

# 2018 Half Year Results

Investor  
Presentation

August 2018

## DISCLAIMER

This material may contain forward-looking statements and comments relating to the objectives and strategy of Crédit Mutuel Arkéa. These forward-looking statements inherently depend on various known and unknown risks, uncertainties and other factors and are based on assumptions, project considerations, objectives and expectations linked to future events.

Although the information has been obtained from and is based upon sources that Crédit Mutuel Arkéa believes to be reliable, no representation is made that the information is accurate or complete. Information relating to parties other than Crédit Mutuel Arkéa or taken from external sources has not been subject to independent verification.

**No guarantee can be given that such statements will be realised. Actual results may differ significantly from those anticipated or implied by the forward-looking statements.**

Consequently, Crédit Mutuel Arkéa and its affiliates do not accept liability for any loss arising from any use of this material or its contents or otherwise arising in connection with this material or any information or other material discussed.

**This material is published solely for information purposes and does not constitute an offer or an invitation by, or on behalf of, Crédit Mutuel Arkéa to buy or sell any securities or related financial instruments (hereinafter “Instrument”) or to participate in any particular trading strategy.**

**The Instruments discussed in this material may not be suitable or appropriate for all investors.**

Any purchase of Instruments should be made only after a prospective investor had completed its own independent investigation of the Instrument or trading strategy and received all information it required to make its own investment decision, including, where applicable, a review of any prospectus, prospectus supplement or memorandum describing such Instrument or trading strategy. That information would supersede this material and contain information not contained herein and to which prospective investors are referred. Prospective investors should pay particular attention to the risk factors described in those documents.

The purchase of the Instruments involves substantial risks and is suitable only for sophisticated investors who have knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Instruments. This document is intended for market professionals and institutional investors only.

Any reference to past performance is not necessarily indicative of future results.

The condensed consolidated financial statements for the six month period ended 30th June 2018 have been approved by the Board of Directors dated 28<sup>th</sup> August 2018 and have been subject to a limited review. They are available as part of the update of the 2017 registration document released on Groupe Crédit Mutuel ARKEA's corporate website. Investors' attention is drawn on the fact that these documents contain information on the risks and uncertainties related to the unilateral disaffiliation of Groupe Crédit Mutuel ARKEA from Crédit Mutuel and to the complexity of the current situation.

## Contents

- p.4 **Our identity**
- p.12 **Our development strategy**
- p.25 **2018 Half year results**
- p.40 **Our independence project**
- p. 46 **Appendix**



Our  
**identity**

## A **cooperative**, **territorial** and **mutual** model

.....



**Cooperative** and **territorial**, **Arkéa** belongs to its **members**, who are both **shareholders** and **customers**.

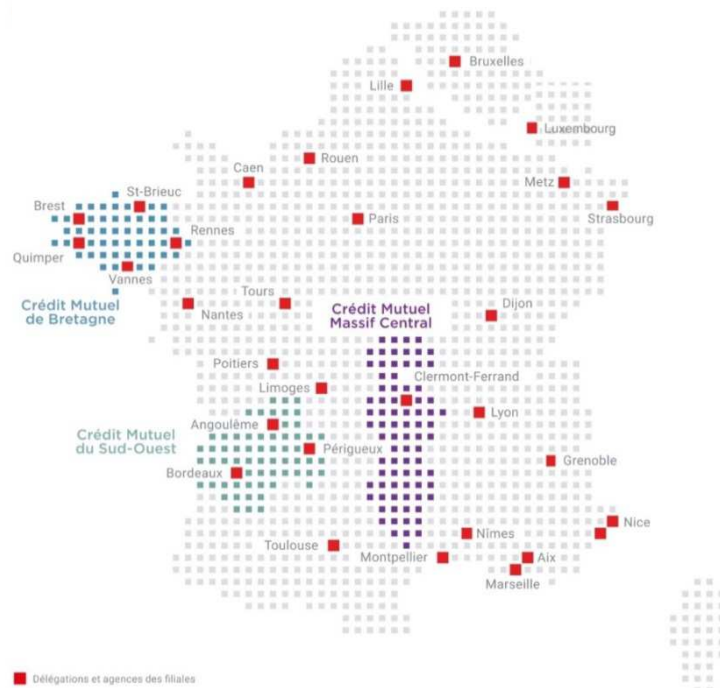
This **proximity** with members and clients allows Arkéa to remain directly engaged with their daily constraints and expectations and to **act durably in line with local economic realities**

Arkéa's governance is based on the « **one person = one vote** » principle.

**Arkéa** is a **mutual** group : **financial solidarity** unites and protects all local savings banks, which benefit from a real autonomy in their day-to-day management.

## Regional foundations, with a development beyond borders

A strong presence in **our historic territories as a retail banking group**, with 331 local savings banks in Brittany, the South-West and Massif Central.



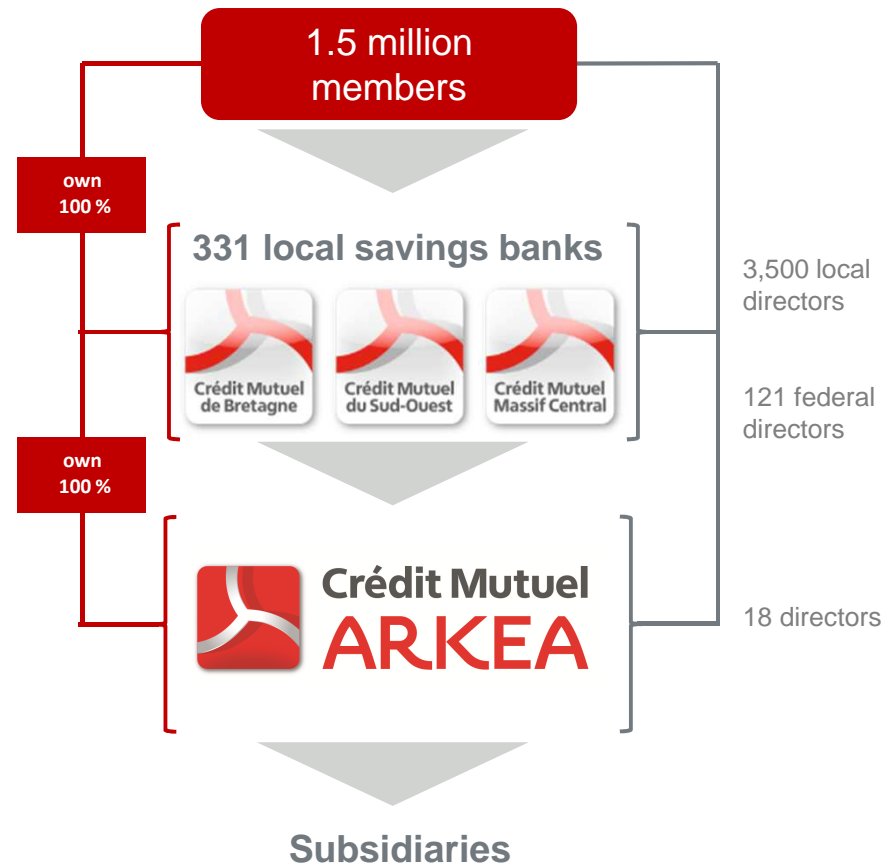
A **national coverage by our specialised subsidiaries**, offering a complete range of banking and insurance products and services. The majority of our subsidiaries are **headquartered in the regions**.

A **European development** of our strategic activities in the **digital** and **BtoB** areas: on-line banking, payment services, fintechs.

A **governance**  
model that places  
elected directors  
at the **heart**  
of decisions

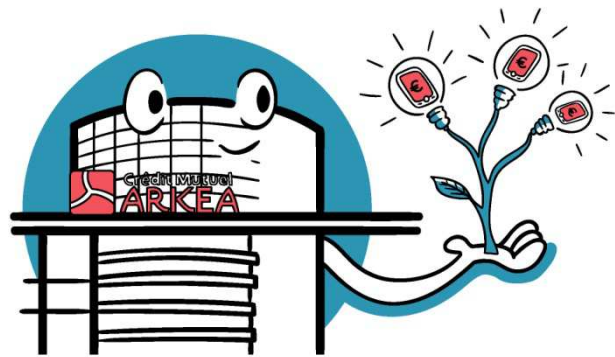
.....

The group  
is **100 %**  
owned by  
its members



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

.....



