

Crédit Mutuel Arkéa Group 2013 Annual Results

April 2014

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

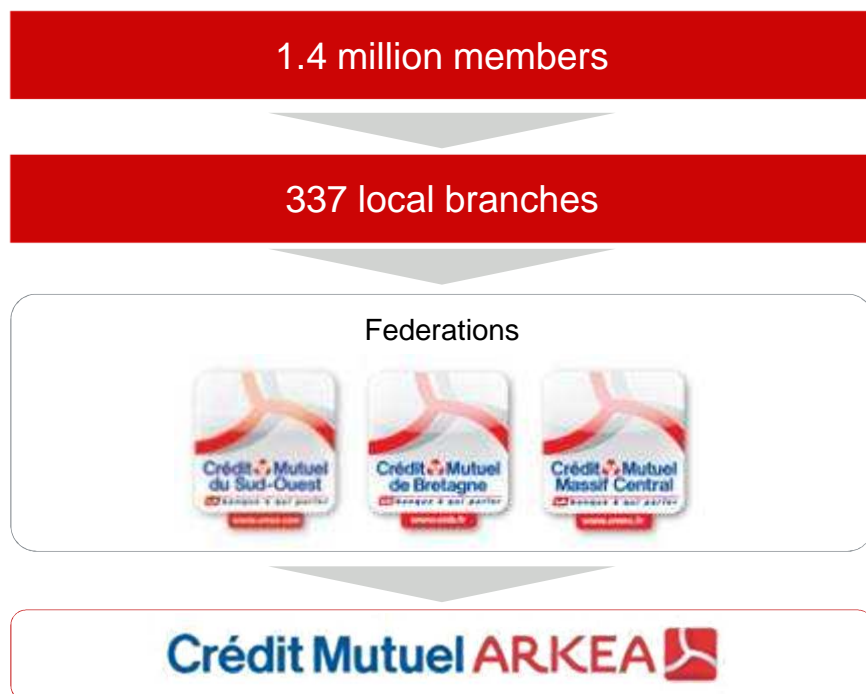
The consolidated financial statements as at, and for the year ended, 31 December 2013 have been approved by the Boards of Directors dated 28th February 2014 and have been audited.



