



**ARKEA**

ACCROÎTRE LES POSSIBLES



## 2018 FY results Presentation

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The consolidated financial statements for the year ended December 31, 2018 were approved by the Board of Directors of the Company on February 27, 2019 and are currently audited. They will be the subject of audit reports by the Company’s statutory auditors.

# Contents

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-  p.4 **Our identity**
-  p.8 **Our development strategy**
-  p.16 **Our 2018 FY results**
-  p.40 **Our independence project**
-  p.43 **Appendix**

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**Our identity**

# Our profile

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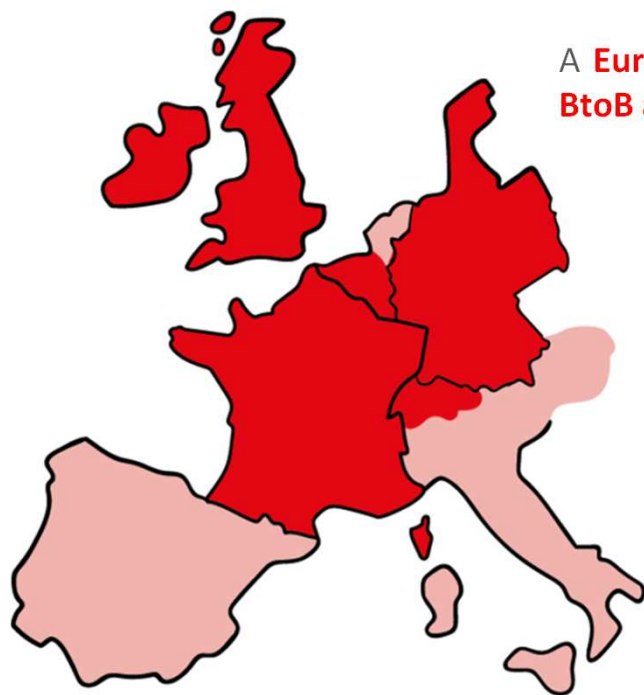


A **regional** base, an outreach **beyond borders**

A strong presence as a **retail bank in our historic territories**, with a network of 329 local savings banks

A **national outreach of our on-line banking activities and our specialised subsidiaries**, offering a complete range of banking and insurance products and services

A **European development** of our strategic activities in the **digital** and **BtoB areas**



A **presence in Belgium** with Keytrade Bank et ProCapital. Keytrade Bank also operates in **Switzerland and Luxembourg**

Leetchi and Mangopay have a presence in the **United-Kingdom, in Germany, Spain and in Luxembourg**

Development prospects in **Germany** with the acquisition of PrivatBank 1891\*

A business **all over Europe** for Monext, a subsidiary specialised in electronic payments, providing services in 25 countries

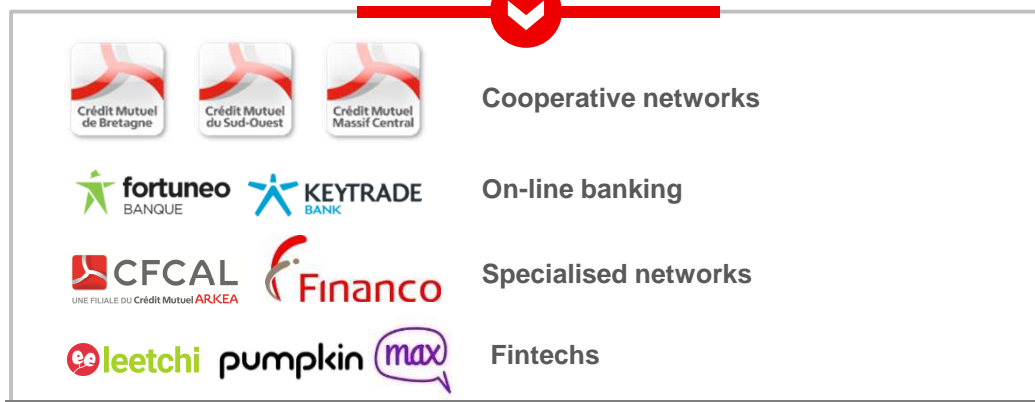
**ARKEA**

*\* The 100 % acquisition of PrivatBank 1891 remain subject to the authorisation of the Banking regulator and of the Competition authorities in Germany*

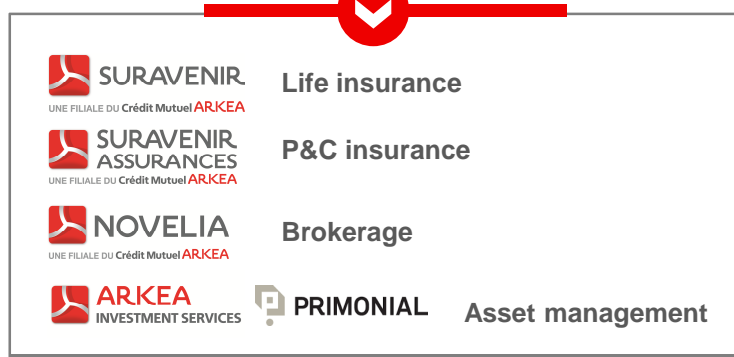
# Our business

A group compiling  
**many skills**

## Retail banking



## Insurance – Asset management



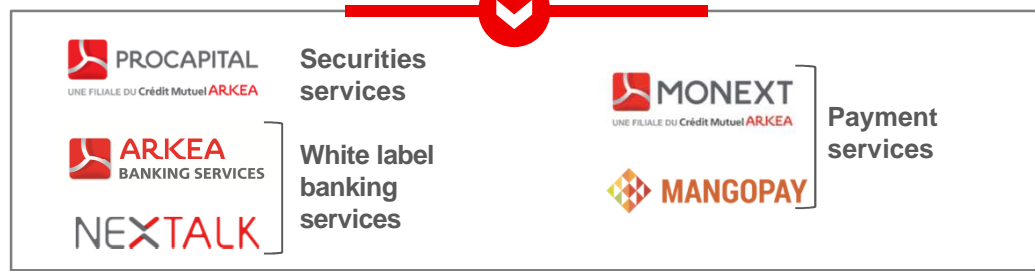
## Corporates and Institutions



## Non-banking activities



## BtoB market



# ARKEA

*\*In the process of being sold*

## Our autonomy

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A group that has always nurtured its **autonomy**

Arkéa is in control of



- the **manufacturing** of its products and services up to their **distribution**, for all its activities
- Its **information system**
- Its **funding**
- Its **risk policy**
- Its **compliance** with regulatory requirements
- Its strategic **choices**

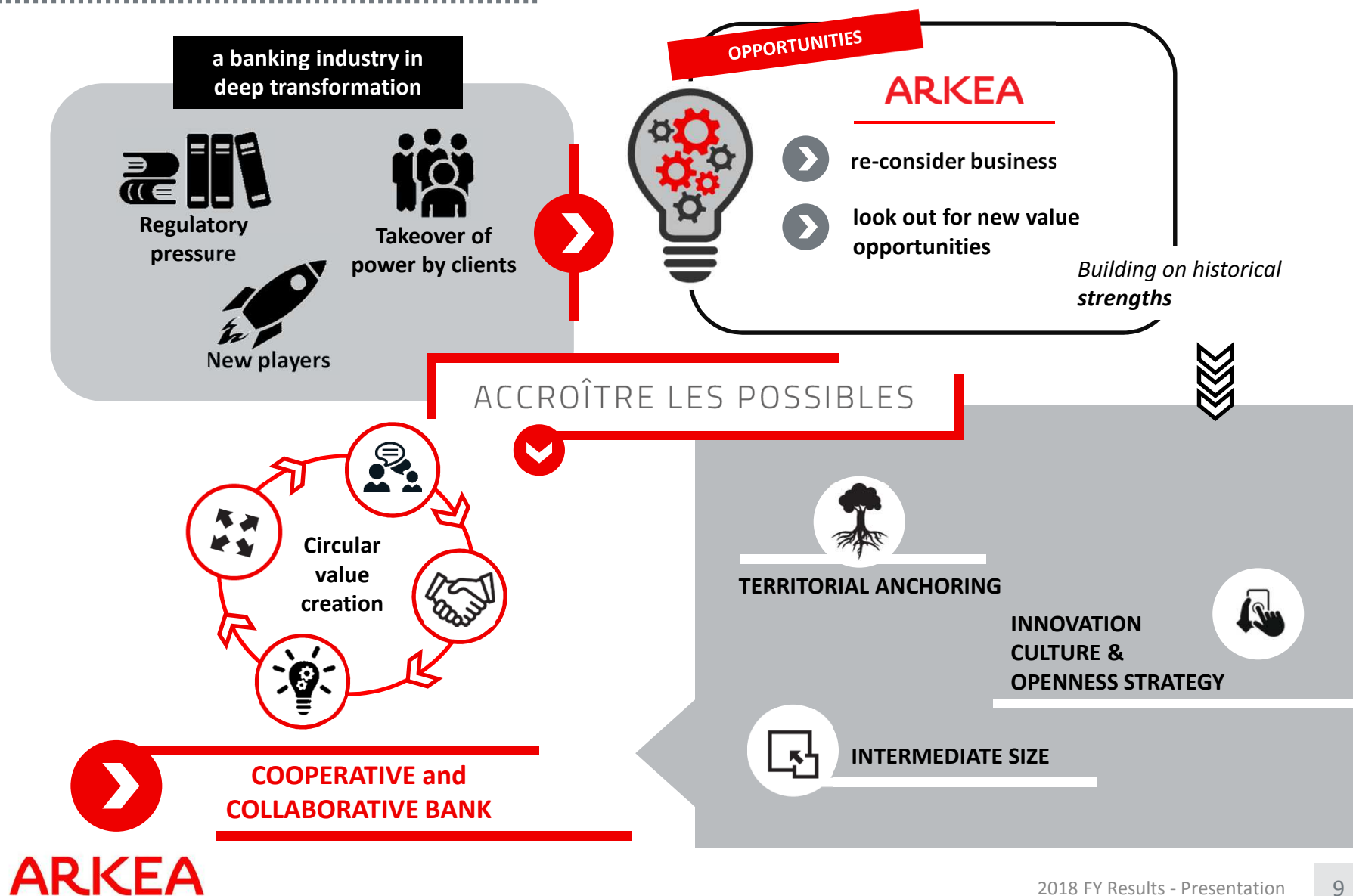
Arkéa carries on its transformation, with the **ambition to develop a cooperative and collaborative bank model**, offering the best answers to aspirations and ways of life of today and tomorrow

A white L-shaped graphic element consisting of a horizontal line and a vertical line meeting at a right angle, positioned to the left of the text.

