

# 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.

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

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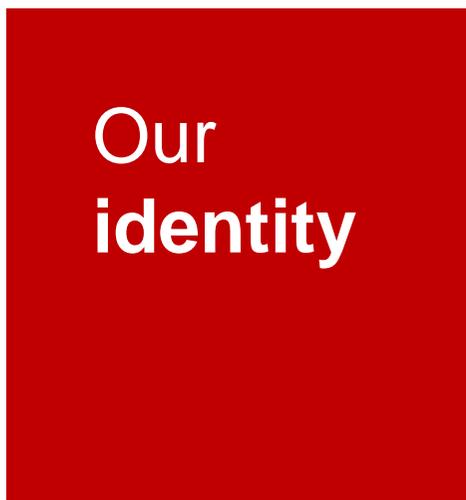
The purchase of the Instruments involves substantial risks and is suitable only for sophisticated investors who have knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Instruments. This document is intended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

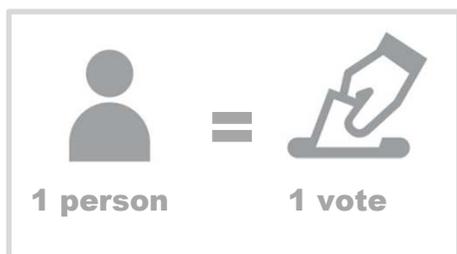
- p.4 **Our identity**
- p.12 **Our development strategy**
- p.25 **2018 Half year results**
- p.40 **Our independence project**
- p. 46 **Appendix**

A white L-shaped graphic element consisting of a vertical line on the left and a horizontal line on top, forming a corner bracket.

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.

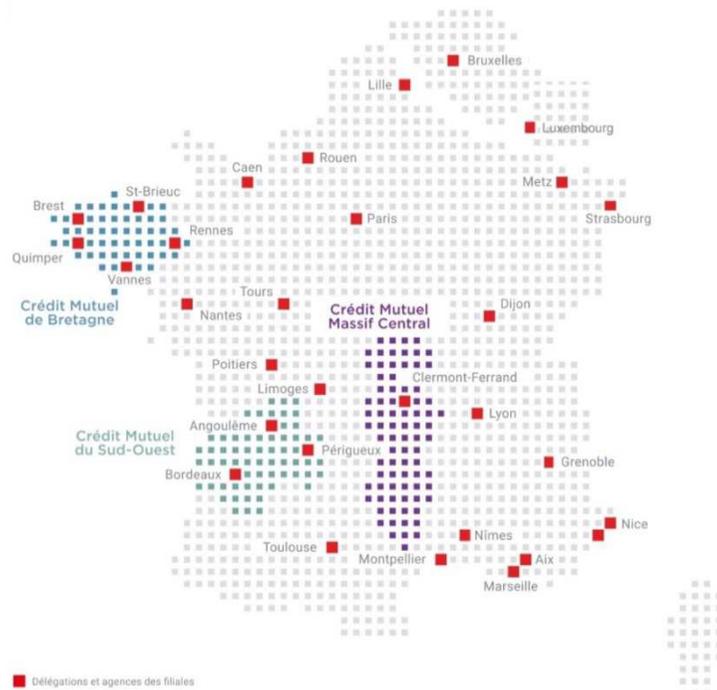
**Arkéa** is a **mutual** group : **financial solidarity** unites and protects all local savings banks, which benefit from a real autonomy in their day-to-day management.

## 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.

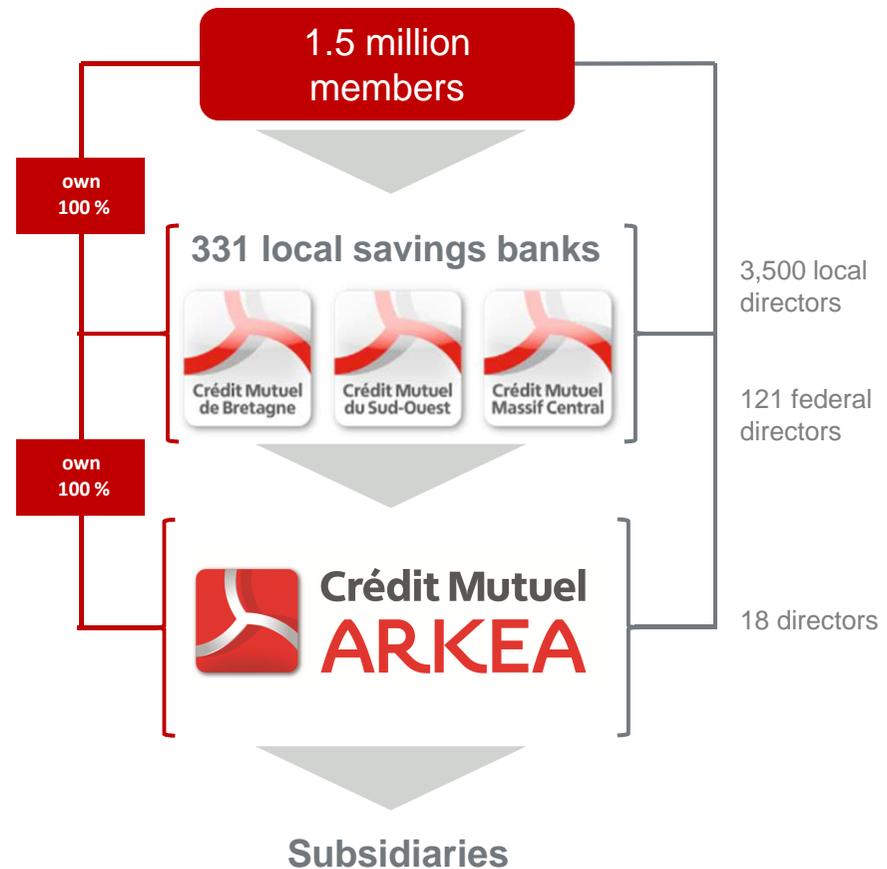
A **national coverage by our specialised subsidiaries**, offering a complete range of banking and insurance products and services. The majority of our subsidiaries are **headquartered in the regions**.

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



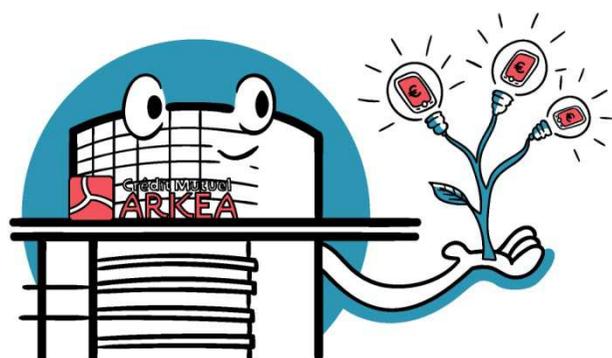
A **governance** model that places elected directors at the **heart** of decisions

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



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

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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**