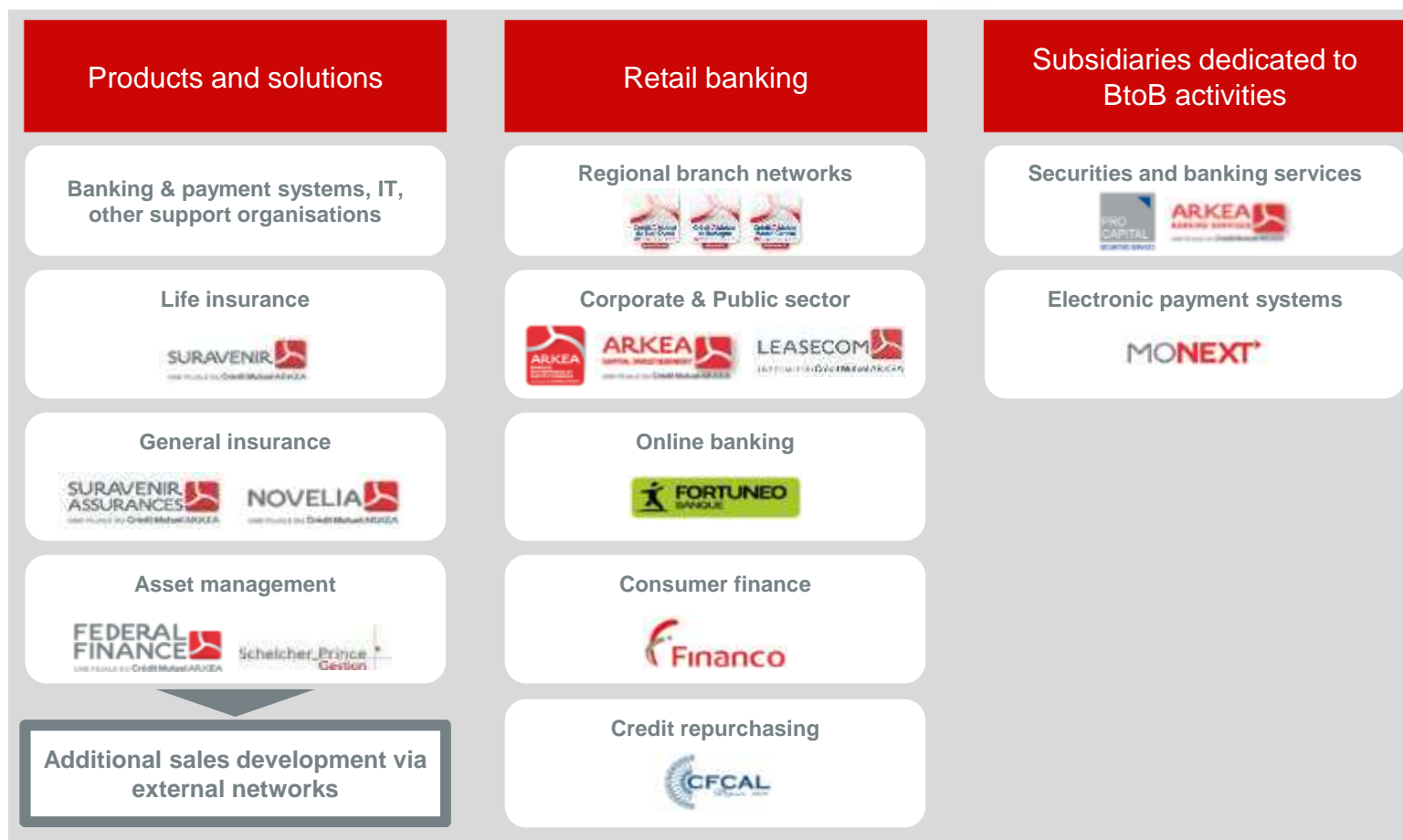
Crédit Mutuel
Arkéa
Group

*Crédit Mutuel Arkéa Group
stands out as a key partner
for its customer's projects
by reinventing a simple
and unique local and regional
banking model.*