## **Our development strategy**



# The singularity of our development: a circular value creation



## The 3 key factors of our strategy

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An **innovating and collaborative** approach, which enables everyone to capture value **by creating interactions with their ecosystem**

- **Territorial anchoring**, particularly with our networks' coverage and a dynamic policy of investing in regional companies
- **A culture of innovation** that enables Arkéa to overcome historic boundaries and to grow the group's influence all over France and even beyond
  - The group has thereby become **one of the leaders in on-line banking** in Europe with Fortuneo Banque and Keytrade Bank
  - **The provision of white label banking services** also allows Arkéa to keep up to date with market knowledge and to continuously raise its performance standards
- **An intermediate size**, in a “massifying” industry”, provides agility, proximity and needed responsiveness

# Main achievements in 2018

## Territories



### CSR funding

Funding envelope used:

**€327 M**

**€200 M+**

Invested in regional companies' equity

**ARMOR** GROUPE **LEGRIS INDUSTRIES**

of which €21 M in 10 new start-ups



Opening of the  
Corporates and Institutions  
Division's headquarters

## Innovation



Excellence network dedicated to the development and support of fintechs

**1<sup>st</sup> bank in France**

to make **instant payment** via a mobile number possible

### Mobile payment

Payment via connected watch (Mastercard)



Mobile payment via Samsung Pay (Max clients)



Les magasins U and Monext present the 'U paiement' application



## BtoB

Creation of 2 subsidiaries

**NEXTALK**  
La confiance au centre du contact



Signature of an agreement for the 100% acquisition of the German bank

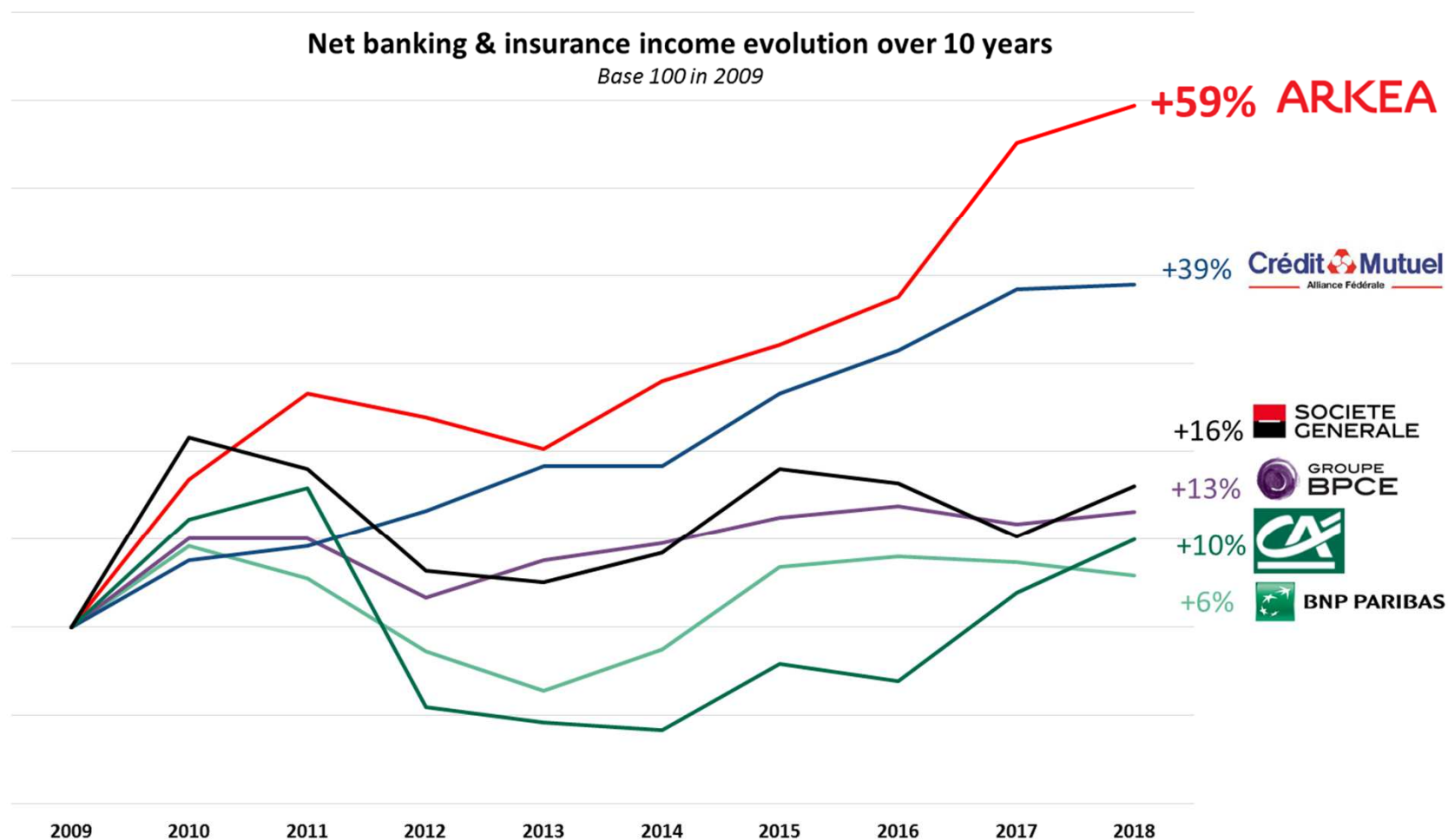
**PrivatBank**<sup>1891</sup>

**MORNING**

Subsidiary of banque Edel works with ABS to manage its interbank flows

# A pertinent strategy resulting in a significant income growth

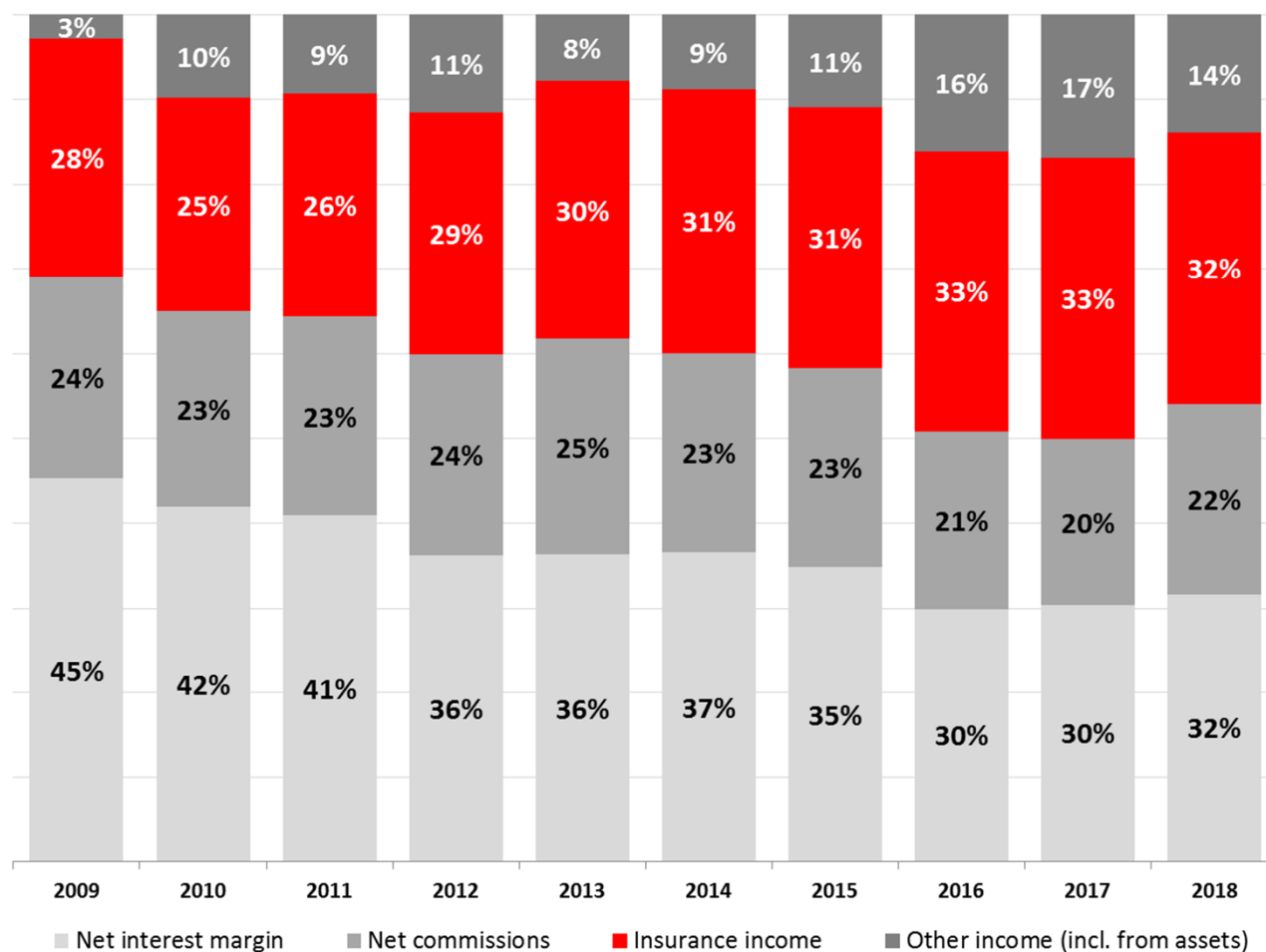
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# A growth coupled with a diversification of income sources