Arkéa is in **control** of :

- All its activities, from product and service **manufacturing** to **distribution**;
- Its **information system**;
- Its **funding**;
- Its **risk** policy;
- Its **compliance** with regulatory requirements;
- Its strategic **choices**.

## Our identity | Our business

# A group compiling many **skills**

### Retail banking



Cooperative networks



On-line banking



Specialised networks



Fintechs

### Insurance – Asset management



Life insurance



P&C insurance



Brokerage



Asset management



Crédit Mutuel  
**ARKEA**

### Banking for corporates and institutions



Banking network



Private equity



Leasing



### BtoB market



Payment  
services



Securities  
services



White label banking  
services

### Non-banking activities



## An **exceptional** **growth** path

confirming **the**  
**pertinence**  
**of the business**  
**model** and  
**strategy**

### Growth since 31/12/2008

**+46 %**

Client  
Portfolio

**+133%**

Outstanding  
savings

**+72%**

Outstanding  
loans



**x 8.4**  
**NET**  
**INCOME**

€428 M y.e. 31/12/2017  
versus €51.1 M  
y.e. 31/12/2008



**x 2.5**  
**EQUITY**

€6.4 bn as at 31/12/2017  
versus €2.6 bn  
as at 31/12/2008



**+ 86 %**  
**TOTAL**  
**ASSETS**

€128.4 bn as at 31/12/2017  
versus €69 bn  
as at 31/12/2008



**+ 93 %**  
**NBII**

€2.09 bn as at 31/12/2017  
versus €1.08 bn  
as at 31/12/2008

## Confirmed momentum



**133**

billion euros of  
total assets

**18.3%**

CET1  
ratio

**1,082**

million euros  
of net banking &  
insurance income

**247**

million euros  
of net income  
group share

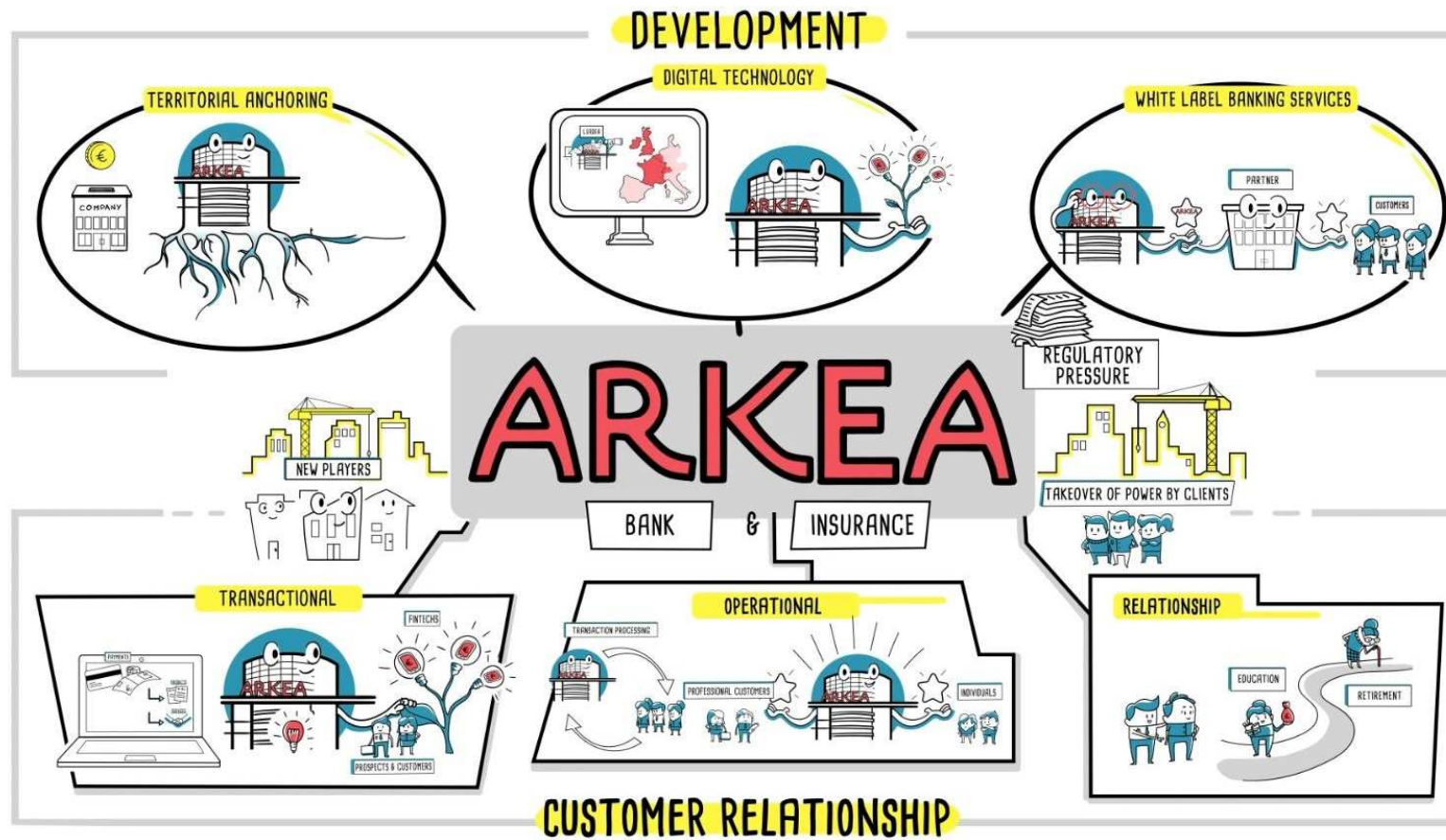


Our  
development  
**strategy**

## An **original** and **forerunner** model



To find out about Arkéa's strategy in video : <http://bit.ly/arkeastrategie>





## The three pillars of our development

**N°1** territorial anchoring

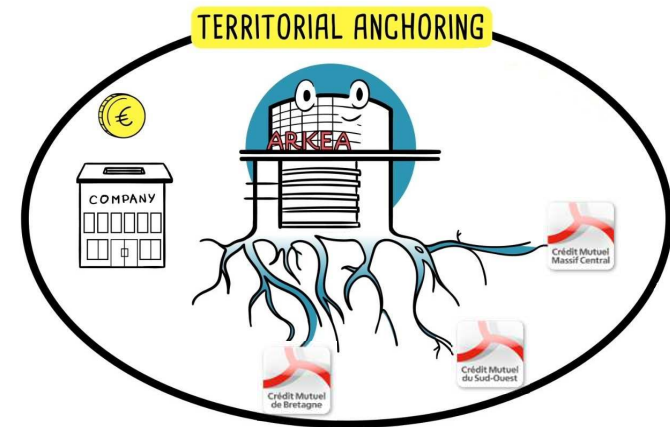
**N°2** technological and digital innovation

**N°3** white label banking services

### N°1 Territorial anchoring

.....

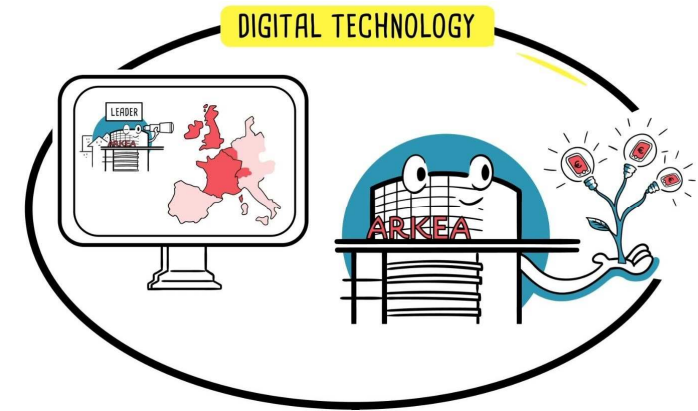
- The group draws its strength from **regional roots**, with networks of mutual savings banks in Brittany, South-West and Massif Central
- The majority of the group's subsidiaries are **manufacturers-distributors** and are headquartered in the regions
- The group stands for **local economic development** by financing corporates and professionals in particular
- Arkéa is a **major player in corporate finance and private equity** in the regions



## N°2 Technological and **digital** innovation

.....

- A real **culture of innovation**
  - > A high density of engineers
  - > A group that has always acted as a **forerunner**
- An ability to transform weaknesses and threats into strengths and **opportunities**
  - > A leading position in digital, with the success of **on-line banking**
  - > An opportunity to operate beyond territorial limits
  - > A commitment to support the **transformation** of transactional and operational processes
- A group **open** to innovation, **encouraging** digital change and players
  - > A real financial heartbeat for the digital economy, supporting fintechs from the start and in the long run



## N°3 **White label** banking services

.....