### Banking for corporates and institutions


**Banking network**


**Private equity**


**Leasing**



### BtoB market


**Payment services**


**Securities services**




**White label banking services**

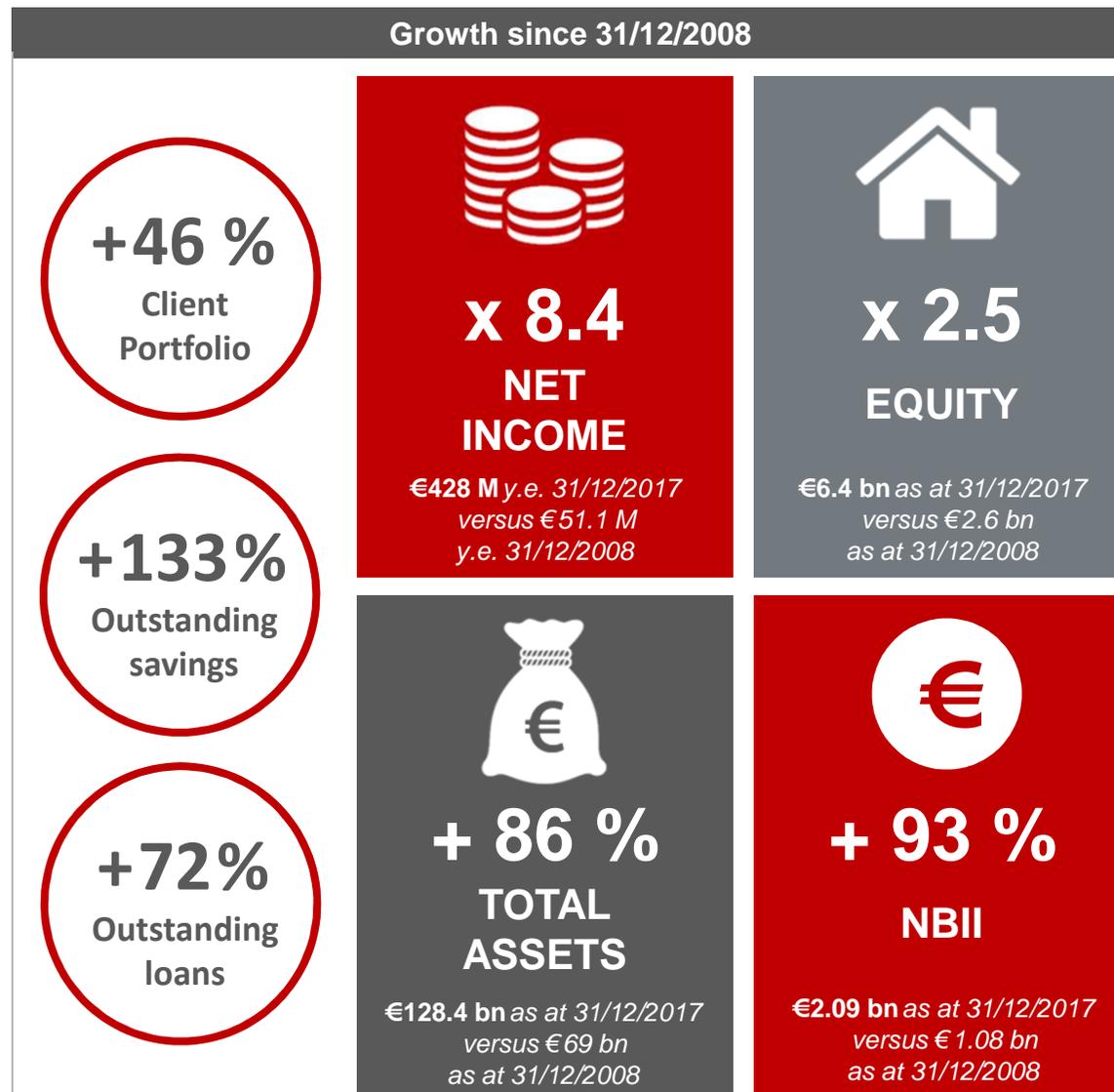
### Non-banking activities



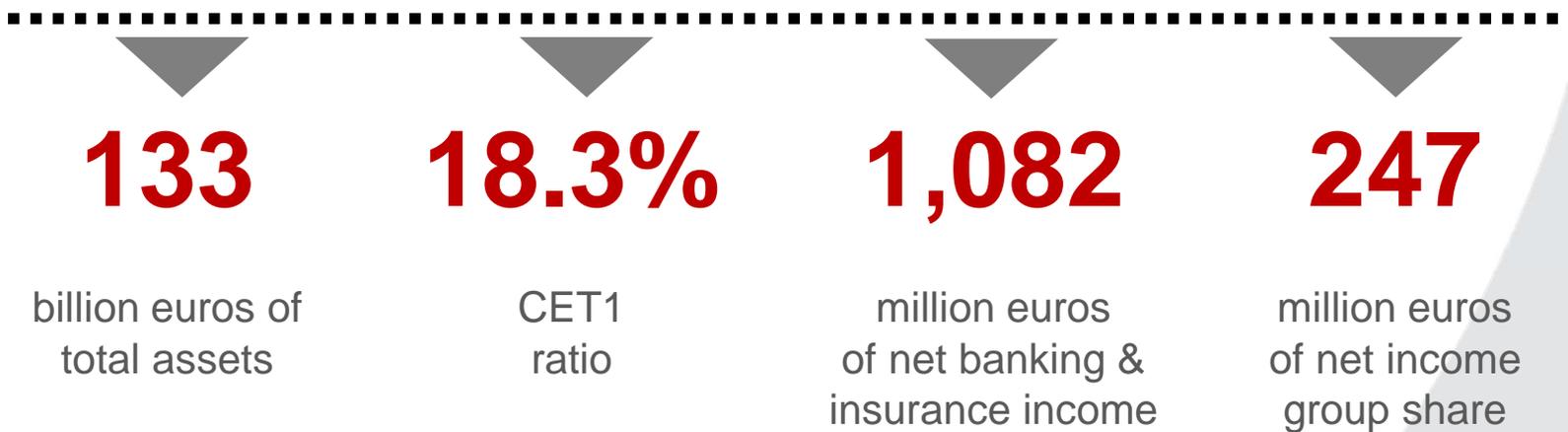



# An exceptional growth path

confirming the pertinence of the business model and strategy



# Confirmed momentum



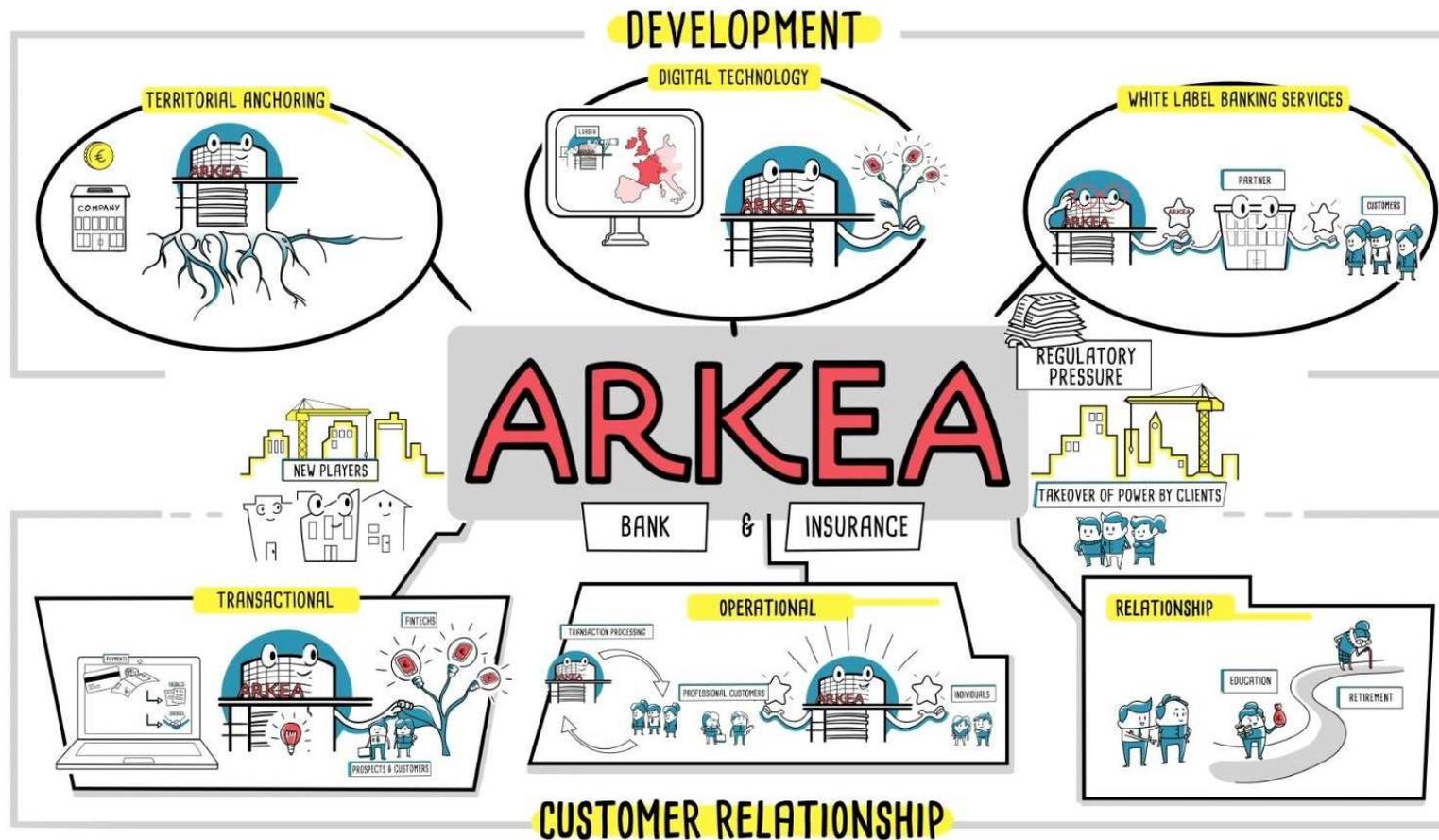


Our  
development  
**strategy**

# An original and forerunner model



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



## The three pillars of our development

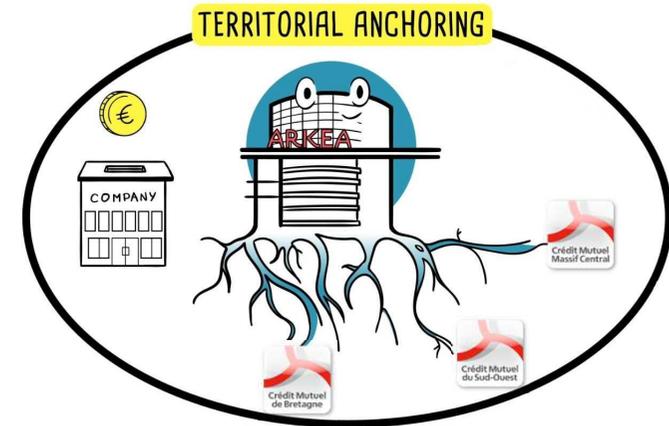
**N°1** territorial anchoring

**N°2** technological and digital innovation

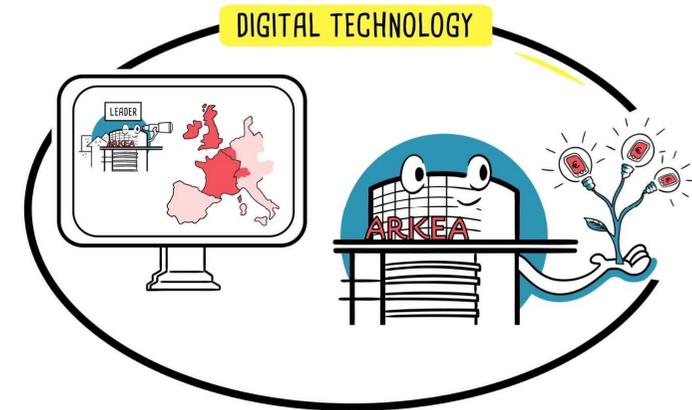