Distribution of net banking & insurance income over 10 years



A remarkable increase of the share of **insurance income** and **other income** that make up **46% of net banking and insurance income in 2018**

# A structure of assets generating regular income

With a balance sheet structure based on **loans to customers** and on **insurance**, Arkéa enjoys recurrent income

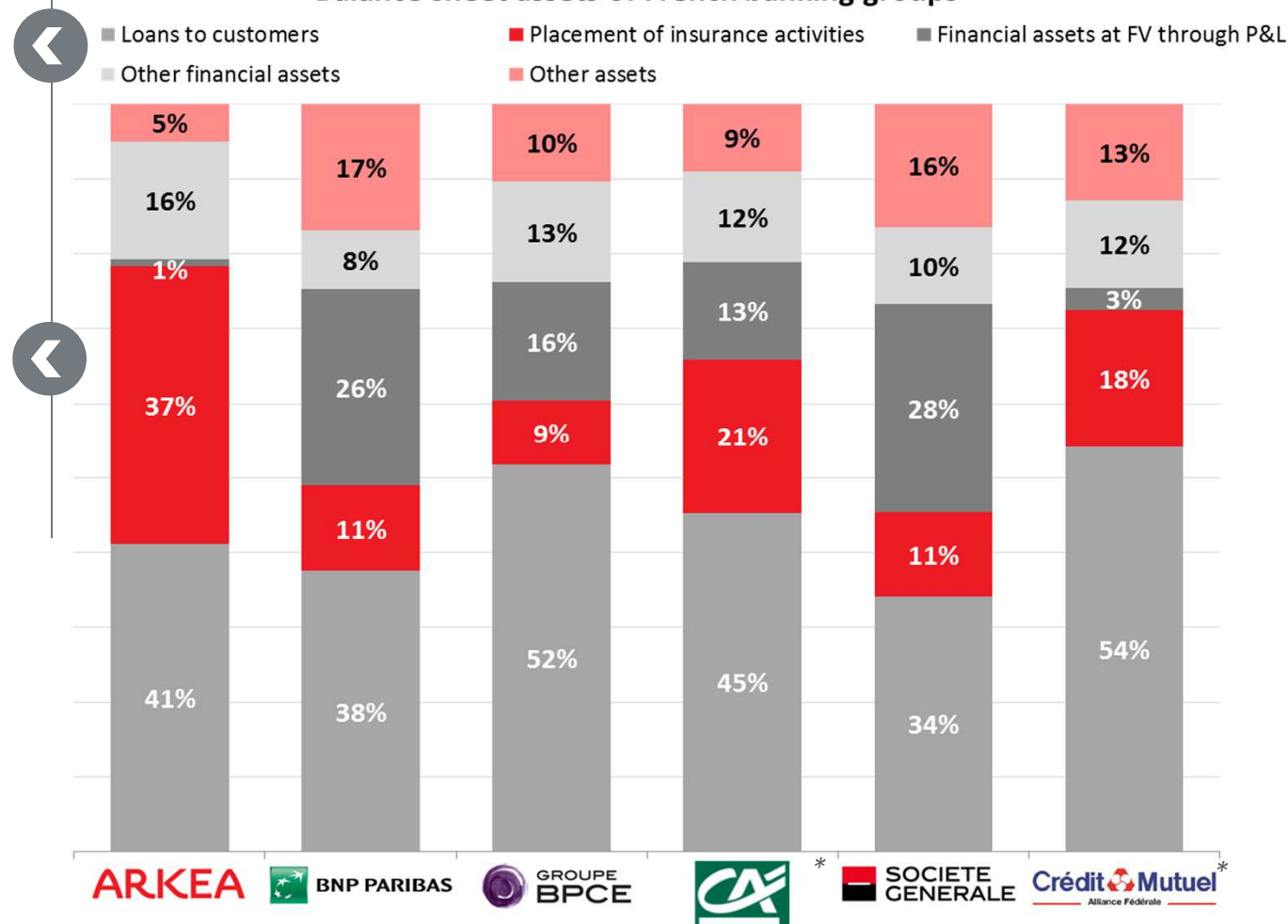
Moreover, only a small part of Arkéa's assets (1%) are classified as financial assets at fair value through profit or loss



**A business model generating a regular, profitable and balanced growth**

## ARKEA

Balance sheet assets of French banking groups

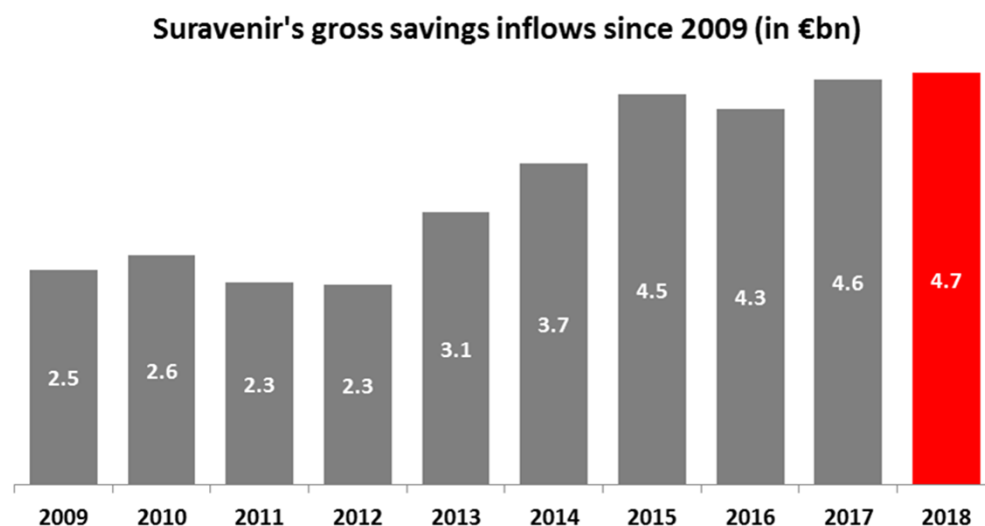


\* Data as at 30/06/2018

# An increase of savings inflows with the multiplicity of distributors

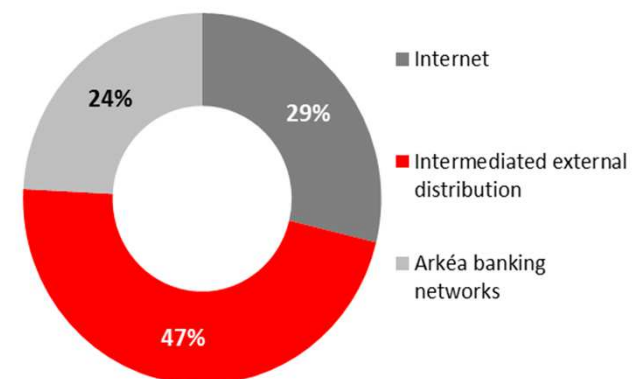
Arkéa's strategy of building external partnerships contributes to the income growth

➤ Suravenir: an illustration in life insurance



➤ An increase of **91 % in 10 years** of gross savings inflows

Distribution of gross savings inflows in 2018



➤ **76%** of Suravenir's gross savings inflows come from the **internet and from external distribution networks** (+ 4 pts vs. 2017)

A white L-shaped graphic element consisting of a horizontal line and a vertical line meeting at a right angle, positioned to the left of the text.