- Banking services and products manufactured **in-house** and **white-labelled** for BtoB clients and partners
  - > Leverage from our technological assets
  - > Economies of scale
- An effective income **diversification**, with the development of real **growth drivers**
  - > Activities with good visibility and reputation
  - > Low capital consumption
- A **recognised payment specialist** in France, with **innovative** and **secure** payment solutions for major players

# A banking industry in **deep transformation**

.....

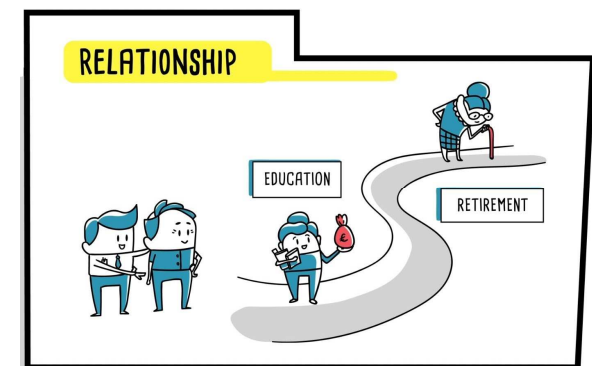
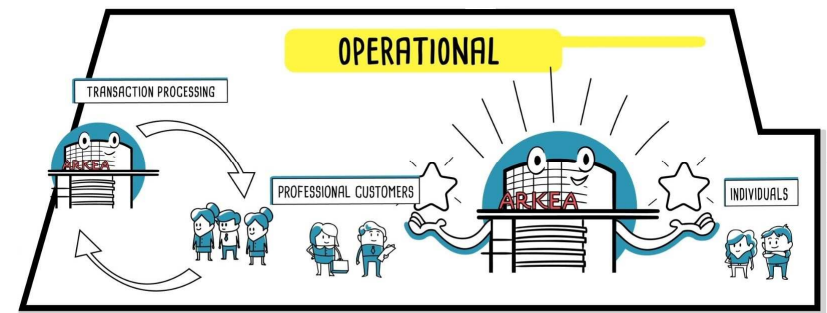
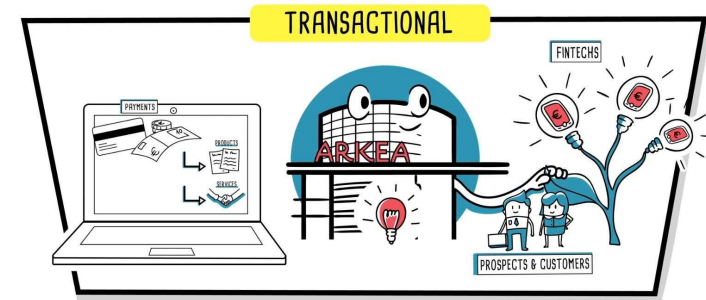
- **Regulatory pressures** negatively impacting margins
  - > Issue for banking institutions: to define the acceptable margin for services
- **Power** is now **in the hands of the consumer**
  - > The end of the banker's "domination"
  - > Strong impact on marketing for banking and non-banking activities
- **New players** move into the banking & insurance sector
  - > Traditional models are called into question by incomers with a digital vision
  - > Banking groups must revise their strategy



# Transactions, operations and relations

.....

- Transactions and service operations will be **digitalised**
  - > saving time
  - > facilitating uses
  - > operational efficiency
- For new digitalised services, the **quality of service** will have to be beyond reproach
- The digitalisation process will replace **customer relations** at **the heart of our strategy**
  - > re-invention of interactions with clients
  - > support in life projects
  - > financial coaching



# Recent achievements of our **strategic plan ARKEA** 2020

## Territorial anchoring

€200 M With preferential rates

Funds dedicated to CSR investments

New offices in the regions



WEPOSITIVEINVEST



## Digital



Instant Payment



to open an account

pumpkin



## White label

Payline by MONEXT

40 %  
of online  
payments  
in France

RCI Banque  
groupe RENAULT

Renewed  
contract  
5 years

VERMEG



gestion

Bankable

Slim Pay

Railsbank



Our  
**ambition**

“

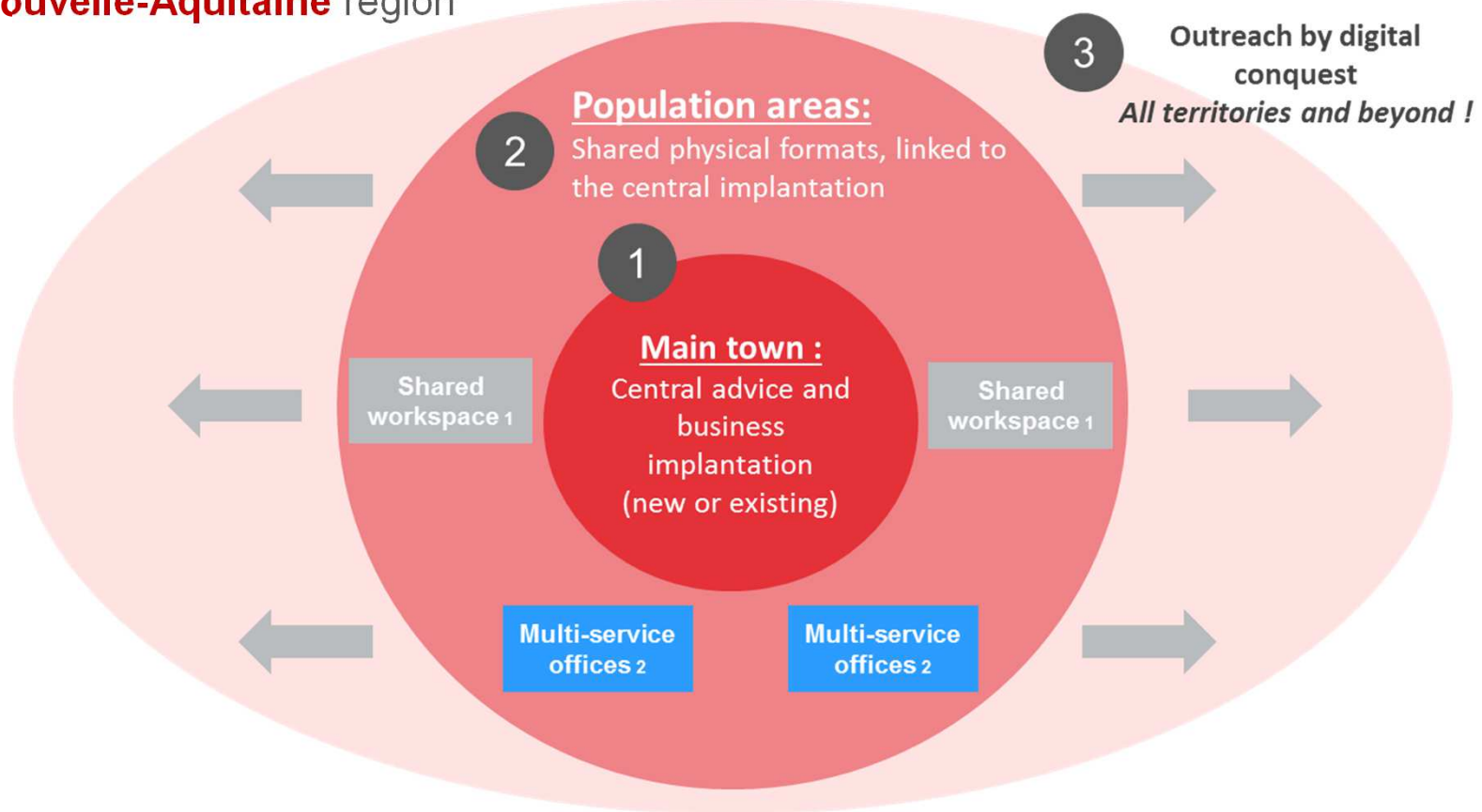
Our ambition  
is to stand out as the  
**financial services hub**  
model, offering the best answers  
to aspirations and ways of life of  
today and tomorrow.

