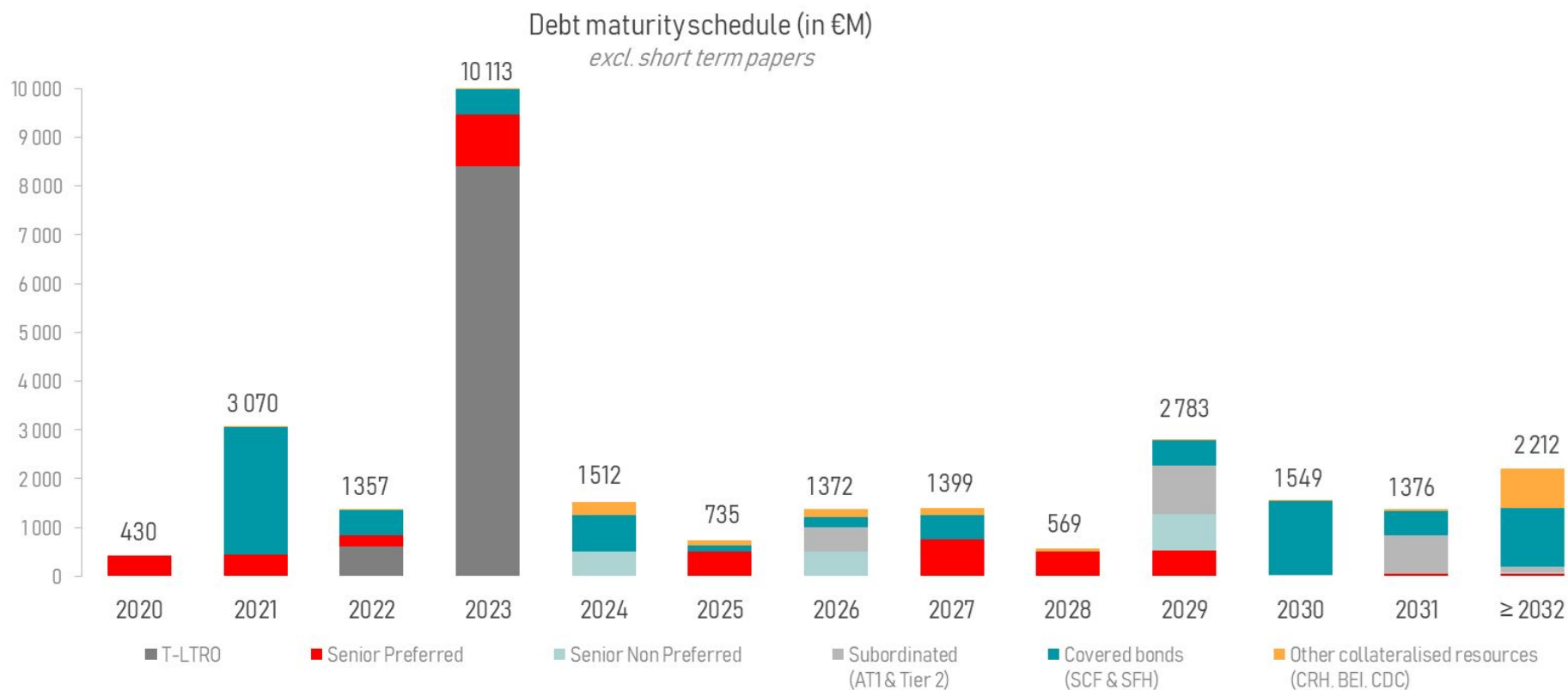
### Covered Bonds

**Home Loans SFH**  
10 yr / MS + 15 bps  
€1 000 M



Outstanding **Senior Preferred** debt with a maturity date > 1 year and outstanding **Senior Non Preferred** debt respectively account for **10.4%** and **4.7%** of total RWAs as at 30/06/2020

# Long-term resources favoured



# Quality ratings

illustrating Arkéa's financial strength

MOODY'S  
INVESTORS SERVICE

Fitch  
Ratings

Issuer Rating	Aa3	A-
Outlook	Negative	Negative
<b>Long Term Senior Preferred debt</b>	<b>Aa3</b>	<b>A</b>
Short Term Senior Preferred debt	P-1	F1
Long Term Senior Non Preferred debt	Baa1	A-
Tier 2 Subordinated debt	Baa1	BBB



# In summary

A solid model facing a unique crisis



- A **continuity of commercial activity** despite the health crisis and the lockdown period, with indicators reflecting the engagement of employees and directors
- A stable net income, illustrating **the pertinence and resilience of the development model** of the Arkéa group
- A **robust financial structure** with solvency ratios largely above regulatory requirements

# Appendix

Other financial information

# Simplified consolidated balance sheet

as at 30/06/2020

Assets (€M)	30/06/2020	31/12/2019	Liabilities (€M)	30/06/2020	31/12/2019
Cash, due from central banks	14 512	10 084	Financial liabilities at fair value	2 595	2 492
Financial assets at fair value through P&L	1 483	1 481	Due to banks	13 602	7 768
Derivatives used for hedging purposes	1 111	1 082	Customer accounts	64 996	61 700
Financial assets at fair value through equity	13 039	9 655	Debt securities	19 129	16 534
Securities at amortised cost	662	635	Tax & other liabilities, provisions	3 480	3 090
Loans and advances to banks	11 756	9 785	Insurance companies' technical reserves	50 922	55 708
Loans and advances to customers	64 502	62 445	Subordinated debt	2 519	2 498
Remeasurement adjustment on interest-rate risk hedged portfolios	928	791	Total equity	7 492	7 348
Placement of insurance activities	53 372	58 172	Share capital and reserves	2 303	2 353
Tax & other assets, equity method investments	1 887	1 500	Consolidated reserves	4 815	4 294
Investment property, property, plant & equipment, intangible assets	920	945	Gains and losses recognised directly in equity	125	190
Goodwill	567	567	Net income	249	511
			Minority interests	3	3
<b>Total assets</b>	<b>164 739</b>	<b>157 142</b>	<b>Total liabilities</b>	<b>164 739</b>	<b>157 142</b>

# Simplified income statement

## for the six-month period ended 30/06/2020

€M	30/06/2020	30/06/2019	Variation	%
Net banking and insurance income including gains on disposal or dilution of companies accounted for by the equity method	1 096	1 116	- 19	- 1.7%
Operating expenses	667	773	- 105	- 13.6%
Cost/income ratio	60.9%	69.2%	- 8.4 points	
Gross operating income	429	343	+ 86	+ 25%
Cost of risk	84	34	+ 50	x 2
Operating income	345	309	+ 35	+ 11.5%
<b>Net income - group share</b>	<b>249</b>	<b>244</b>	<b>+ 5</b>	<b>+2.1%</b>

# Contacts



**Laurent GESTIN**

Investor relations

[laurent.gestin@arkea.com](mailto:laurent.gestin@arkea.com)

**Stéphane CADIEU**

Head of Capital Markets

[stephane.cadieu@arkea.com](mailto:stephane.cadieu@arkea.com)



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