**Our results**



# Dynamics confirmed by record results in 2018



Outstanding performances,  
a **robust financial structure**

Strong dynamics in  
commercial development



Expanding client portfolio

**+ 6.5 %**



Increased outstanding gross loans

**+ 11.4 %**



Growing outstanding savings

**+ 3.2 %**

Full year results at their  
highest level



Net banking & insurance income

Growing net banking & insurance income

**€2,146 M** ie. + 2.7 %

Risk

Moderate cost of risk

**€64 M** ie. 10 bps  
of outstanding client  
exposures

Net income

Increased net income group share

**€437 M** ie. + 2.1 %

A robust financial  
structure



Gross **Loan / deposit** ratio

**104 %**

CET 1

Common Equity Tier One ratio

**17.5 %**

LCR

Liquidity Coverage Ratio

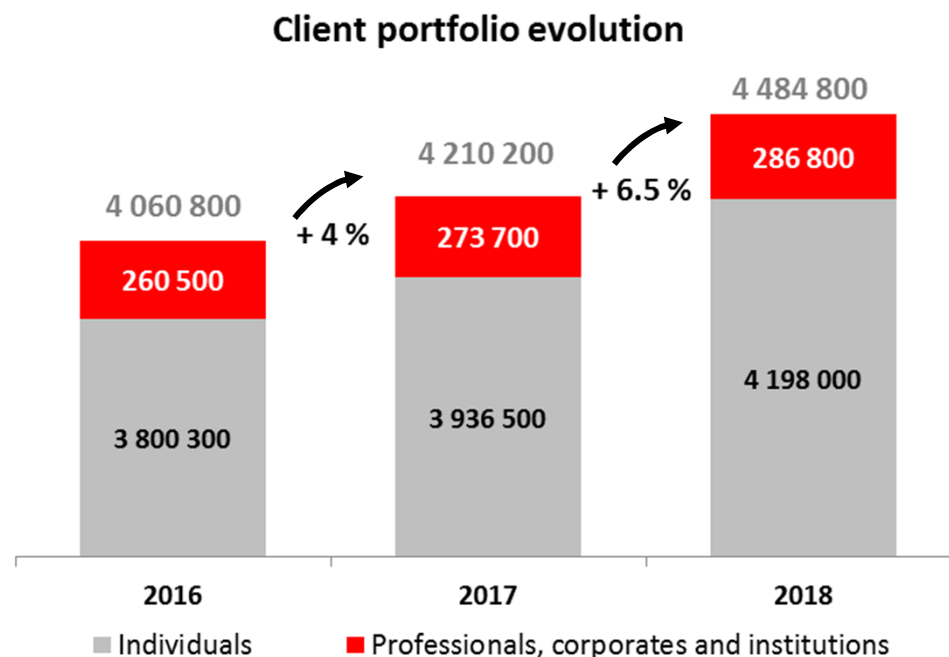
**130 %**

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**Business**

# A significant increase of the client portfolio



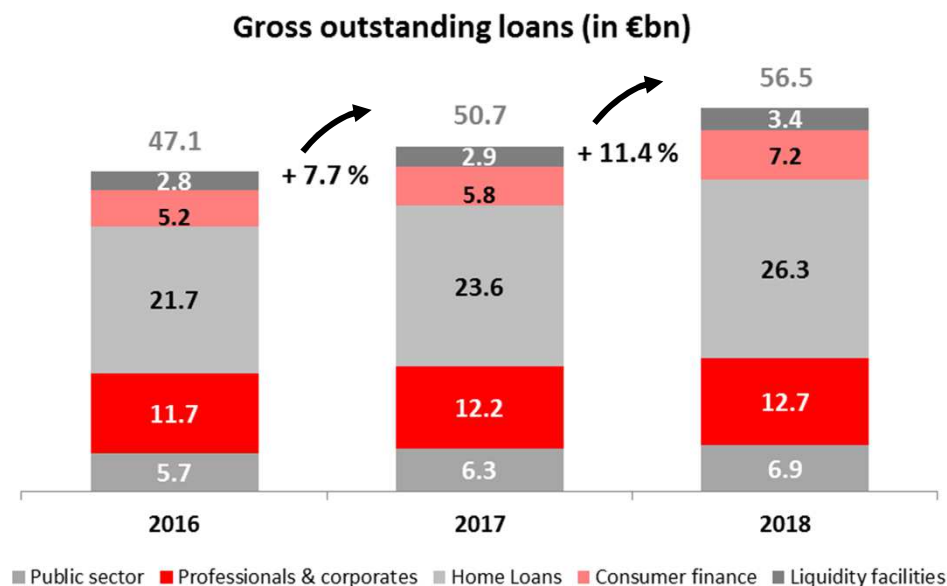
**274,000 new clients**

Client acquisition mainly driven by **insurance activities** (+ 11 %) and **retail and on-line banking** (+ 4 %)



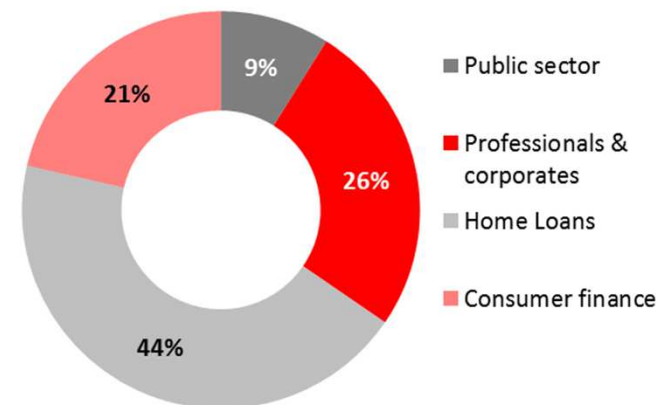
A portfolio increased by 6.5 %, to 4.5 million clients

# Outstanding loans increased by 11% to €56.5 bn



A growth of outstanding loans driven by **a loan production of €14 bn in 2018** (€13 bn in 2017), of which €6.1 bn of home loans (€5.9 bn in 2017), €3 bn of consumer finance loans (€2 bn in 2017) and the acquisition of a portfolio from My Money Bank (€409 M)

**Loan production in 2018**



## A quality loan portfolio

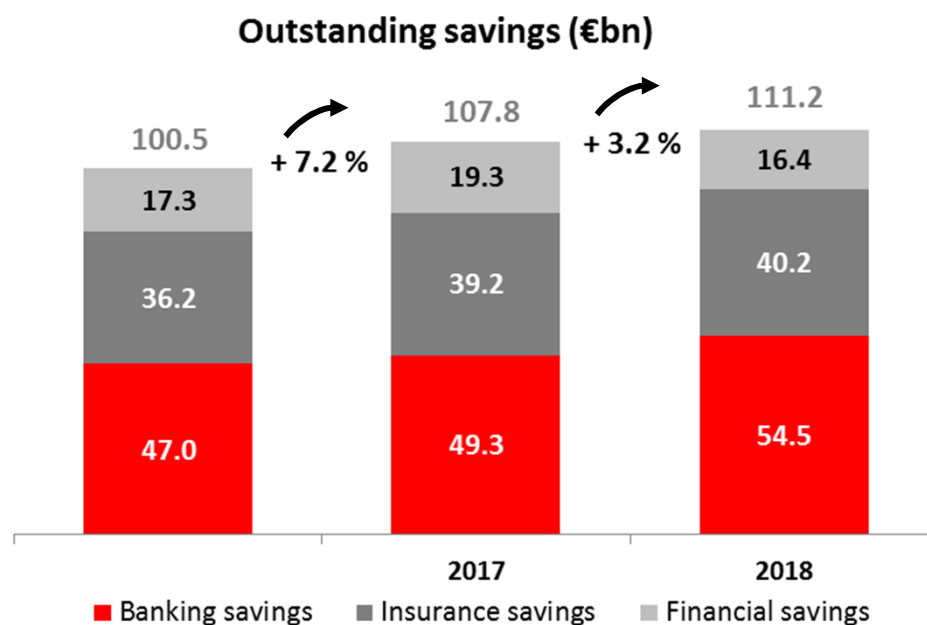
Outstanding loans of a good quality, with a Non-Performing Loan ratio of **2.6 %** (2.9 % in 2017), and a provisioning rate of **57.1 %\*** (57.4 % in 2017)

A provisioning rate of 67.6 % for corporates, 53.9 % for sole entrepreneurs and 47.8 % for individuals

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\* Provisioning rate over impaired loans on the balance sheet

# Outstanding savings growing to €111.2 bn



Outstanding savings increased by **3.2 %** despite financial markets falling sharply in Q4 2018



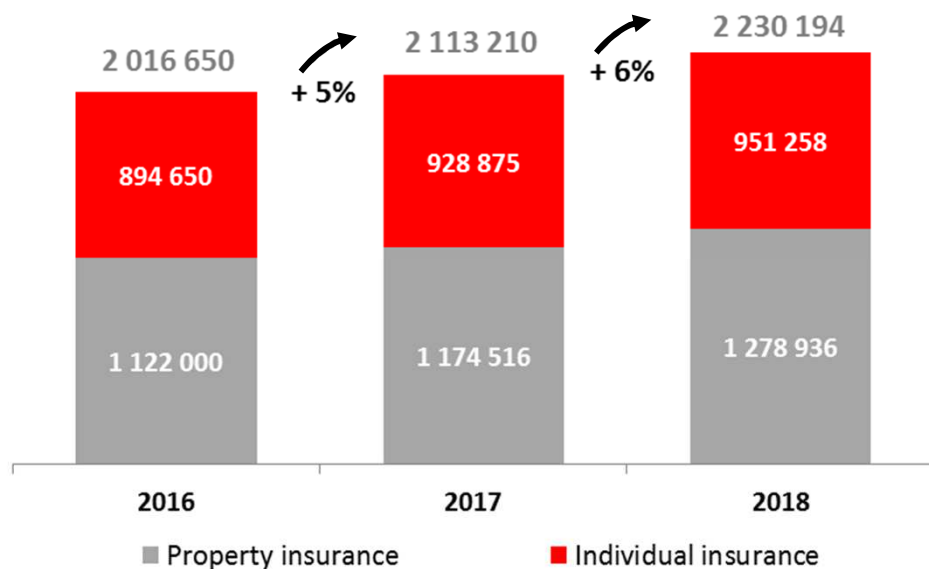
Net savings inflows of €2.6 bn in 2018, down by 20% vs. 2017. Net inflows were penalised in 2018 by financial savings outflows of €2.4 bn



An increase of outstanding savings, particularly of insurance savings with inflows from **external networks growing to 81% of total insurance savings inflows**, a 11.2 point increase vs. 2017