**N°3** white label banking services

## 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

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- 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**

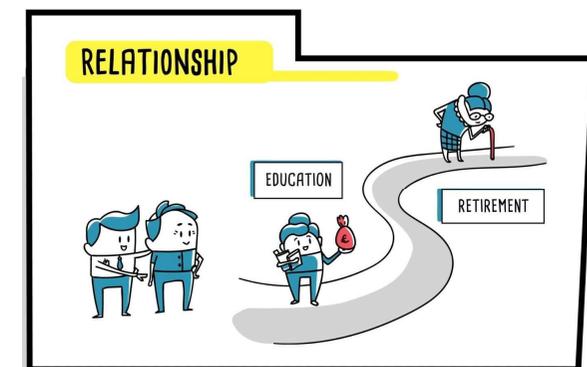
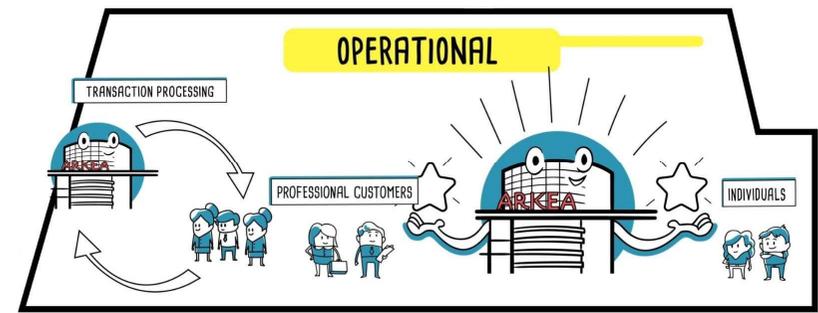
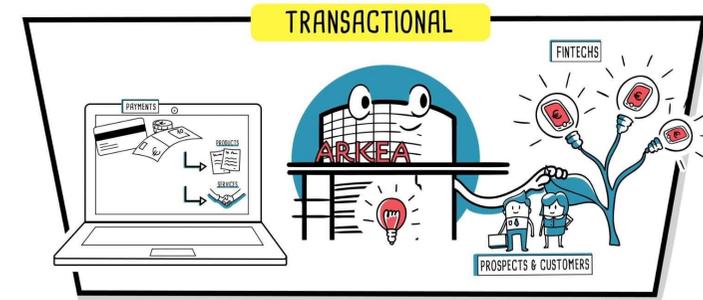
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- **Regulatory pressures** negatively impacting margins
  - > Issue for banking institutions: to define the acceptable margin for services
- **Power** is now **in the hands of the consumer**
  - > The end of the banker's "domination"
  - > Strong impact 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