The governance of Crédit Mutuel Arkéa

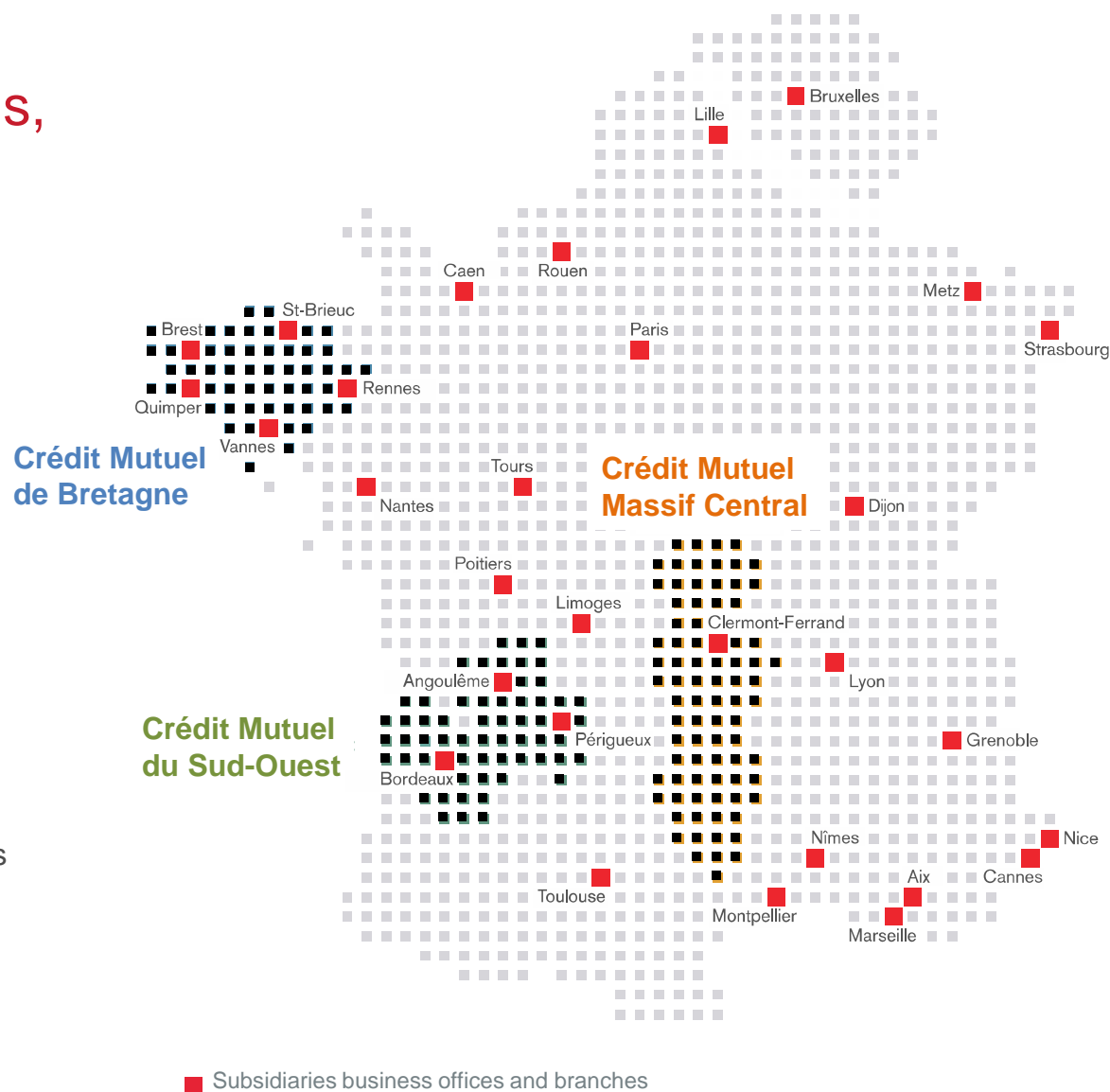


A complete range of solutions for the benefits of customers




Regional foundations, national reach

- A network of **480 points of sale**, incl. 337 local branches, in Brittany, the South-West and Massif Central
- **19 regional business centers** for Arkéa Banque Entreprises & Institutionnels
- **A presence in Belgium** with Fortuneo Banque and Procapital Securities Services



A group with strong fundamentals to match its ambitions





2013 Annual Results

2013

A year of performance for Crédit Mutuel Arkéa, in a difficult economic environment

A dynamic commercial development

- Record net savings inflows of €5.8 bn
- Loan production of €7.7 bn, increased by 3.2%

Strong financial results, increased operational efficiency

- NBII: €1.6 bn, increased by 3.7%*
- Net income group share: €213 M, up 26.6%
- Cost/Income ratio at 70.3%, down 5.4 pts

A reinforced balance sheet, high solvency levels

- Loan-to-deposit ratio at 115%, down 19 pts
- Core Tier 1 ratio of 14.3%, at the highest market levels

“ *Crédit Mutuel Arkéa Group,
banking & insurance entrepreneur* ”

*excluding non-recurring items and changes in consolidation

2013

A year of performance for Crédit Mutuel Arkéa: key financial indicators

€M	2013	2012	% Var.
Net Banking & Insurance Income (NBII)	1,620	1,667	-2.9%
Operating expenses	1,139	1,262	-9.7%
Gross Operating Income	481	406	+18.5%
Cost of risk	150	116	+29.3%
Net Operating Income	331	290	+14.1%
Net Income	213	168	+26.6%