# A strong commercial development of our P&C insurance business

Number of P&C insurance contracts in stock

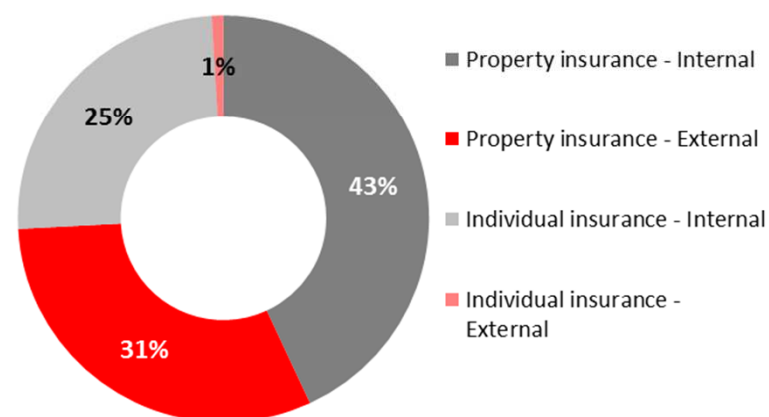


External networks contribute to **18.7 %** of the portfolio and **32 %** of new business



Driven by **432,800 new contracts**, the P&C insurance portfolio increased by **6%**

New business in 2018

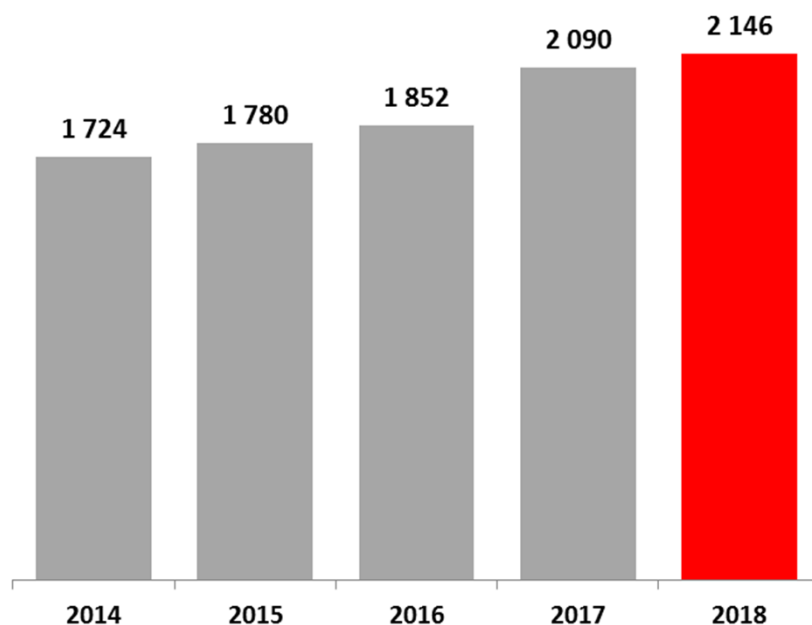




**2018 FY results**

## Net banking & insurance income growing by 2.7% to a historic level of €2,146 M

Net banking & insurance income (€M)



**Revenues from the banking business line increased by 3.3% vs. 2017, to €1,623 M**

On a comparable basis and taking into account market conditions, net banking income grew by €90M to €1,598 M€ :

- The **financial margin increased** by €78 M to €793 M, mainly in line with lower funding costs and the good performances of private equity activities
- Net **commissions** received remain flat at €622 M
- **Other operating income and charges grew by** €11 M to €183 M

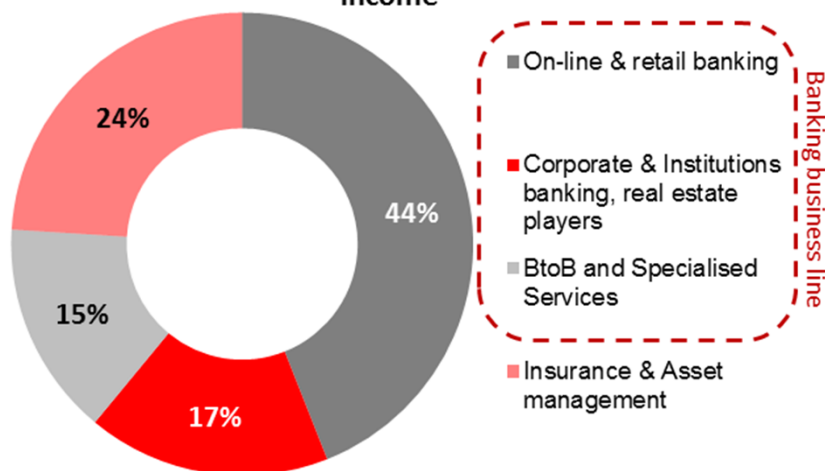


**Revenues from the insurance and asset management remain stable at €523 M**



# A growth driven by a sectorial and geographic diversification

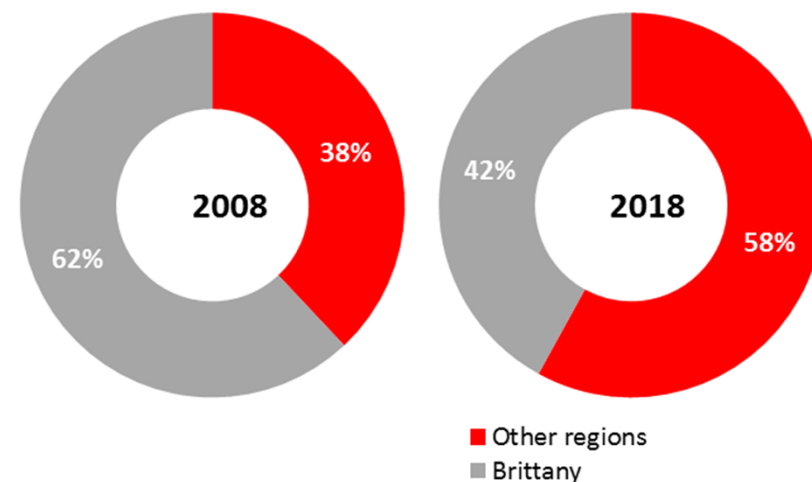
Sectorial distribution of 2018 Net banking & insurance income



**B2B and B2B2C activities contribute to the income growth**

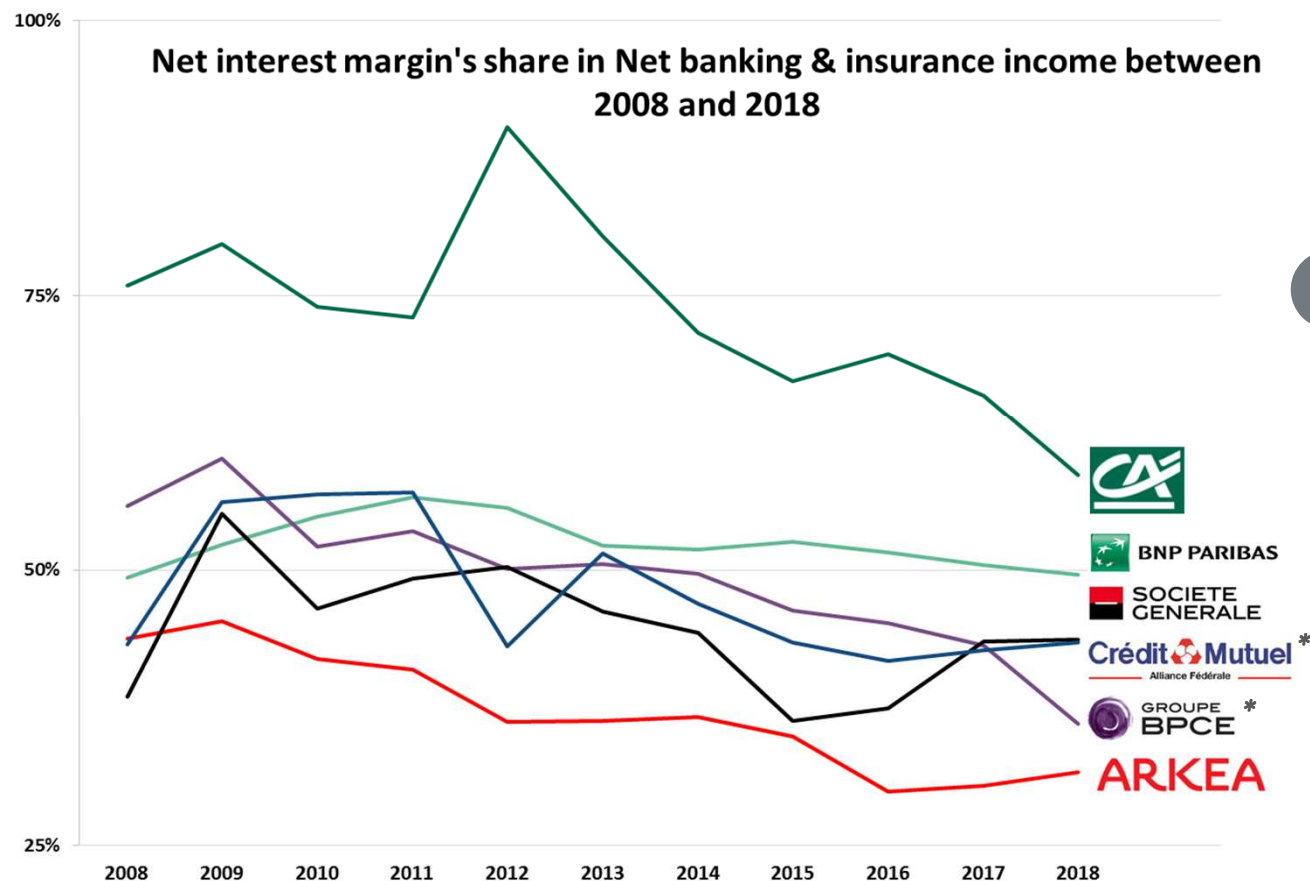
15% of Arkéa's 2018 Net banking & insurance income come from the development of the B2B & Specialised Services division (ie. €312 M)\*\*