Bankable

Slim Pay

Railsbank



Our  
**ambition**

“

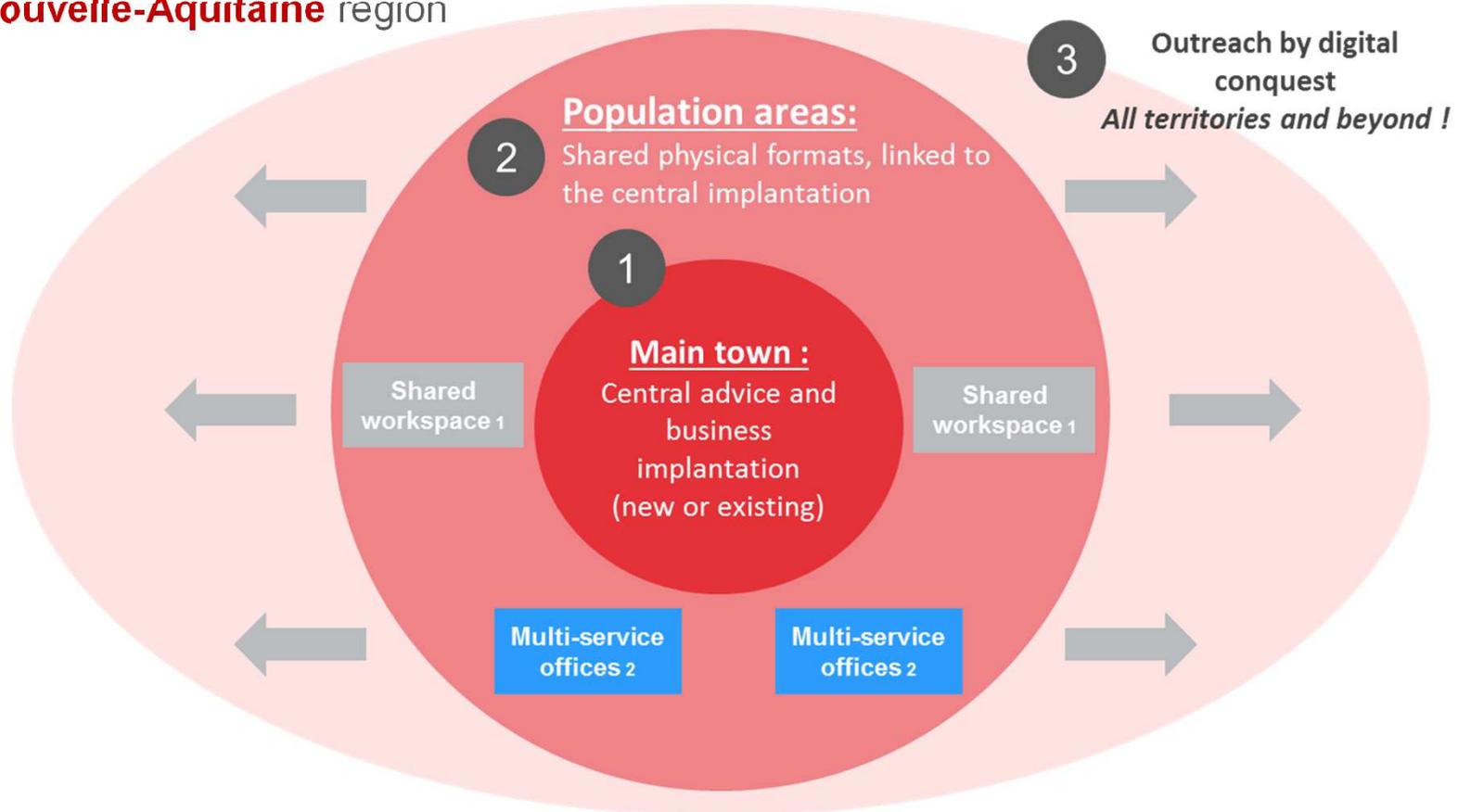
Our ambition  
is to stand out as the  
**financial services hub**  
model, offering the best answers  
to aspirations and ways of life of  
today and tomorrow.

”

## 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

A white L-shaped graphic element consisting of a vertical line on the left and a horizontal line on top, framing the text.

# 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 %**



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).



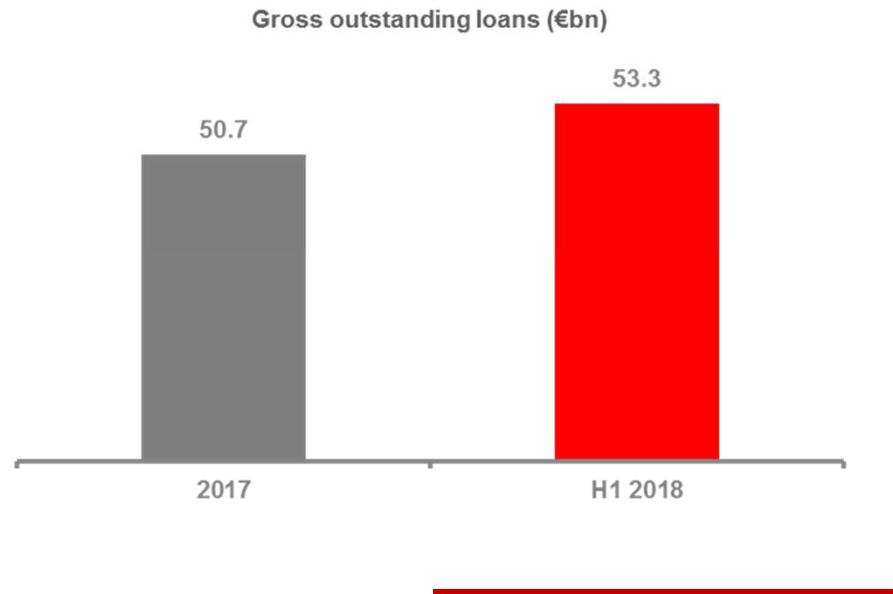
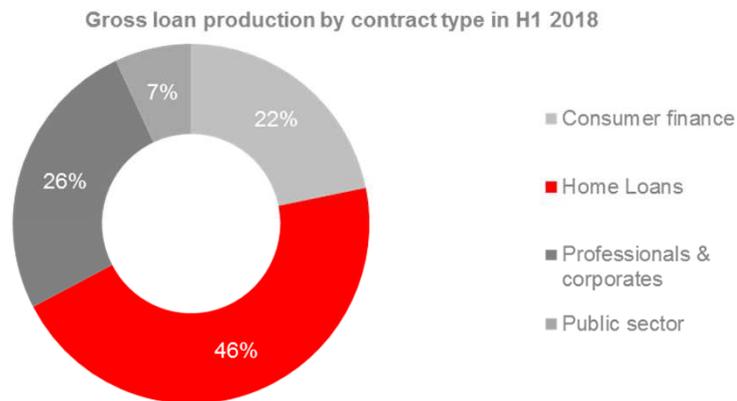
Activity & results  
**1<sup>st</sup> half**  
**2018**