”

## Our ambition

An original retail banking development model, mixing the best of **human, local and digital** approaches, from a **multi-format** set up

Illustration: our development project  
in the **Nouvelle-Aquitaine** region



## A **financial services hub** model

- Placing the **client** at the heart of our ambition
- Developing the provision of **white label** services to our partners
- Revisiting the banking profession, thanks to our **innovation capacity** and to collaborations with **fintechs**
- With the ambition to develop a **customer experience** of a new kind



# 2018 H1 Results

# H1 2018: **record** half year results

**Very high performances, a strong financial structure**

Outstanding  
commercial  
performances



Expanding client portfolio

**+ 3.6 %**



Increased outstanding loans

**+ 5.1 %**



Growing outstanding savings

**+ 2.4 %**



**Crédit Mutuel  
ARKEA**

Half year results  
at their  
highest level

**NBII**

Net Banking & Insurance Income on the rise

**1,082 M€** i.e. + 7.9 %

**Cost/Income Ratio**

Lower cost/income ratio

**- 0.8 pt** at 67.8 %

**Risk**

Higher cost of risk

**€38 M** i.e. + 48.7 %

**Net Income**

Increased net income

**€247 M** i.e. + 27.5 %

A strong  
financial  
structure

**Loan to deposit Ratio**

**103 %**

**CET 1**

Core Equity Tier One\* Ratio

**18.3 %**

**Leverage\* Ratio**

**6.1 %**

**LCR**

Liquidity Coverage Ratio

**125 %**

(\*) Ratios include half year results. Leverage ratio calculated according to the delegated act with automatically applicable provisions (mainly exclusion of assets from insurance subsidiaries) and excluding provisions subject to prior authorisation (inter-company transactions and centralised savings).



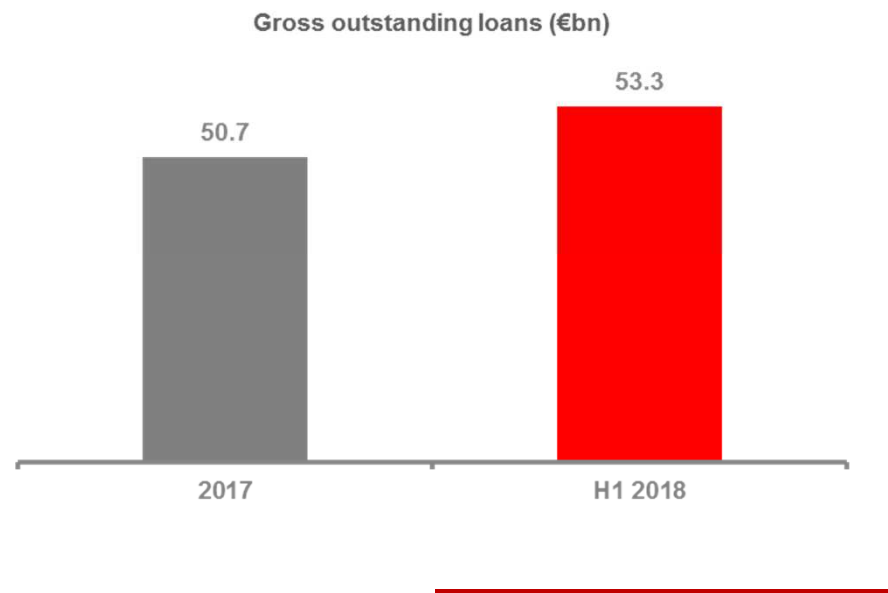
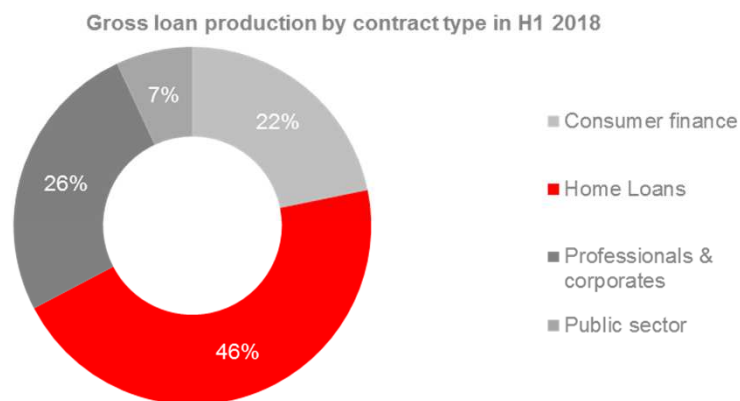
Activity & results  
**1<sup>st</sup> half**  
**2018**

## Outstanding commercial performances

# Outstanding loans increased by 5.1% to €53.3 bn

A loan production of €6.3 bn, higher by 2.4% in comparison with H1 2017

- €1.6 bn of loans to corporates and professionals (+15%)
- €4.3 bn of loans to individuals (+1.7%)
- A dynamic consumer finance loan production (+19.1%) , with the good performances of our specialised subsidiaries

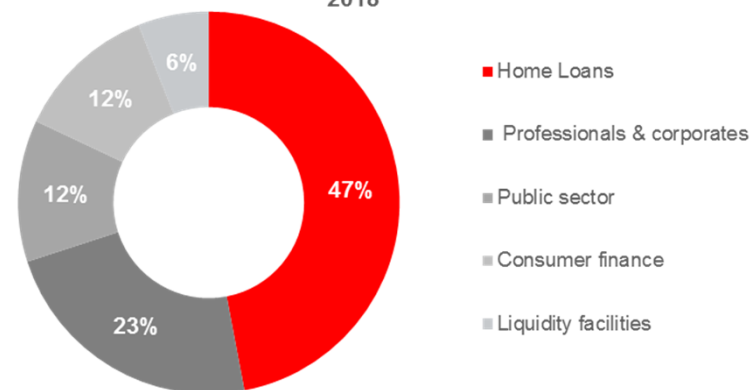


## Outstanding commercial performances

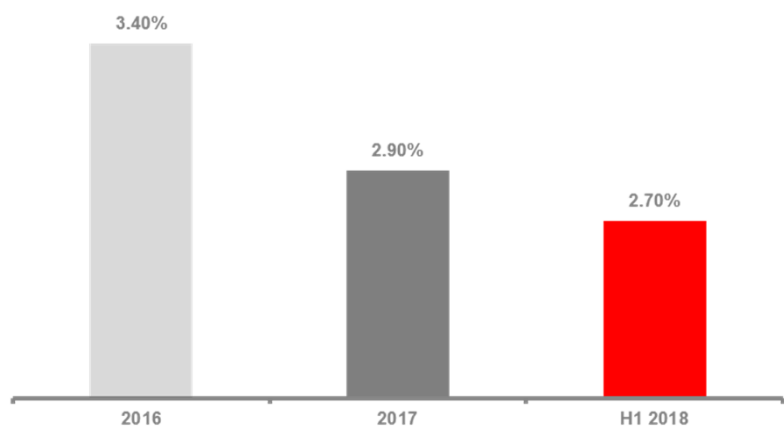
# A quality loan portfolio

- Outstanding home loans and loans to local authorities making up close to 60% of total outstanding loans
- Non performing loans, including interest, are lower by 0.9% to €1,467 M as at 30/06/2018 (vs. €1,481 M as at 31/12/2017)
- The NPL ratio (including interest) decreased in the first half of 2018 to 2.7% of total outstanding loans, compared to 2.9% at the end of 2017

Gross outstanding loans by type of loan at the end of June 2018



NPLs/Outstanding loans\*



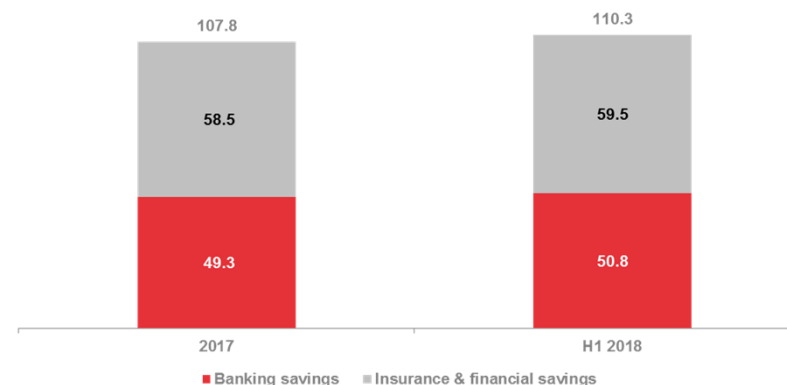
(\*) As a % of outstanding loans to customers