Net banking & insurance income by area\*



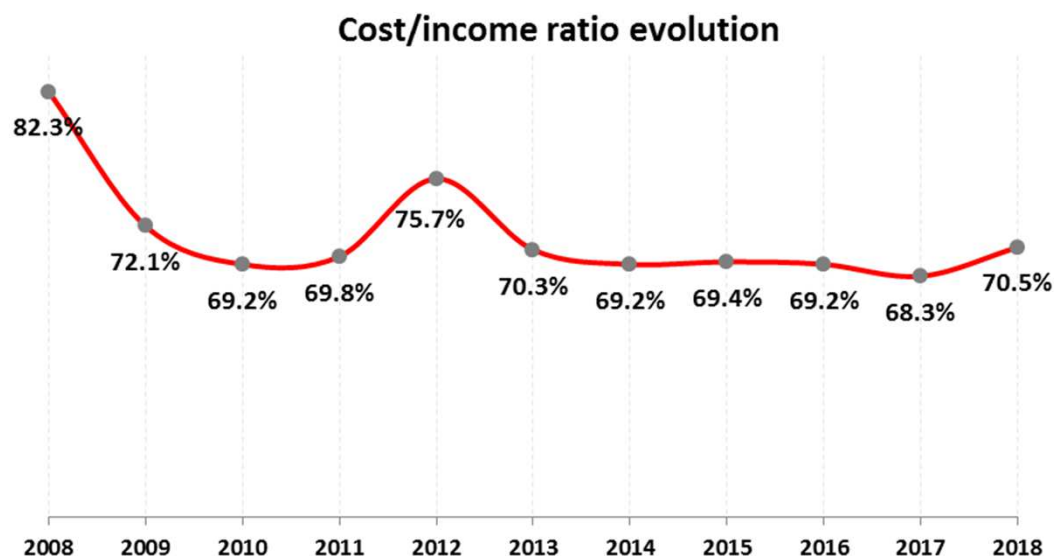
**In 2018, 58% of Net banking & insurance income is generated outside Brittany (vs. 38% in 2008)**

# A lower dependence to interest rate fluctuations for Arkéa



Major strategic directions resulting in **revenue diversification**, enabling Arkéa to be **less dependent to interest rate levels**

## A 6% increase of operating expenses



Operating expenses amount to €1,514 M, up by €86 M (+ 6%)

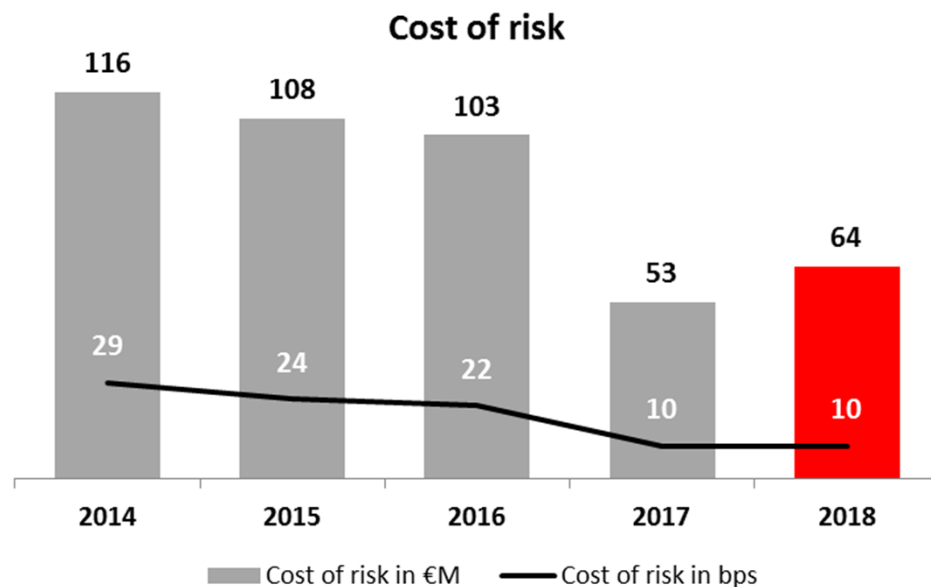
On a comparable basis, operating expenses grew by €58 M (+ 4.1%) due to :

- the **group's investment and transformation strategy** (+€30 M)
- **Personnel costs** (+ €24 M), in line with an increase in headcount and with the remuneration policy



A cost/income ratio of 70.5 % (+2.2 pts)

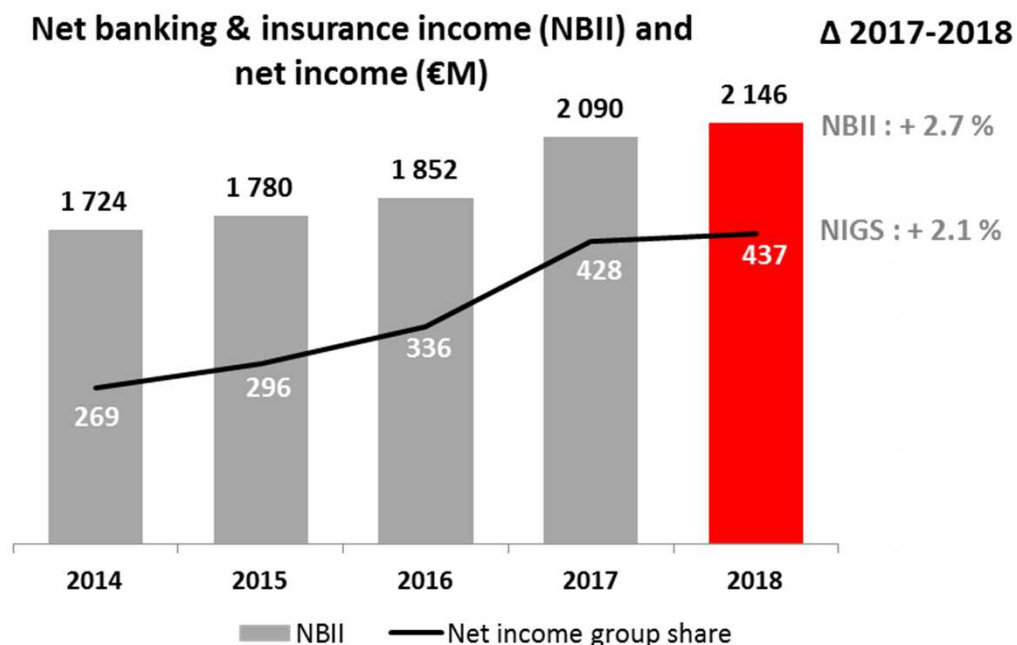
# A higher cost of risk following the adoption of IFRS 9



Risk provisions increased by €11 M to €64 M, **a moderate proportion of outstanding client exposures (10 bps)**

- **Performing assets (Buckets 1 & 2)**  
Outstanding performing assets on the balance sheet growing by 12% in 2018 to €55.6 M
- **Depreciated assets (Bucket 3)**  
Outstanding depreciated assets lower by 2% in 2018 to €1.5 bn, with a provisioning rate of 57.1% of these assets, down by 0.3 pt

## Net income group share growing by 2.1% to €437 M



Net income group share reaching the highest historic level of €437 M (up by 2.1%), driven by **increased revenues** and enjoying the positive impact of **lower corporate tax** (2017 base effect on exceptional contribution)



**Financial strength**

# A growth of risk weighted assets in line with outstanding loans

(€bn)	2018	2017
Credit risk	29.6	26.6
Market risk	0.1	0.1
Operational risk	2.3	1.9
<b>Total risk weighted assets</b>	<b>32.0</b>	<b>28.6</b>



**A €3.4 bn increase driven by higher outstanding loans**

92% of risk weighted assets relate to credit exposures

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



(€bn)	2018	2017
Credit risk	2.4	2.1
Standard approach	0.5	0.4
Internal ratings-based approach	1.9	1.7
Market risk & CVA (standard approach)	0.0	0.0
Operational risk (almost exclusively advanced method)	0.2	0.2
<b>Total capital requirements</b>	<b>2.6</b>	<b>2.3</b>

# Leading solvency levels

## A solid balance sheet structure

- Total assets of €135 bn (+ 5 %)
- Shareholders' equity of €6.7 bn (+ 4 %) with €2.3 bn of member shares



**Common Equity Tier 1 ratio of 17.5 %\*** largely above regulatory requirements of **9.13 %** (SREP – excl. P2G) as at 31/12/2018