## 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

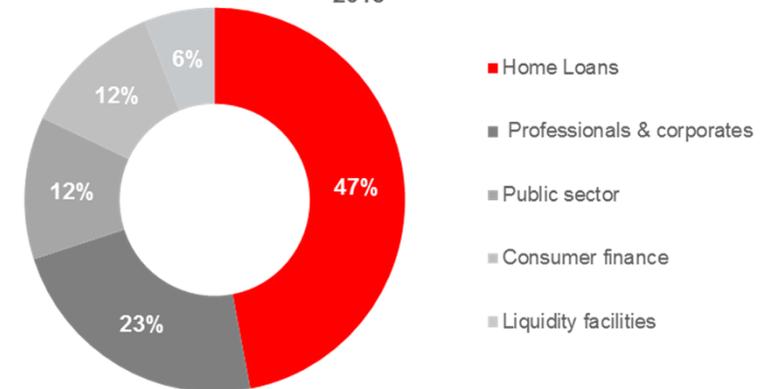


## Outstanding commercial performances

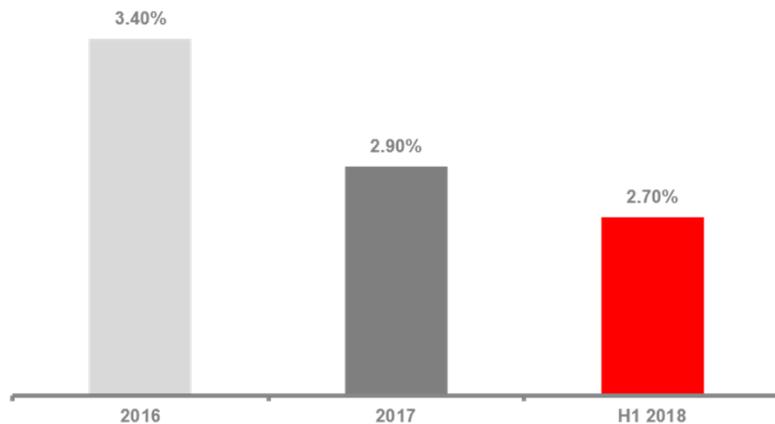
# A quality loan portfolio

- 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)

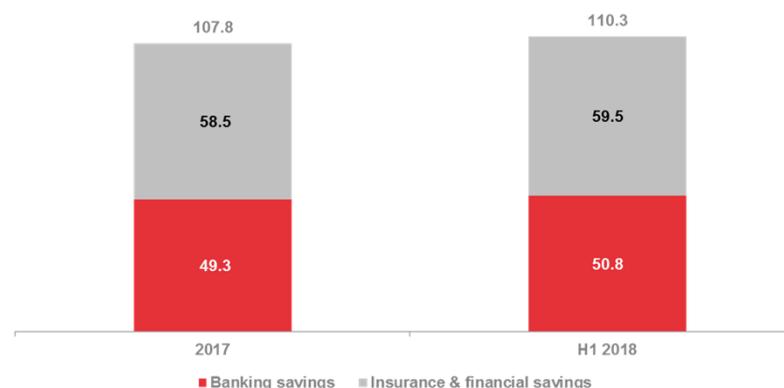
- In the first half of 2018, Crédit Mutuel Arkéa remained very prudent in managing client credit risk, net of guarantees received
- The provisioning rate of non performing loans on the balance sheet (principal and interest) reached 56.7% at the end of June 2018, slightly lower than at the end of 2017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

## Outstanding commercial performances

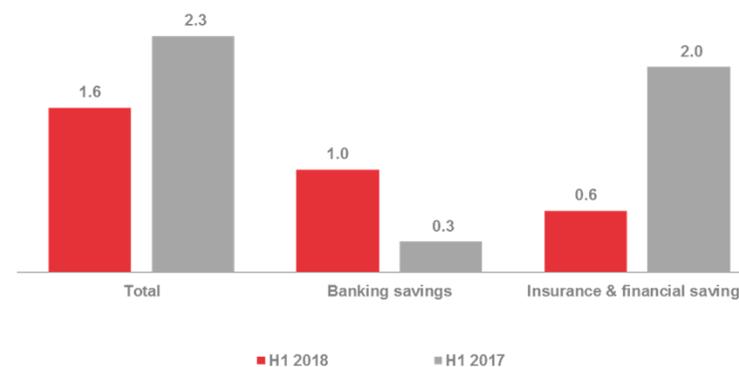
# Outstanding savings growing by 2.4% to €110.3 bn

- 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)



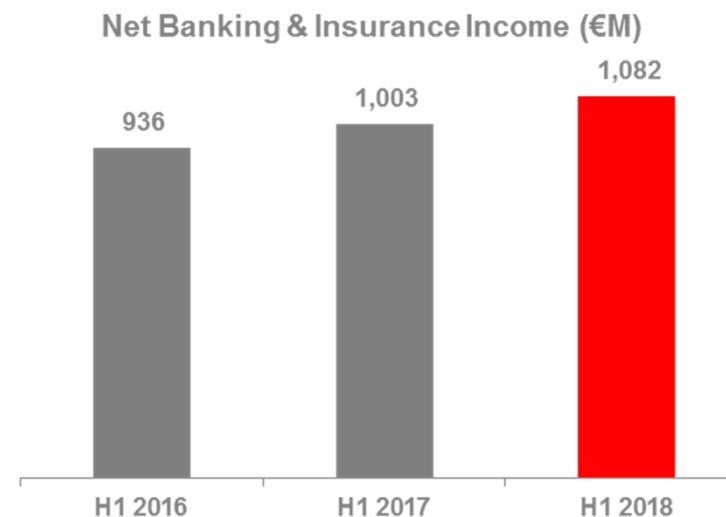
## Half year results at their highest level

# 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

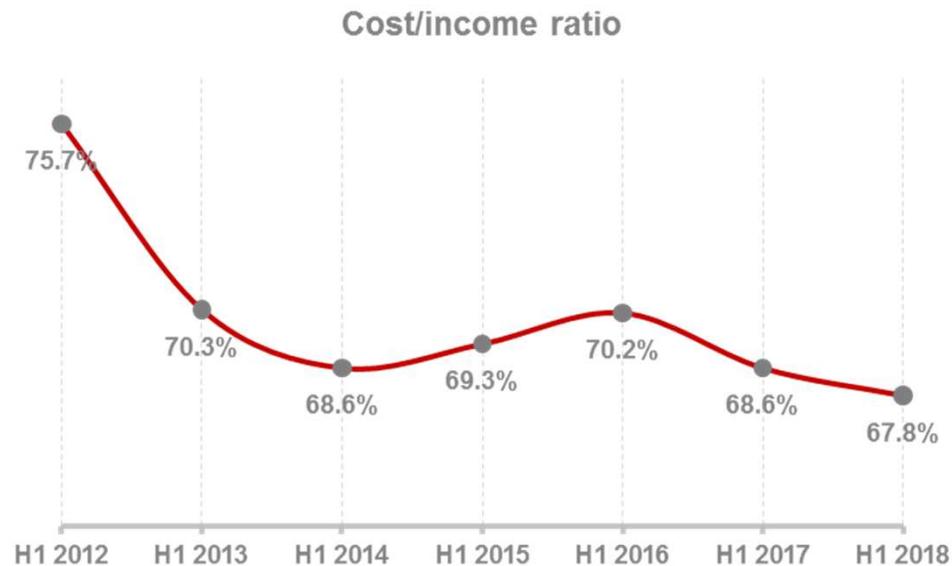
Revenues of the insurance and asset management business line decreased by €16 M to €255 M with a higher claim rate in P&C insurance in H1 2018, following a very low claim level in 2017