A dynamic commercial development

- Record net savings inflows of €5.8 bn (+22%)

- Interest-earning deposits: €3.3 bn
- Life insurance: €1 bn, x 7 vs. 2012
- Financial savings: €1.5 bn, x 2 vs. 2012

➔ **Outstanding savings up by 10%, at €73.8 bn**

- A loan production of €7.7 bn (+3%)

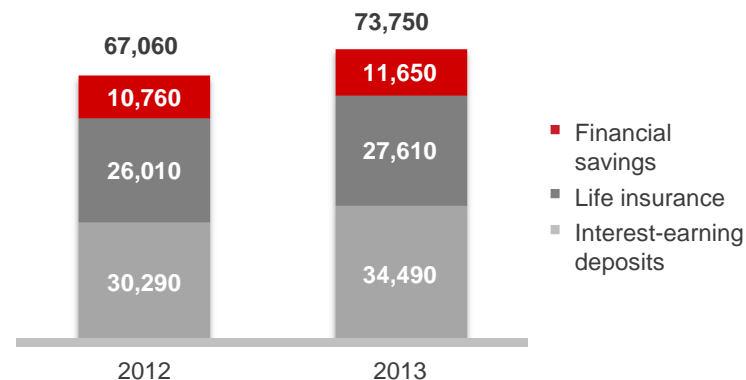
- Commitment of the group to support its clients' projects

➔ **Outstanding loans increased by 2%, at €39.7 bn**

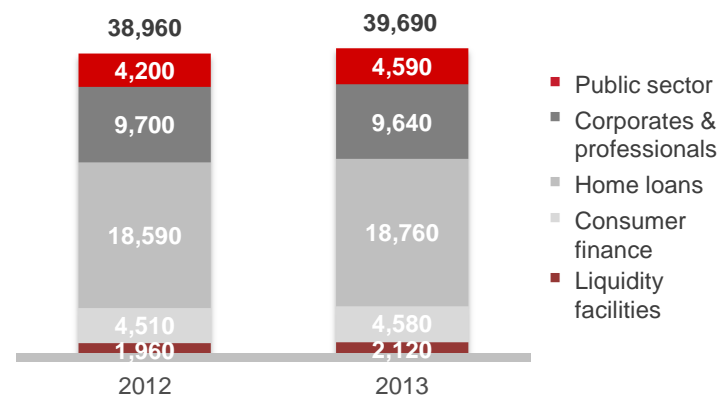
- A 8%-growth of the general insurance and individual protection portfolio

- 372,000 new contracts, with external networks contributing to a quarter of new business
- 1.8 million contracts in stock

Outstanding savings (€M)



Outstanding loans (€M)



*historical data adjusted for activities impacted by the sale of BPE

Strong financial results, increased operational efficiency

- Net Banking & Insurance Income at €1,620 M

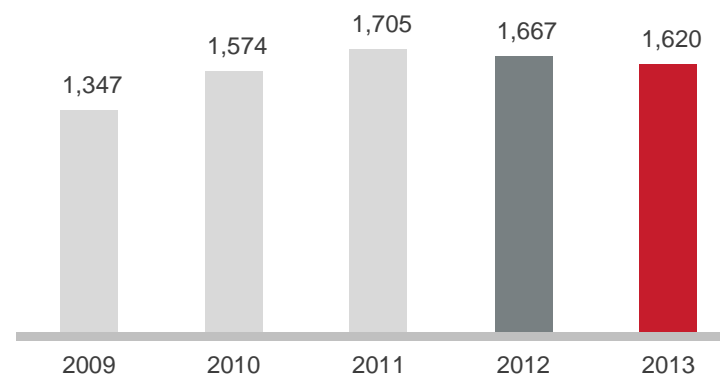
On a comparable basis and after adjusting for exceptional items:

- Increasing by €57 M (+3.7%)
- A €32 M (+5.8%) improvement of the financial margin, at €592 M, with lower funding costs
- A €33 M (+9%) increase of commissions, at €400 M

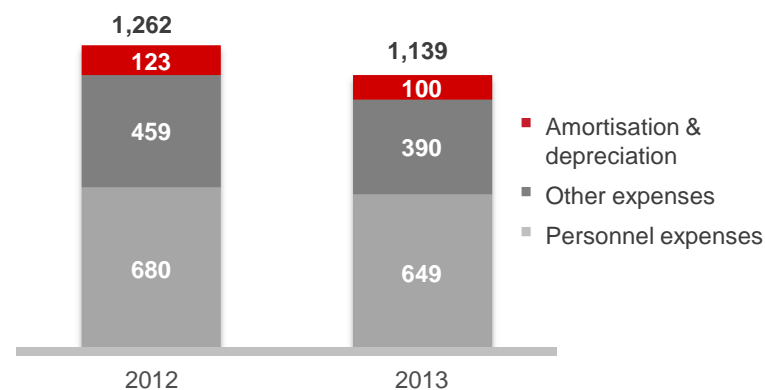
- A significant reduction of operating expenses, down by €123 M (-9.7%)

- A €77 M (-6.4%) decrease on a comparable basis
- A reduction of all expense items
- Effects of the plan initiated in 2012 to improve operational efficiency

Net Banking & Insurance Income (€M)

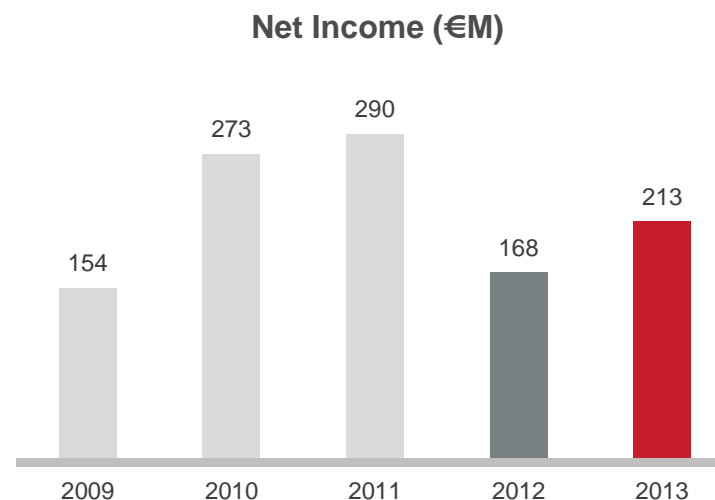
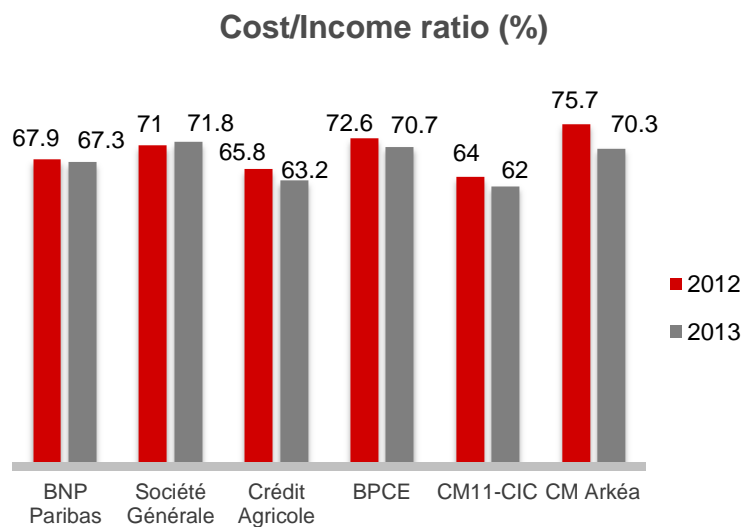


Operating expenses (M€)