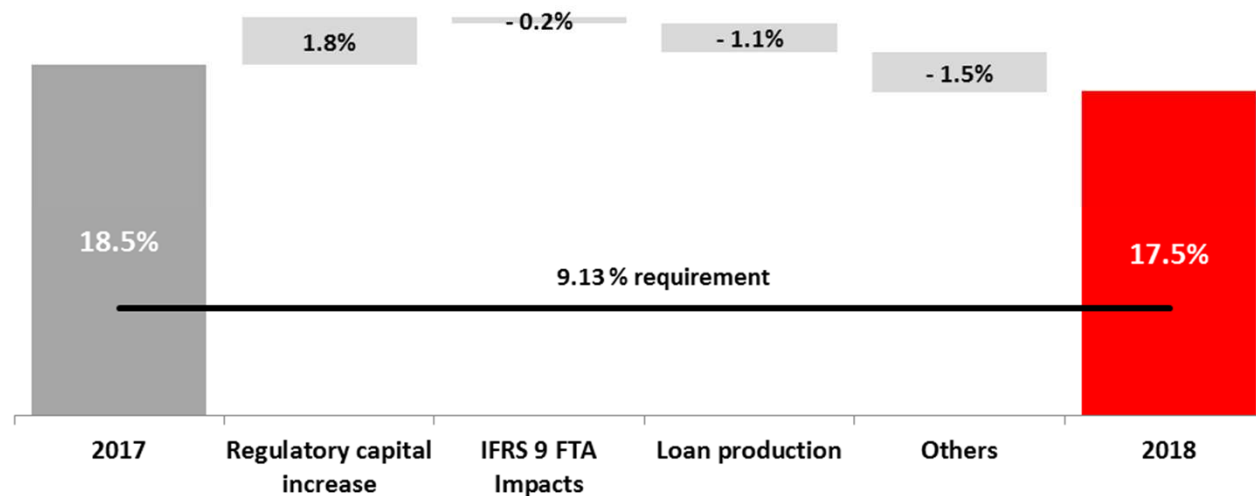


**Total capital ratio of 19.8 %\*** with regulatory requirements of **12.63 %** as at 31/12/2018



**Leverage ratio of 6.3 %\***

## Evolution of Common Equity Tier 1 ratio



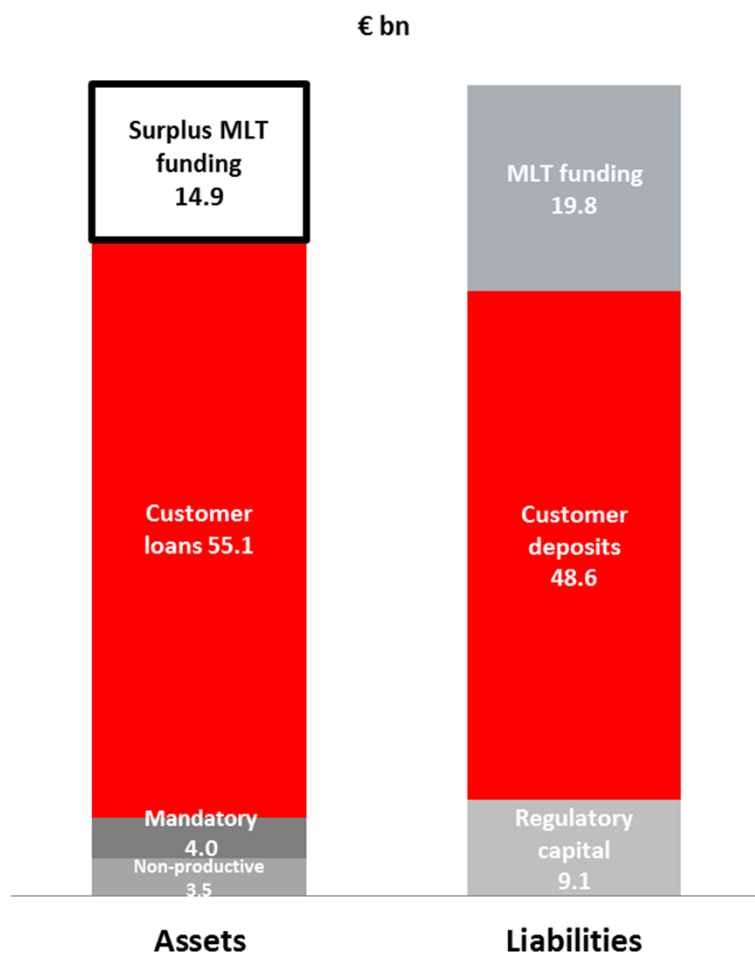




## Liquidity & funding

# High liquidity levels

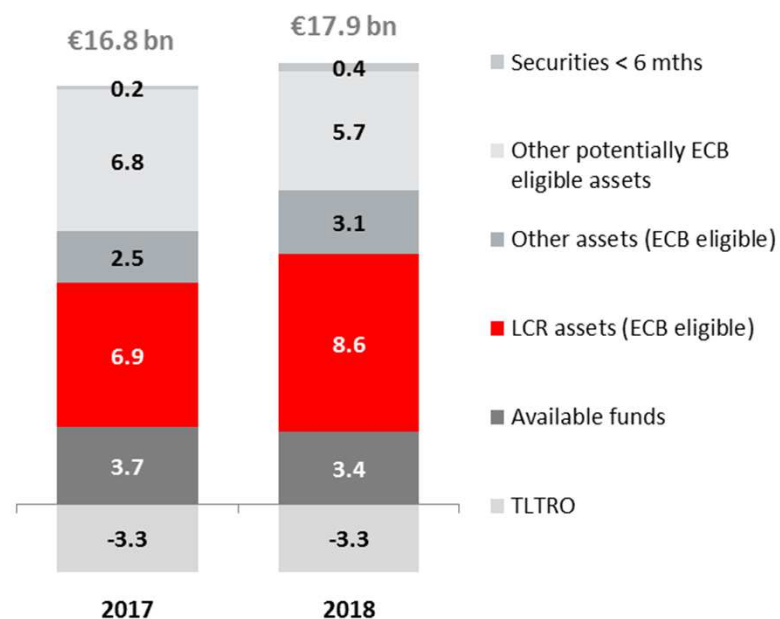
## Surplus MLT market funding of €14.9 bn



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## Liquidity reserves of €17.9 bn



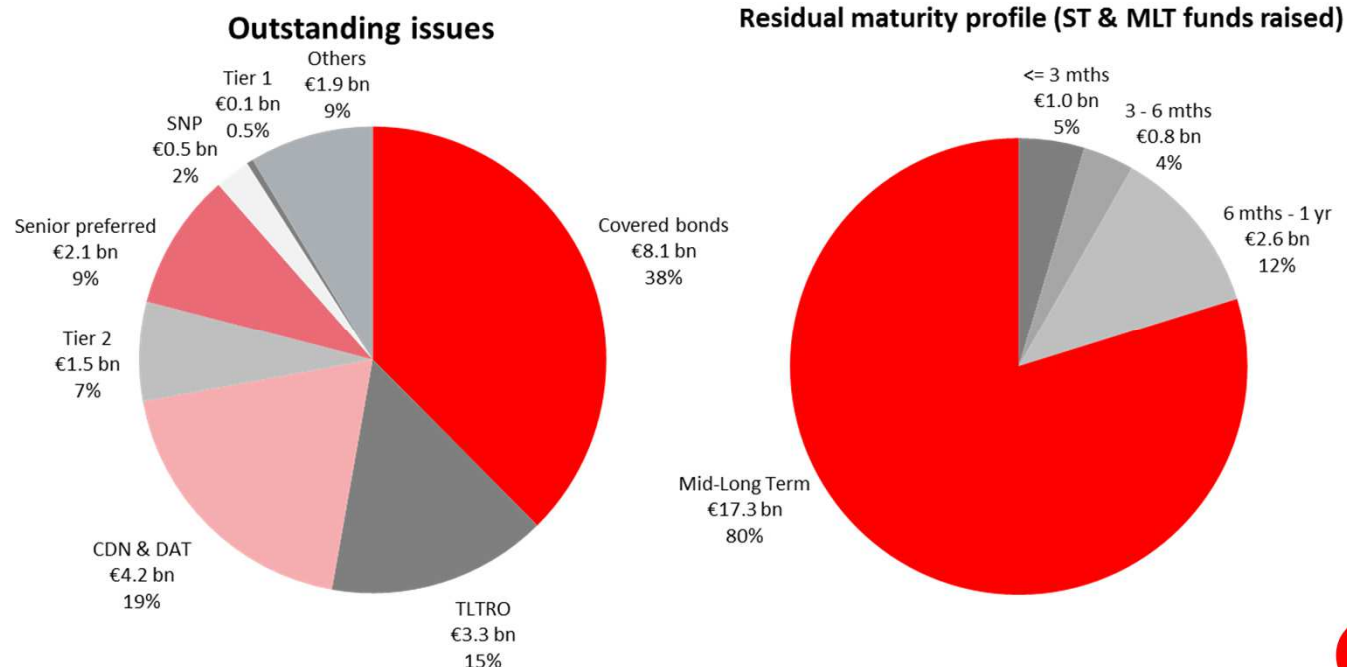
2019 market redemptions 2.5 times covered by HQLAs and cash



**LCR of 130%**

# Diversification and balance between programmes

LT resources favoured, with an average residual maturity of 7.2 years



A 2019 programme between €2 bn and €3 bn, all programmes included

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## 2018 Public issues



**15Y Covered Bond**  
1.5% 01/06/2033  
€500,000,000



**5Y Senior Preferred**  
0.875% 05/10/2023  
€500,000,000



**Long 5Y Covered Bond**  
1.5% 04/03/2024  
€750,000,000






## 2019 Public issue



**6Y Senior Preferred**  
1.375% 17/01/2025  
€500,000,000

# Quality ratings illustrating Arkéa's financial solidity

	 <b>S&amp;P Global Ratings</b>	 <b>MOODY'S INVESTORS SERVICE</b>	 <b>Fitch Ratings</b>
<b>Long Term Senior Unsecured Debt</b>	<b>A</b>	<b>Aa3</b>	<b>A-</b>
<b>Outlook</b>	<b>Negative</b>	<b>Negative</b>	<b>Stable</b>
<b>Short Term Senior Unsecured Debt</b>	<b>A-1</b>	<b>P-1</b>	<b>F2</b>
<b>Long Term Senior Unsecured Non Preferred Debt</b>	<b>BBB+</b>	<b>Baa1</b>	<b>A-</b>
<b>Tier 2 Subordinated Debt</b>	<b>BBB</b>	<b>Baa1</b>	<b>BBB+</b>



From June 1st 2019, Arkéa will no longer be rated by S&P Global Ratings

This decision has been driven by the analysis criteria and the methodology used by S&P Global Ratings, particularly the unfavourable treatment of insurance activities, which are key components to the success of the growth model implemented by Arkéa