## 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

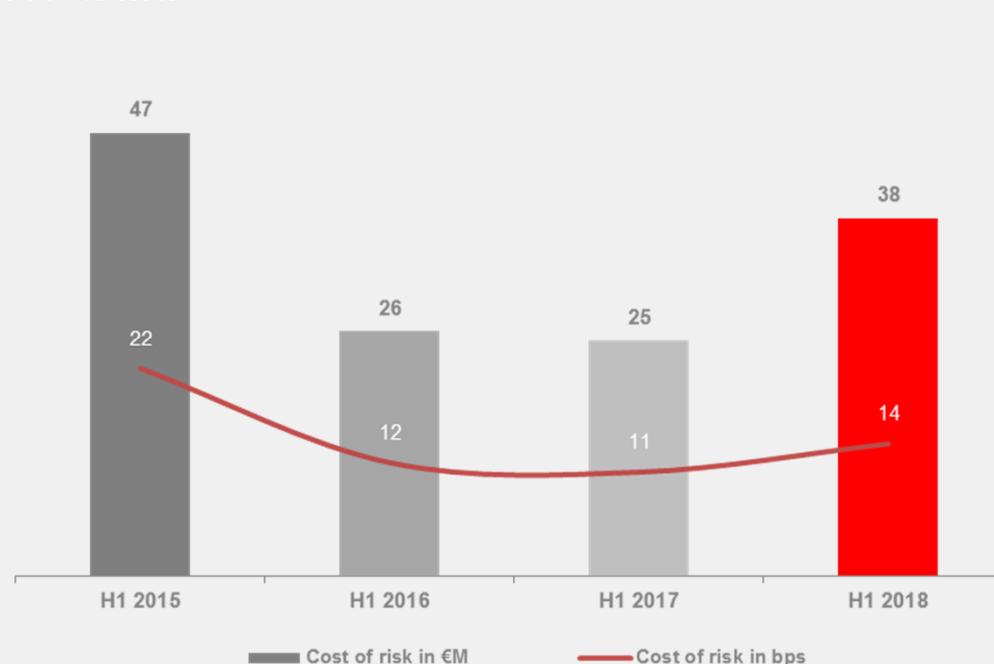


## Half year results at their highest level

# 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

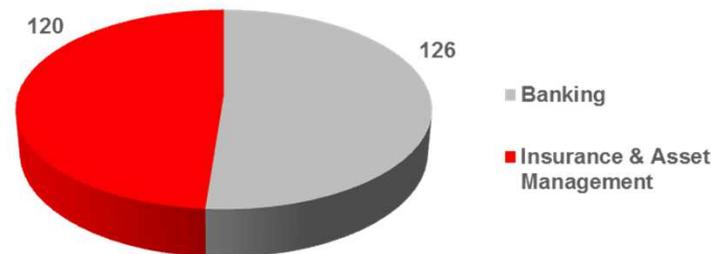
# Net income growing by 27.5% to €247 M

- 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)



(\* ) On 1<sup>st</sup> June 2018, Financo, a group subsidiary specialised in consumer finance, acquired the car financing business of My Money Bank in metropolitan France. This acquisition resulted in a badwill of €19.6 M, accounted for as a change in value of goodwill.

A white L-shaped graphic element consisting of a vertical line on the left and a horizontal line on top, meeting at a corner. The word "Solvency" is positioned to the right of the vertical line and below the horizontal line.

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

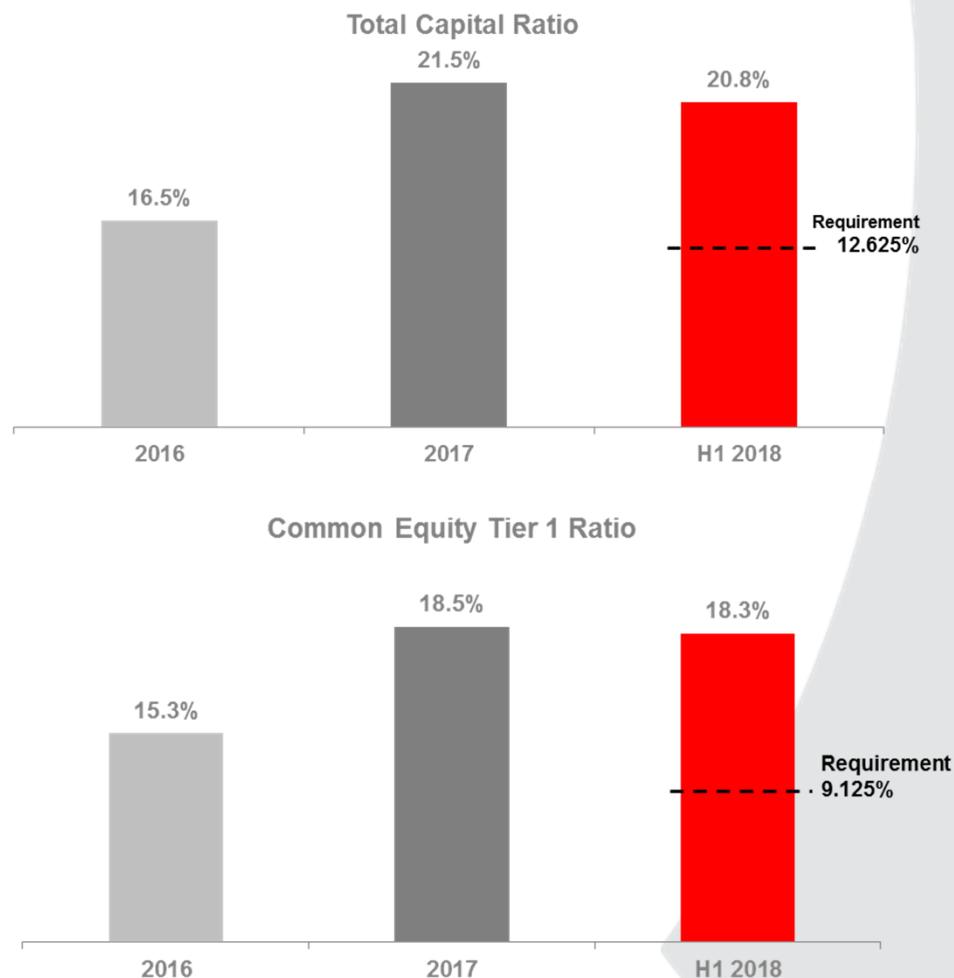
- The group's total capital requirements increase with the growth of outstanding loans and commitments

€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)**



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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**