- In the first half of 2018, Crédit Mutuel Arkéa remained very prudent in managing client credit risk, net of guarantees received
- The provisioning rate of non performing loans on the balance sheet (principal and interest) reached 56.7% at the end of June 2018, slightly lower than at the end of 2017 (57.4%). The provisioning rate is of 66.4% for corporates, 53.9% for sole entrepreneurs and 48.2% for individuals

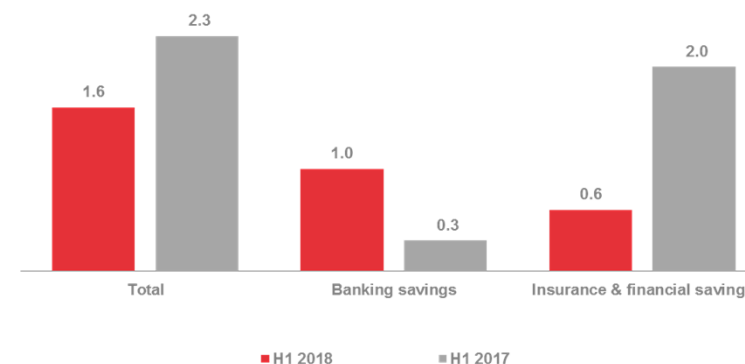
# Outstanding savings growing by 2.4% to €110.3 bn

- Net bank savings inflows multiplied by 4 compared to H1 2017, to reach €1 bn
- Net insurance savings inflows increased by **13.6% to €0.9 bn**
- Net financial savings outflows of €0.3 bn, following a record inflows in H1 2017
- In the first half the number of new contracts in P&C insurance grew by **11.5%** compared to H1 2017, to 228,200 contracts, with a 23.9% growth in property insurance (+ 31,200 contracts)
- The P&C insurance portfolio kept growing in H1 2018, with a 3.5%-growth to more than 2.1 million contracts

Outstanding savings (€bn)



Net savings inflows (€bn)

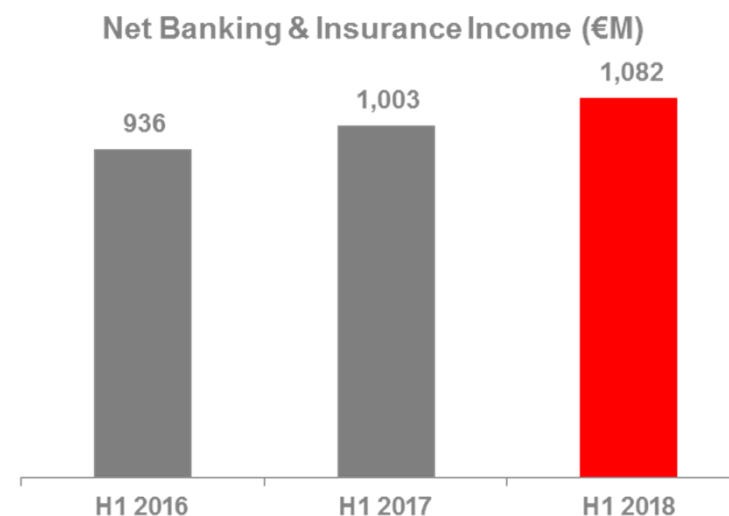


## Net Banking & Insurance Income higher by 7.9% to a historic level of €1,082 M (+€80 M)

Revenues of the banking business line increased by 13% vs. H1 2017, to €828 M (+€95 M)

- On a comparable basis, net banking income grew by 11.8% to €819 M (+€87 M) :
  - The financial margin is up by 21.9% to €418 M (+€75 M), with lower funding costs and the good performances of private equity activities
  - Commissions increased by €8 M to €320 M with higher commissions from brokering activities (+€10 M). Early repayment commissions strongly decreased, in line with lower volumes
  - Other operating income grew by €4 M to €81 M, in line with strong dynamics in BtoB activities

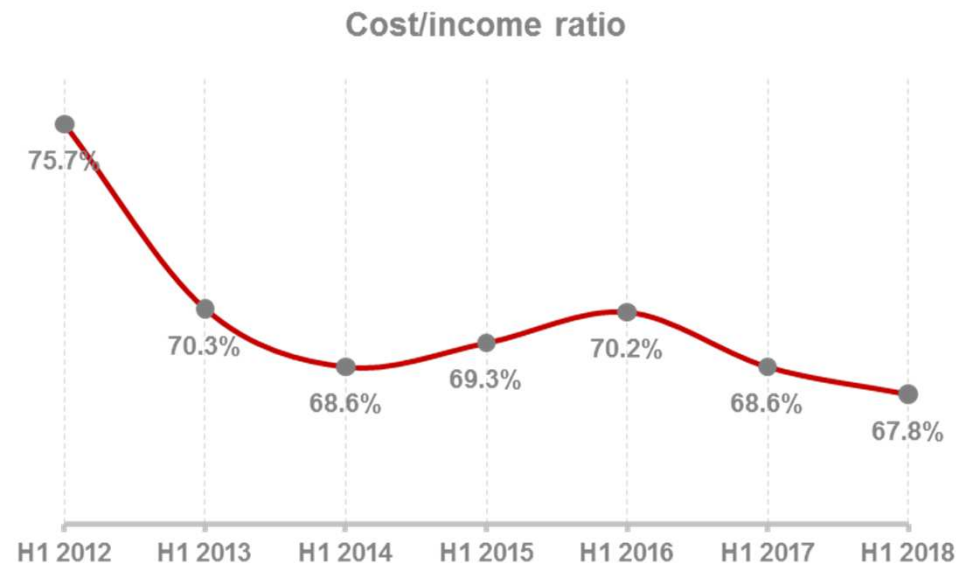
Revenues of the insurance and asset management business line decreased by €16 M to €255 M with a higher claim rate in P&C insurance in H1 2018, following a very low claim level in 2017



## Half year results at their highest level

# A cost/income ratio lower by 0.8 pt to 67.8%

- Positive effects of net banking & insurance income enjoying a higher growth (+7.9%) than general expenses (+6.6%)
- On a comparable basis, general expenses grew by €34 M to €720 M, with personnel costs up by €17 M and a €7 M-increase in taxes (+12%), including a higher contribution to the Single Resolution Fund

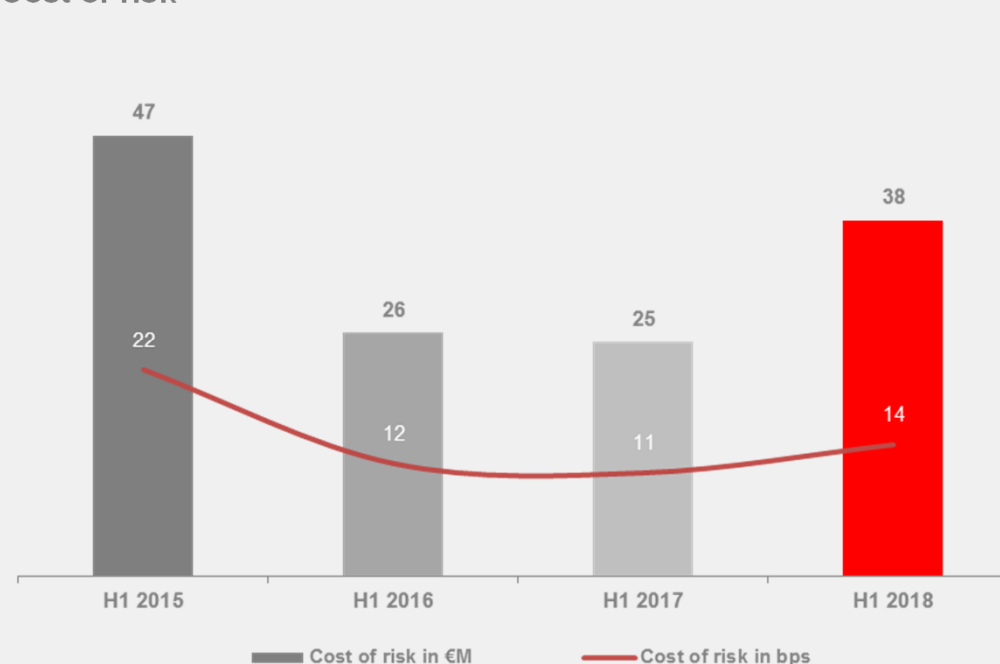


## Half year results at their highest level

# A cost of risk increased by 48.7% to €38 M, with the adoption of IFRS 9

- In the first half of 2018, the adoption of IFRS 9 resulted in a €20 M provision charge on performing loans, vs. a €1 M write-back in H1 2017
- The cost of risk on non performing loans to customers decreased by €13 M to €14 M
- At the end of June 2018, cost of risk amounts to 7 bps of outstanding loans to customers on the balance sheet (14 bps on an annual basis)