**In summary**

## 2018 : a record year

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The major strategic directions taken by Arkéa since 2008 have allowed to

- generate a strong income growth
- diversify income sources, particularly from insurance and B2B activities
- reduce income's dependence on interest rate levels



In 10 years, excellent results and ratios have confirmed the pertinence of the business model, generating a regular profitability and strengthening the group's balance sheet

2018, a reference year:

- On-going commercial development, with accelerated client acquisition and **income growing beyond €2 bn**
- **Net income** (group share) at its highest historic level, at **€437 M**
- A robust financial structure, with high **solvency** and **liquidity** levels

# An exceptional growth path since 2008

## Growth since 31/12/2008



**x 14**

**Net income  
(GROUP SHARE)**

€437 M y.e. 31/12/2018  
versus €31 M  
y.e. 31/12/2008



**+ 98 %**

**Net banking &  
insurance income**

€2.15 bn y.e. 31/12/2018  
versus €1.08 bn  
y.e. 31/12/2008



**+ 141 %**

**Outstanding savings**

€111.2 bn as at 31/12/2018  
versus €46.2 bn  
as at 31/12/2008



**+ 96 %**

**Total assets**

€135 bn as at 31/12/2018  
versus €69 bn  
as at 31/12/2008



**x 2.6**

**Equity  
(GROUP SHARE)**

€6.7 bn as at 31/12/2018  
versus €2.6 bn  
as at 31/12/2008



**+ 93 %**

**Outstanding loans**

€56.5 bn as at 31/12/2018  
versus €29.3 bn  
as at 31/12/2008



## An **outstanding** trajectory

- confirming **the pertinence of the business model** and **strategy**
- providing **resources for independence**

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## **Our independence project**

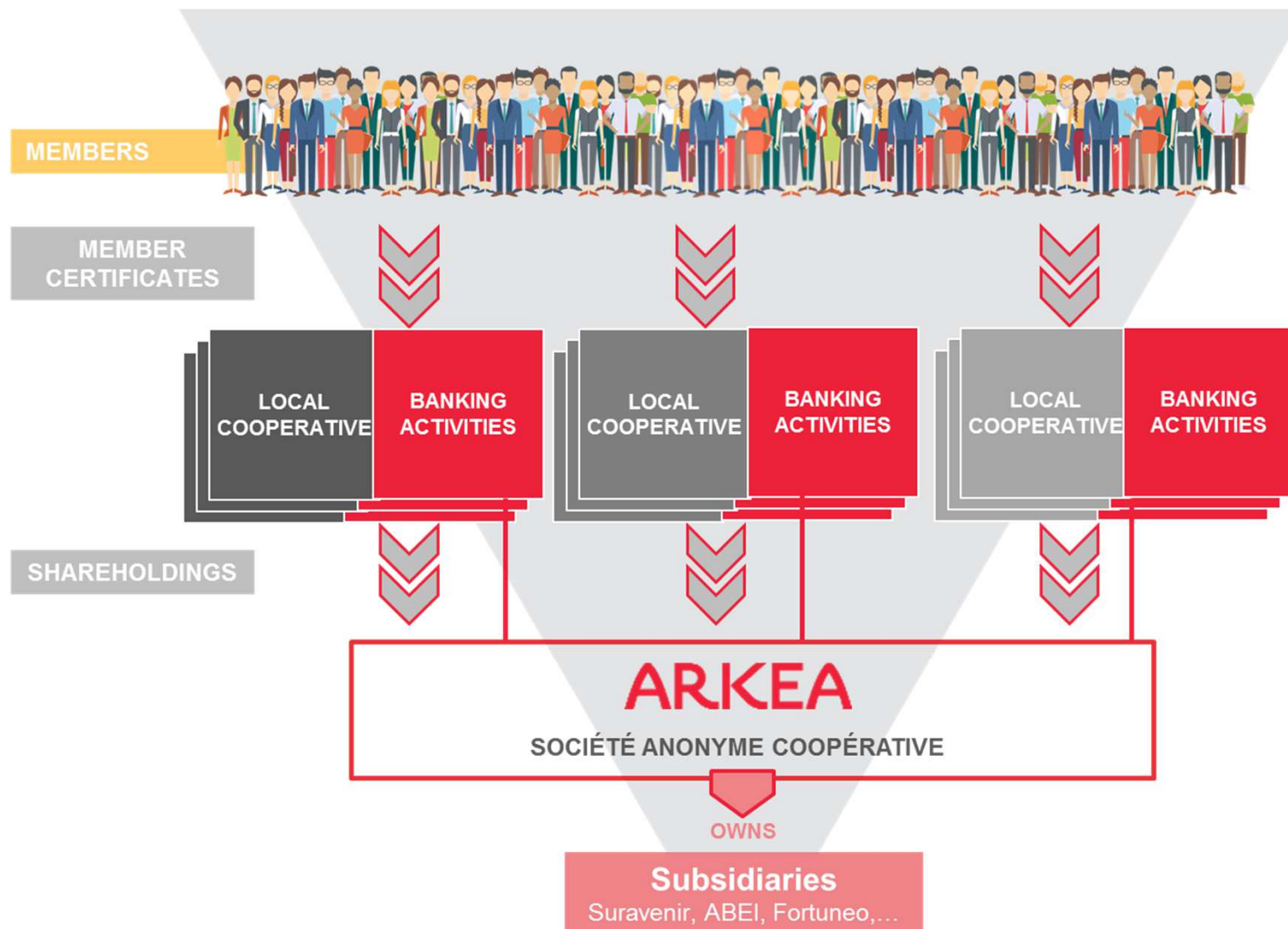


## 2018 was marked by the independence project


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- The Board of Directors of Crédit Mutuel Arkéa, meeting on 17<sup>th</sup> January 2018, gave a mandate to management to take any actions enabling Crédit Mutuel Arkéa to become an independent cooperative and mutual banking group, entirely separate from the rest of Crédit Mutuel
- Local savings banks and directors of the federations of Brittany, South-West and of Massif Central were invited to vote in the first half of 2018. 94.5 % of the local savings banks that voted did so in favour of the independence of Crédit Mutuel Arkéa
- The Board of Directors of Crédit Mutuel Arkéa, meeting on 29<sup>th</sup> June 2018, approved the target organisational scheme of the future independent group. On this ground, the group engaged in preparatory work for an orderly separation from Crédit Mutuel
- The operational implementation of the exit of the Arkéa group from Crédit Mutuel remains subject to the approval of the local banks. The consultation of the local banks will take place following on-going discussions and work with supervising authorities particularly, and on the basis of a finalised consultation file

# Target organisation : a democratic model that still belongs to its members



# APPENDIX



## **Other financial information**

# Income statement for the year ended 31<sup>st</sup> December 2018

€M	2018 IFRS9	2017 IAS39	Variation	%	% Comparable basis *
<b>Net banking &amp; insurance income</b>	<b>2 146</b>	<b>2 090</b>	<b>56</b>	<b>2.7%</b>	<b>4.7%</b>
Operating expenses	-1 514	-1 427	-86	6.0%	4.1%
Cost/income ratio	70,5%	68,3%	2,2 pts		-0.4 pt
<b>Gross operating income</b>	<b>632</b>	<b>662</b>	<b>-30</b>	<b>-4.5%</b>	<b>6.0%</b>
Provisions for risk	-64	-53	-11	20.8%	-21.9%
<b>Operating income</b>	<b>569</b>	<b>610</b>	<b>-41</b>	<b>6.7%</b>	<b>9.9%</b>
<b>Net income – Group share</b>	<b>437</b>	<b>428</b>	<b>9</b>	<b>2.1%</b>	<b>16.5%</b>

*\* iso IFRS 9 standard, excluding exceptional items, change in scope, change in methodology*

# Consolidated balance sheet as at 31<sup>st</sup> December 2018

Assets (€M)	31/12/2018 IFRS 9	01/01/2018 IFRS 9	31/12/2017 IAS 39	Liabilities (€M)	31/12/2018 IFRS 9	01/01/2018 IFRS 9	31/12/2017 IAS 39
Cash, due from central banks	3 237	4 183	4 183	Financial liabilities at fair value	1 302	1 004	1 056
Financial assets at fair value through P&L	1 179	1 121	22 982	Due to banks	7 117	7 999	9 814
Derivatives used for hedging purposes	693	686	685,923	Customer accounts	54 555	49 380	49 436
Financial assets available for sale			38 031	Debt securities	12 771	10 738	10 788
Financial assets at fair value through equity	11 324	10 608		Tax & other liabilities	2 344	2 223	5 743
Securities at amortised cost	164	158		Insurance companies' technical reserves	48 033	48 247	42 808
Loans and advances to banks	8 987	7 600	7 259	Provisions	424	413	395
Loans and advances to customers	55 575	50 136	50 483	Subordinated debt	1 667	1 892	1 893
Remeasurement adjustment on interest-rate risk hedged portfolios	299	265	265	Total equity	6 704	6 383	6 449
Financial assets held to maturity			101	Share capital and reserves	2 266	2 208	2 208
Placement of insurance activities	50 190	50 600		Consolidated reserves	3 896	3 941	3 531
Tax & other assets, equity method investments	1 887	1 505	2 625	Gains and losses recognised directly in equity	104	234	282
Investment property, property, plant & equipment, intangible assets	848	850	1 196	Net income	437	0	428
Goodwill	538	573	573	Minority interests	3	3	3
<b>Total Assets</b>	<b>134 920</b>	<b>128 282</b>	<b>128 385</b>	<b>Total Liabilities</b>	<b>134 920</b>	<b>128 282</b>	<b>128 385</b>

# Your contacts

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