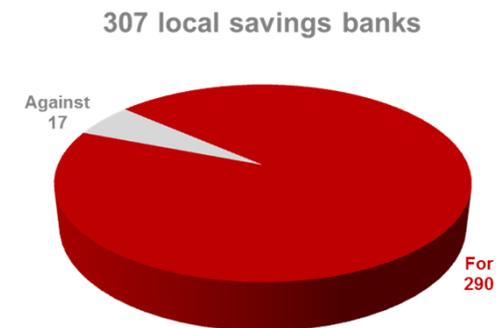
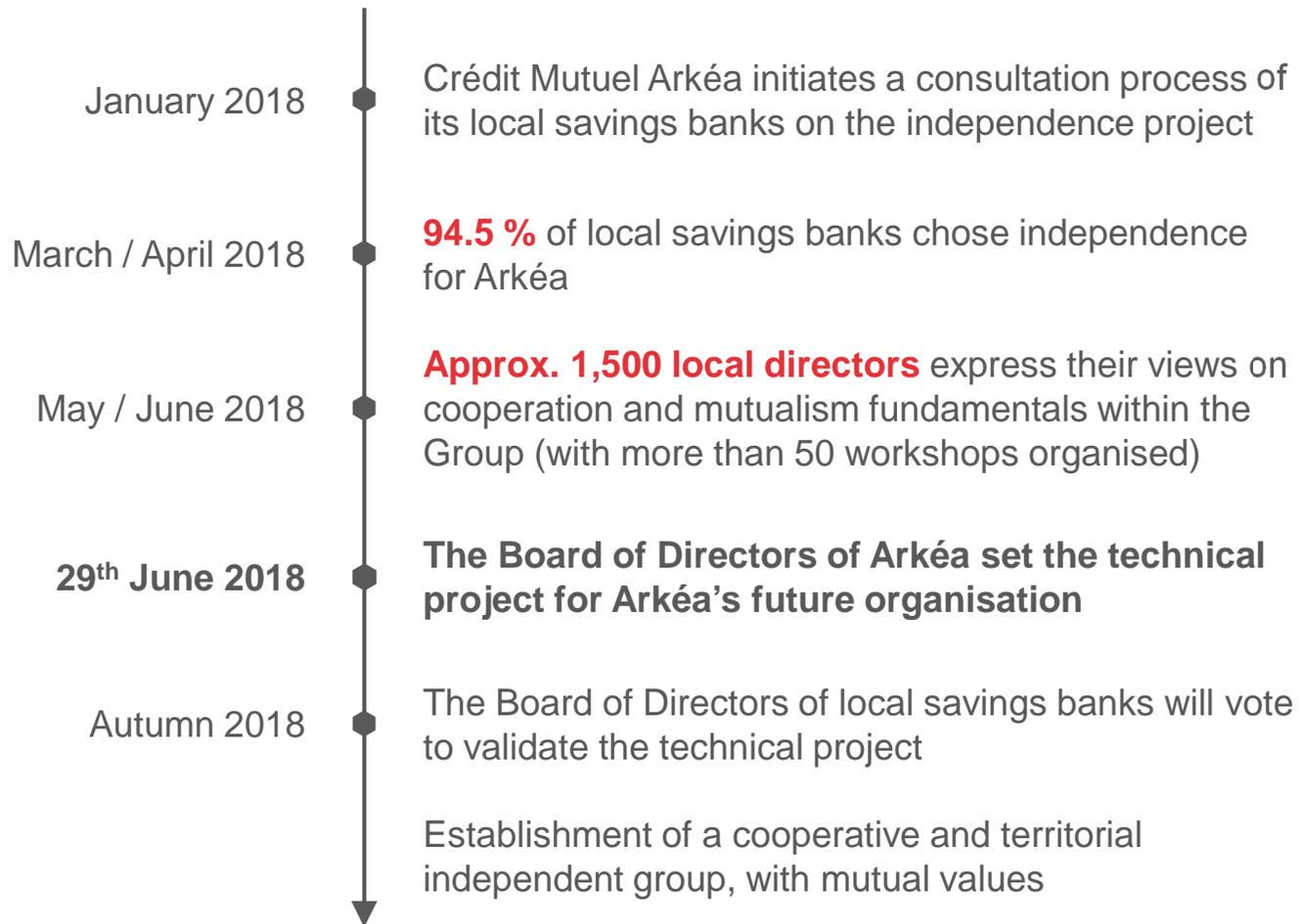
- A strong commercial development, with growing customer acquisitions and revenues over €1 bn
- A profitable growth pace, with a lower cost/income ratio
- A higher cost of risk, impacted by IFRS 9
- A half-yearly net income at its highest level, at €247 M
- A robust financial structure, with high solvency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

Our **independence**  
project

The logo for ARKEA, featuring the word "ARKEA" in a bold, red, sans-serif font, centered within a white rounded square.

**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

LOCAL DIRECTORS

In April, 94.5% of Crédit Mutuel Arkéa's local savings banks voted in favour of independence

94.5%



EMPLOYEES

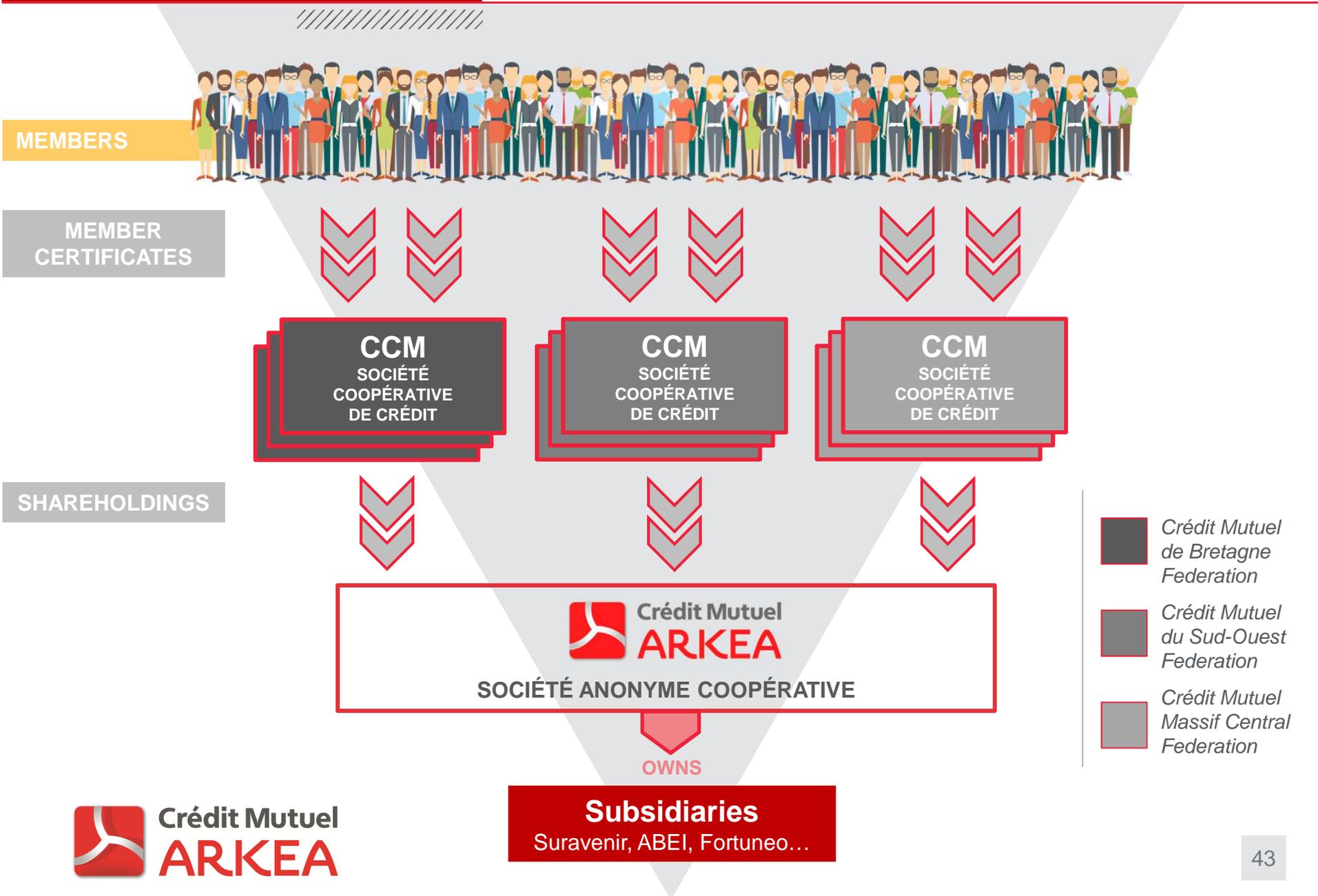
> 6,000 supports, with a majority of employees, demonstrated in Paris on 17<sup>th</sup> May

STAKEHOLDERS

The group's stakeholders have shown a large support to the independence project

# CURRENT ORGANISATION

# The inverted pyramid principle



# FUTURE ORGANISATION

# The inverted pyramid principle

MEMBERS



MEMBER CERTIFICATES



SOCIÉTÉ COOP. LOCALE

BANKING ACTIVITIES

SOCIÉTÉ COOP. LOCALE

BANKING ACTIVITIES

SOCIÉTÉ COOP. LOCALE

BANKING ACTIVITIES

SHAREHOLDINGS



# ARKEA

SOCIÉTÉ ANONYME COOPÉRATIVE

OWNS

Federation of Brittany

Federation of Nouvelle-Aquitaine

Federation of Auvergne-Rhône-Alpes



## Subsidiaries

Suravenir, ABEI, Fortuneo...