Strong financial results, increased operational efficiency

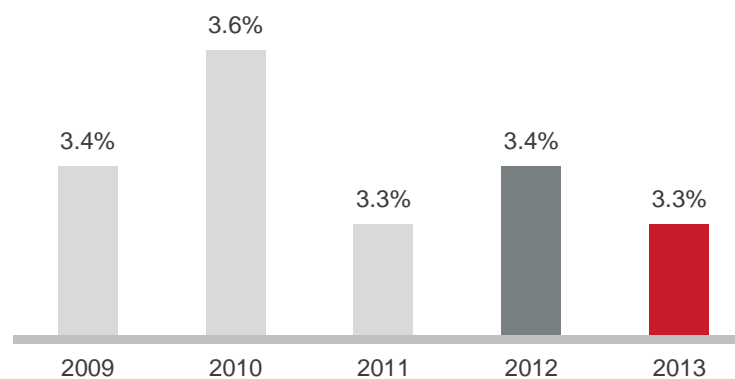
- A sharp decrease (-5.4 pts) of the cost/income ratio, at 70.3%
 - A positive trend within the French banking sector
- A highly increased profitability, with a net income of €213 M
 - A €45 M (+26.6%) growth, despite a higher cost of risk



Focus on the cost of risk

- Cost of risk increased by €34 M (+29.3%) to €150 M
 - Prudent risk management policies, in a difficult economic context
 - A 1.7-point rise of the provisioning rate for corporates & professionals, at 59,8%
 - General provisions for doubtful loans increased by €17 M
- The group's client portfolio remains of quality
 - Non Performing Loans (NPLs) levels are slightly lower, at 3.3% of total outstanding loans

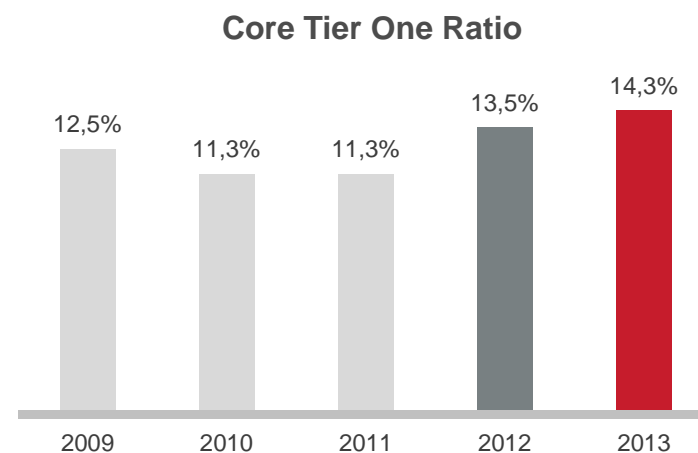
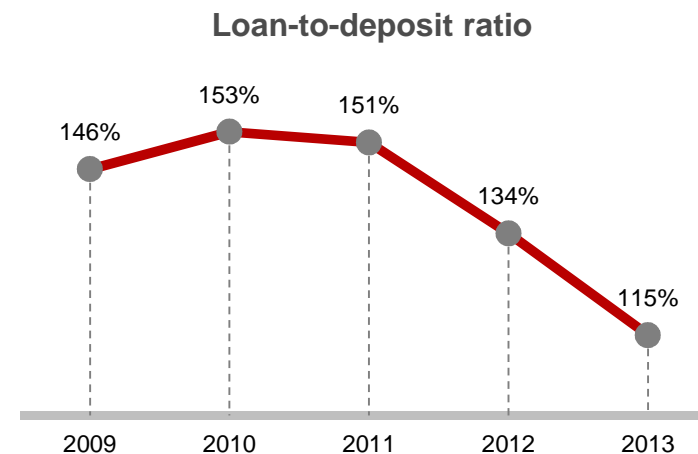
NPLs over outstanding loans*