Cost of risk

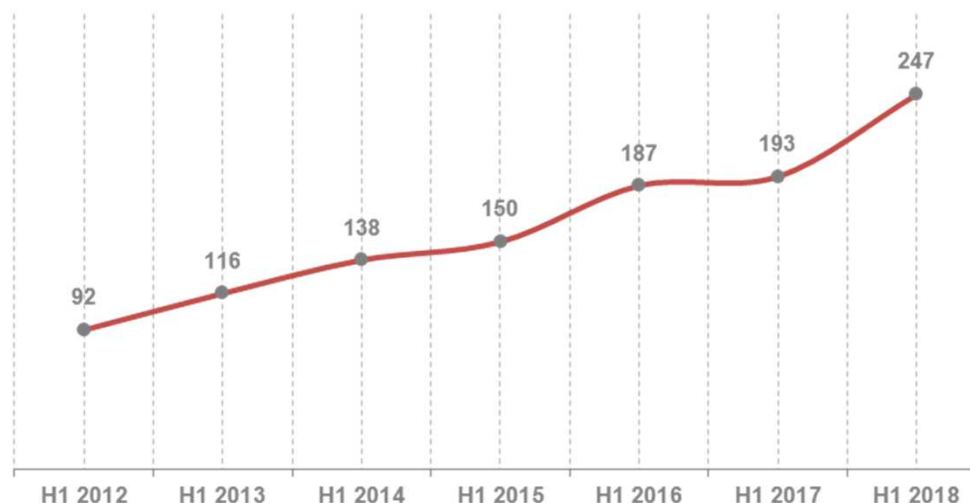


## Half year results at their highest level

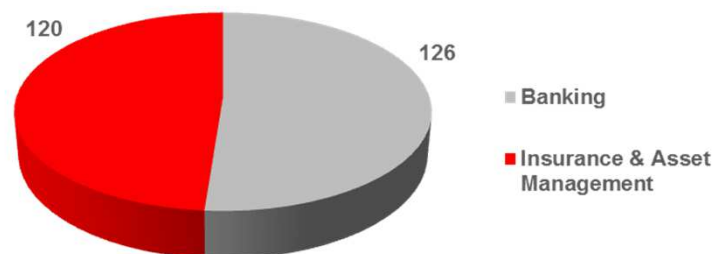
# Net income growing by 27.5% to €247 M

- Crédit Mutuel Arkéa group has reached **the highest half-year net income group share in its history, at €247 M (\*)**, increased by 27.5% compared to H1 2017 (€193 M)
- The split of half-year net income is well balanced between the banking and insurance & asset management business lines

Half-year net income growth (€M)



Net income (€M)



A white L-shaped line graphic consisting of a vertical segment on the left and a horizontal segment on the top, meeting at a right angle.

Solvency

## A strong financial structure

# Risk weighted assets of €30.5 bn as at 30 June 2018

€bn	30/06/2018	31/12/2017
Credit risk	28.1	26.6
Market risk	0.1	0.1
Operational risk	2.3	1.9
<b>Total risk weighted assets</b>	<b>30.5</b>	<b>28.6</b>

- 92% of risk weighted assets relate to credit exposures

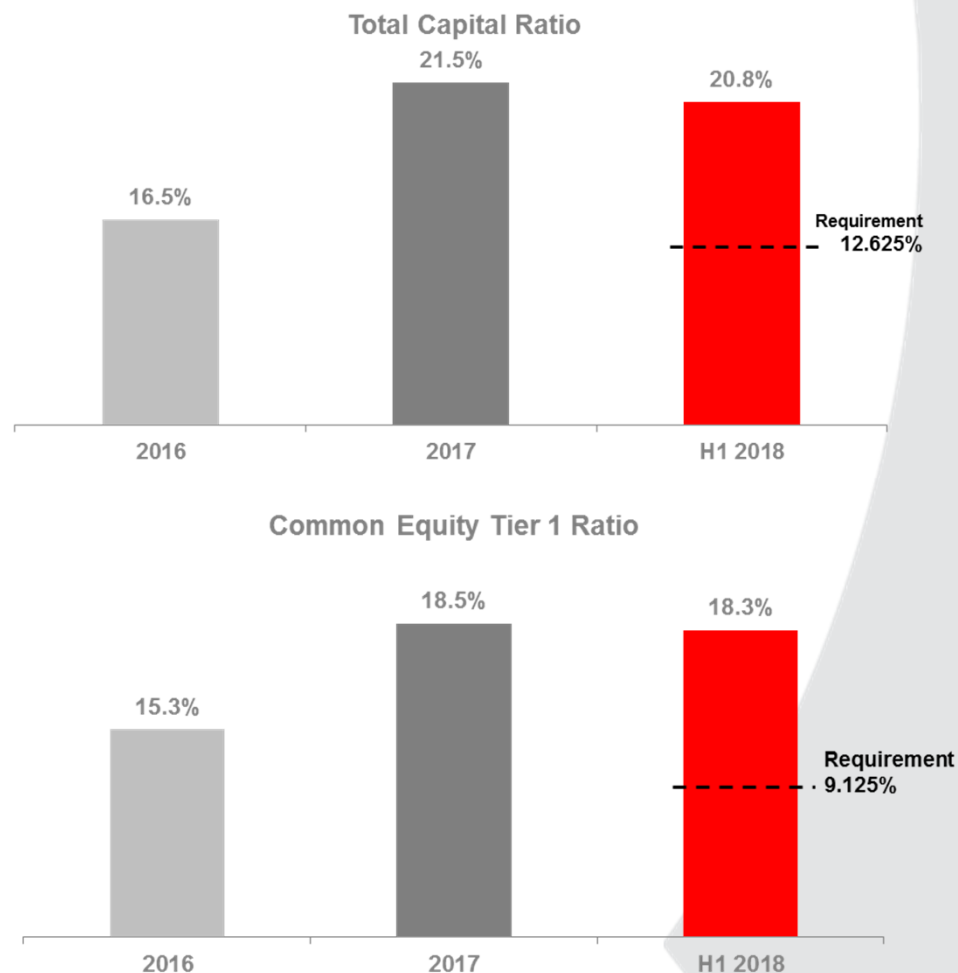
- The group's total capital requirements increase with the growth of outstanding loans and commitments

€M	30/06/2018	31/12/2017
Credit risk	2 247	2 125
Standard approach	413	420
Internal ratings-based approach	1 834	1 705
Market risk & CVA (standard approach)	6	7
Operational risk (almost exclusively advanced method)	184	155
<b>Total capital requirements</b>	<b>2 437</b>	<b>2 287</b>

## A strong financial structure

# Leading solvency levels

- **Total assets of €132.9 bn (+3.5%)**
  - Shareholders' equity of €6.7 bn, with stable outstanding member shares of €2.2 bn
- **Solvency ratios (\*) kept to high levels:**
  - Common Equity Tier 1 ratio of 18.3%, slightly decreased by 18 bps
    - IFRS 9 impact: -23 bps
    - Increase of regulatory capital: +126 bps
    - Increase of capital requirements: -121 bps
  - Leverage ratio of 6.1%
- **Ratios significantly higher than 2018 regulatory requirements (SREP-excl. P2G)**



A white L-shaped line graphic consisting of a horizontal segment at the top and a vertical segment on the left, forming a corner that frames the word 'Conclusion'.

Conclusion

# 2018 : a record first half

➤ **Excellent results and ratios confirming the soundness of Crédit Mutuel Arkéa's business model, generating profitable growth and strengthening the group's balance sheet**

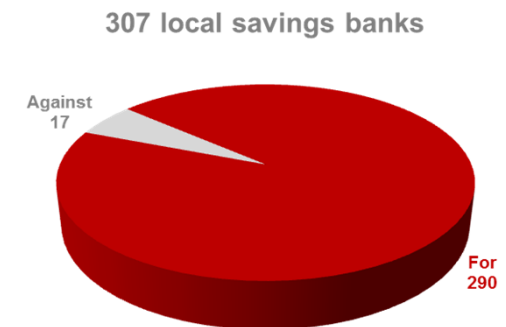
- A strong commercial development, with growing customer acquisitions and revenues over €1 bn
- A profitable growth pace, with a lower cost/income ratio
- A higher cost of risk, impacted by IFRS 9
- A half-yearly net income at its highest level, at €247 M
- A robust financial structure, with high solvency and liquidity levels

# Our independence project

The ARKEA logo is centered within a white rounded square. The word "ARKEA" is written in a bold, red, sans-serif typeface. The letters are closely spaced, and the overall design is clean and modern.