////////////////////  
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"**



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Appendix

A white L-shaped graphic element consisting of a horizontal line extending to the right and a vertical line extending downwards, forming a corner bracket around the text.

# Liquidity & Funding

# High liquidity levels

- Surplus MLT market funding of €10.8 bn

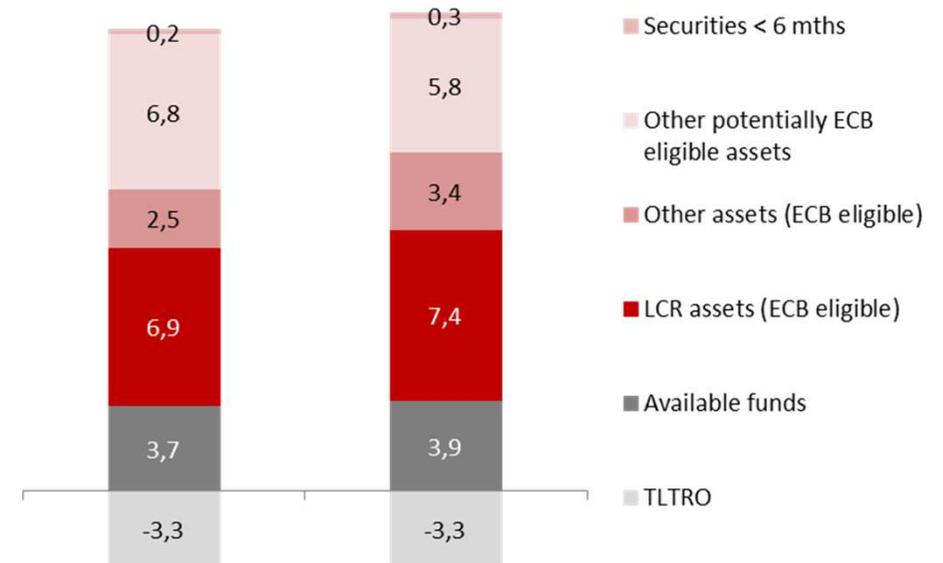
30 June 2018

(in €bn)



- Liquidity reserves of €17.5 bn

## Liquidity reserves

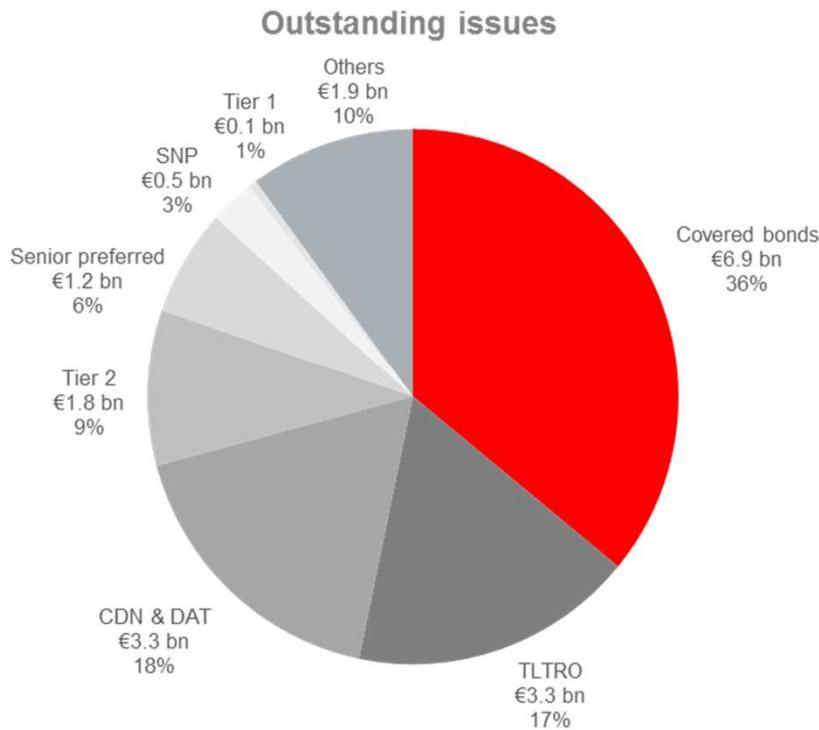


- Redemptions in the second half of 2018 covered 4 times by HQLAs and cash reserves
- LCR of 125%

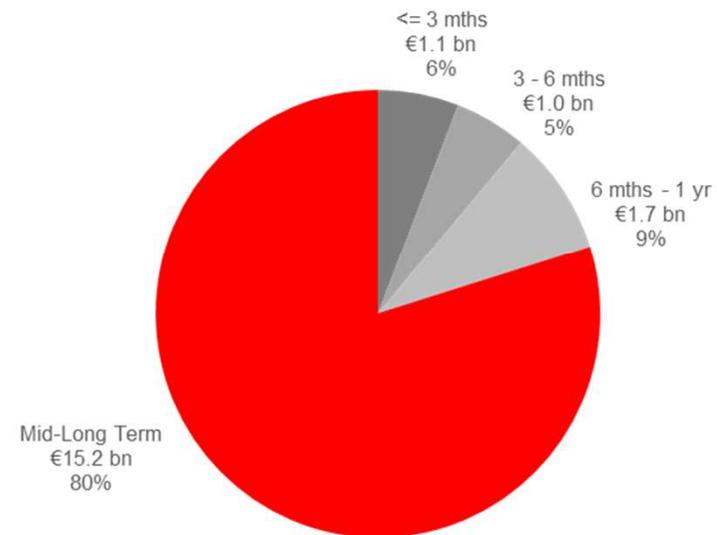
## Diversification and balance between programmes

- 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

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

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	%
<b>Net Banking &amp; Insurance Income</b>	<b>1,082</b>	<b>1,003</b>	<b>80</b>	<b>7.9%</b>
Operating expenses	(734)	(688)	46	6.6%
<b>Gross operating income</b>	<b>349</b>	<b>315</b>	<b>34</b>	<b>10.8%</b>
Provisions for risks	(38)	(25)	13	48.7%
<b>Operating income</b>	<b>311</b>	<b>290</b>	<b>21</b>	<b>7.5%</b>
<b>Net income – Group share</b>	<b>247</b>	<b>193</b>	<b>53</b>	<b>27.5%</b>

## 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

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- 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

**WE POSITIVE INVEST**

**€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 :

- Peinture à base d'algues
- 
-

# Your contacts

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