**ARKEA**

# The principle of independence was endorsed by the votes in spring; it is now time for implementation

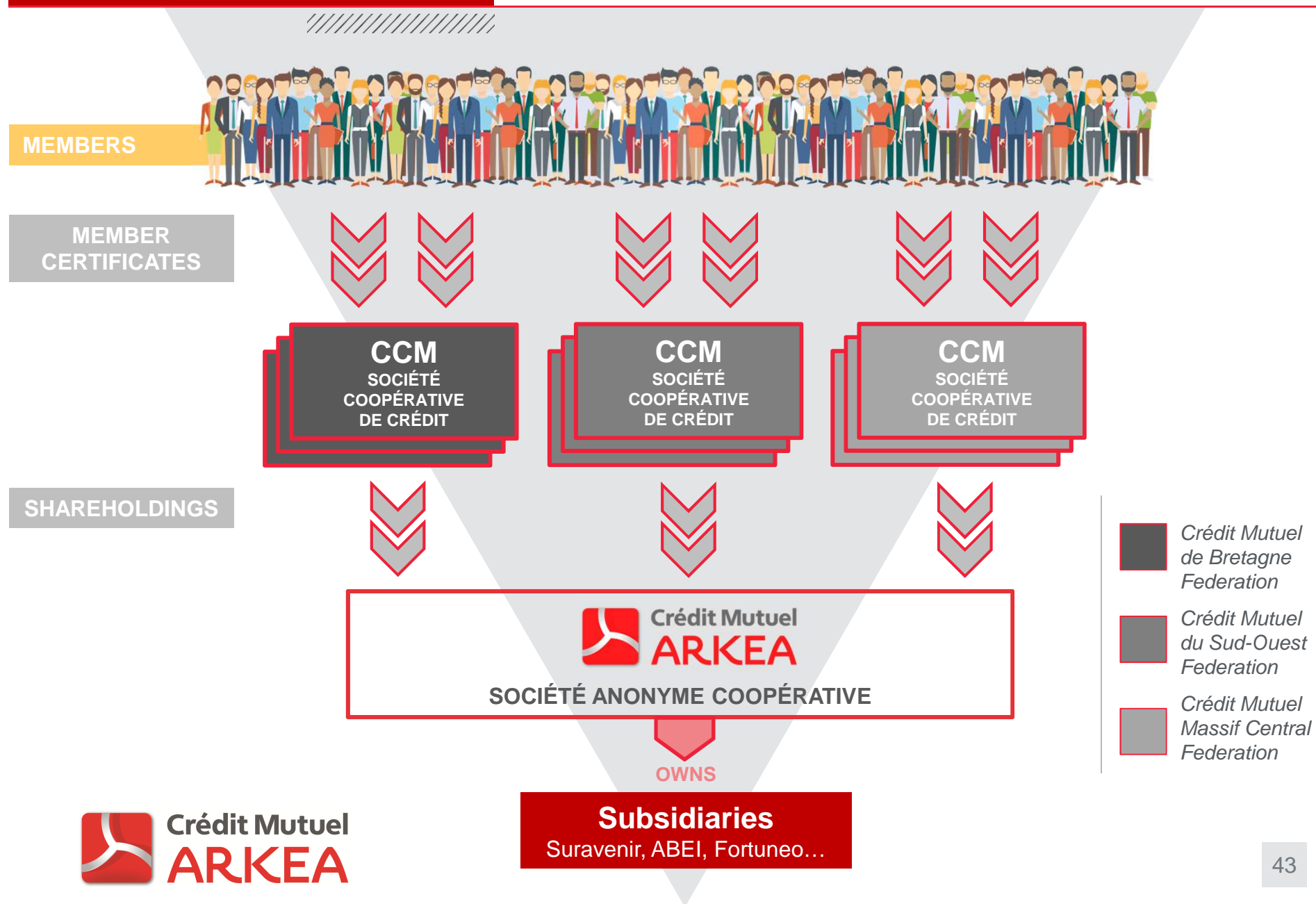


# An independence project supported by our stakeholders



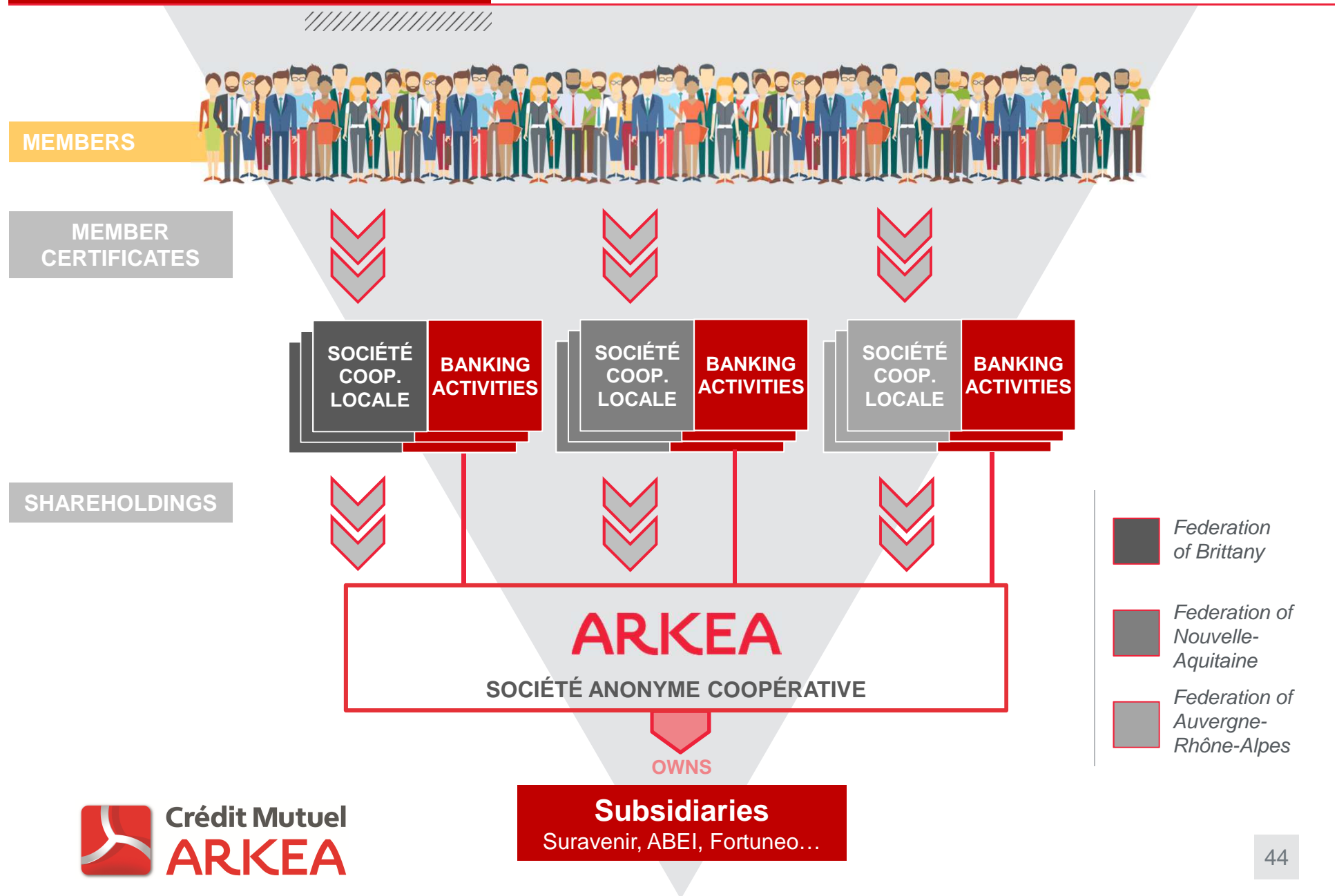
## CURRENT ORGANISATION

## The inverted pyramid principle



## FUTURE ORGANISATION

## The inverted pyramid principle



## FUNDAMENTALS EXPRESSED BY LOCAL DIRECTORS

### Group ownership:

Local cooperatives' equity owned by members; Arkéa owned by local cooperatives

### Governance :

Respect of the "one person - one vote" principle

### Solidarity between entities:

All Group entities protected by solidarity mechanisms

### The "raison d'être":

Local cooperatives are responsible for and voice the "raison d'être" of the Group

## UNDERLYING PRINCIPLES OF THE TARGET ORGANISATION

Local cooperatives would be owned by **members** and would **own** Arkéa

The "one person - one vote" principle would be **maintained** at all levels of the organisation

**Solidarity** between local cooperatives would be **maintained** and adapted

Local cooperatives would be responsible for the **Group's "raison d'être"**

A white L-shaped line graphic on a red background. It consists of a horizontal line segment at the top and a vertical line segment on the left, meeting at a right angle. The word "Appendix" is positioned to the right of the vertical segment.

## Appendix



## Liquidity & Funding

# High liquidity levels

- Surplus MLT market funding of €10.8 bn

30 June 2018

(in €bn)

Surplus MLT  
funding  
10.8

Loans to  
customers  
52.0

Mandatory  
assets  
5.7

Fixed assets 4.8

Assets

MLT funding  
13.9

Customer  
deposits  
50.4

Regulatory  
capital  
9.2

Liabilities



Crédit Mutuel  
ARKEA

- Liquidity reserves of €17.5 bn

## Liquidity reserves

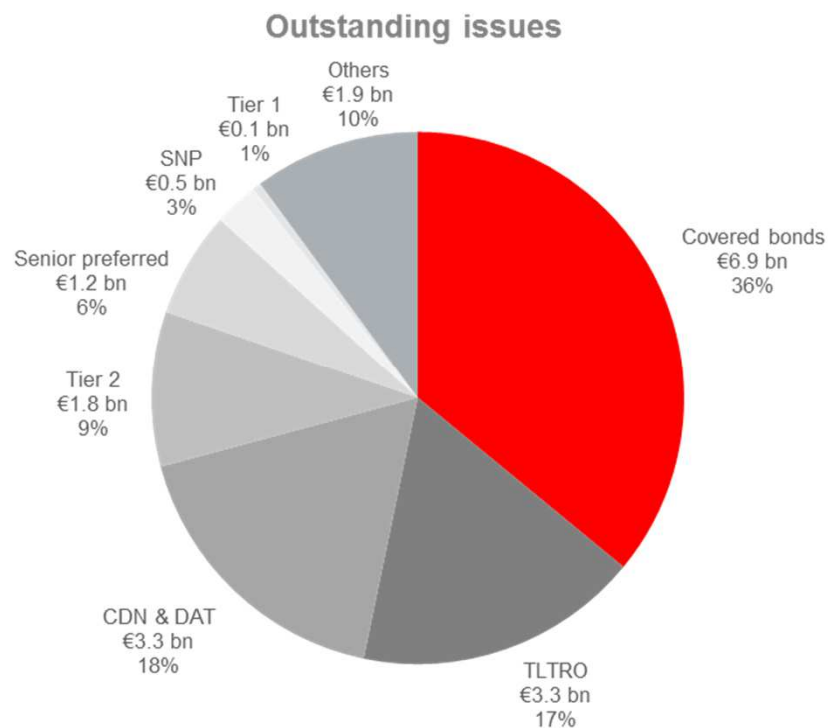


- Redemptions in the second half of 2018 covered 4 times by HQLAs and cash reserves
- LCR of 125%

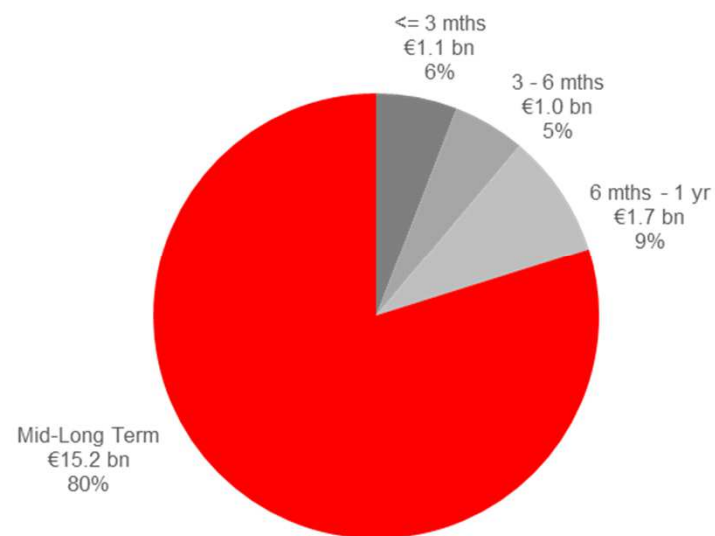
# Diversification and balance between programmes

- Long term resources favoured, with an average residual maturity of 7.8 years
- EMTN and covered bond issues make up 51% of outstanding issues

- 2018 public bond issues




**Residual maturity profile (ST & MLT funds raised)**



## Quality ratings illustrating Crédit Mutuel Arkéa's strength

	MOODY'S	STANDARD & POOR'S
LT senior unsecured debt	Aa3	A
<i>Outlook</i>	<i>Negative</i>	<i>Negative</i>
ST senior unsecured debt	P-1	A-1



# Income statement & Balance sheet

## Income statement for the 6-month period ended 30<sup>th</sup> June 2018

€M	H1 2018 IFRS 9	H1 2017 IFRS	Variation	%
Net Banking & Insurance Income	1,082	1,003	80	7.9%
Operating expenses	(734)	(688)	46	6.6%
Gross operating income	349	315	34	10.8%
Provisions for risks	(38)	(25)	13	48.7%
Operating income	311	290	21	7.5%
Net income – Group share	247	193	53	27.5%

## Consolidated balance sheet as at 30<sup>th</sup> June 2018

Assets (€M)	30/06/2018 IFRS 9	31/12/2017 IFRS	Liabilities (€M)	30/06/2018 IFRS 9	31/12/2017 IFRS
Cash, due from central banks	4'168	4'183	Liabilities at fair value	1'006	1'056
Financial assets at fair value through P&L	1'949	23'933	Due to banks	7'255	9'814
Financial assets available for sale		38'031	Customer accounts	51'068	49'436
Financial assets at fair value through equity	10'013		Debt securities in issue	11'283	10'788
Securities at amortised cost	149		Tax & other liabilities	2 584	5'743
Due from banks	8'379	7'259	Insurance companies technical reserves	50'254	42'808
Loans and advances to customers	52'825	50'483	Provisions for contingencies and charges	395	395
Held-to-maturity financial assets		101	Subordinated debt	2'402	1'893
Insurance investments	52'396		Shareholders' equity	6'449	6'449
Tax & other assets, other investments	1'601	2'625	Share capital and reserves	2'245	2'208
Investment property	849	1'196	Consolidated reserves	3'905	3'531
Goodwill	571	573	Gains & losses recorded directly in equity	253	282
			Net income	247	428
			Minority interest	3	3
<b>Total Assets</b>	<b>132'900</b>	<b>128'385</b>	<b>Total Liabilities</b>	<b>132'900</b>	<b>128'385</b>



Corporate  
**social responsibility**

# Social responsibility

at the heart

of the strategic plan **ARKEA**|2020

.....

- Our **conviction** : CSR is a **real lever** for innovation, performance and motivation. It is fully integrated in all our business lines
- CSR is **fully integrated** in all our business lines
- Our **ambition** : **to support** our clients and our stakeholders in the implementation of their social and environmental projects with a particular focus on :
  - > forerunners, who shape tomorrow's world
  - > people in fragile situations
- We encourage the CSR development of our stakeholders by building on **our expertise, our capabilities and our ability to take risks**

# Social responsibility: illustrations

A renowned extra-financial performance



**€200 M** Funding envelope with preferential rates dedicated to CSR investments

The Group's societal innovation fund

**WEPOSITIVEINVEST**

**€20 M**  
Allocation

To finance firms with risk capital innovating in three promising sectors:  
energy transition,  
circular economy and  
societal entrepreneurship

Partnership with the CRESUS foundation to fight against indebtedness



**€1 bn**

Outstanding loans to the social sector at end 2017



Investments :



# Your contacts

**Laurent Gestin**

Investor Relations

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

+33 2 98 00 42 45



**Stéphane Cadieu**

Head of

Capital Markets

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