*NPLs excluding interests

A reinforced balance sheet, high solvency levels

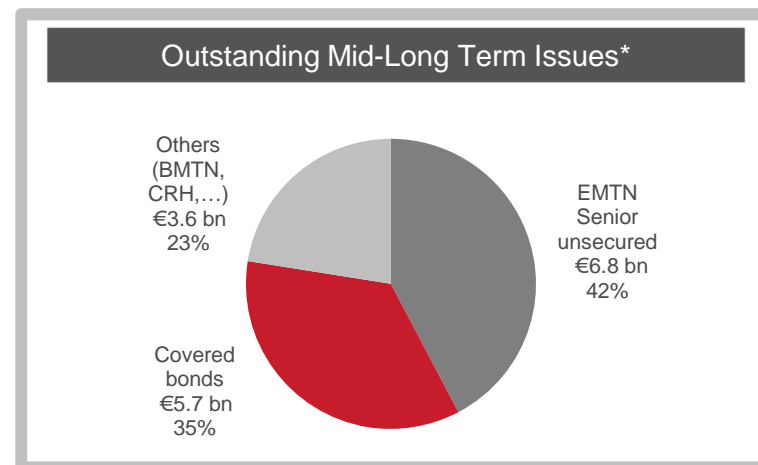
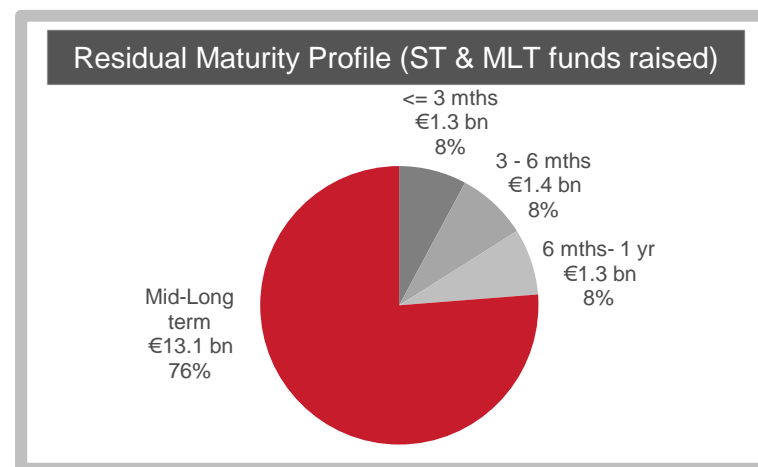
- A 19-point improvement of the loan-to-deposit ratio
 - Down from 134% to 115% thanks to record savings inflows and with a significant loan production
- A total balance sheet of €94 bn
 - A 5.7% (€114 M) increase in outstanding member shares, reaching €2.1 bn
 - Shareholders' equity stands at €5 bn
- A Core Tier One ratio of 14.3%, improved by 80 bps
 - Largely above regulatory requirements
- A leverage ratio above 3%



Comfortable liquidity reserves

- Total liquidity reserves of €10.7 bn
 - Liquidities and short term replacements: €6.2 bn
 - ECB eligible assets: €4.5 bn

- Mid-Long Term funding
 - Repayment of LTRO (€750 M) in February 2013
 - €1.4 bn MLT funds raised in 2013
 - €500 M covered bond public issue from the Home Loans SFH programme
 - €683 M private placements
 - Others: €232 M
 - Diversification achieved using different debt programmes
 - Long term resources favoured, with an average residual maturity of 6.2 years



*Initial term at issue date

Quality ratings

**STANDARD
& POOR'S**
RATINGS SERVICES



A / A-1 / negative outlook

MOODY'S



Aa3 / P-1 / negative outlook

2013

A year of performance for Crédit Mutuel Arkéa

- Highly improved financial results
- Increased operational efficiency
- A strengthened financial structure

A group
with
strong
fundamentals

An **agile**
& **initiative-**
driven
group

A group **ready**
to overcome
tomorrow's
challenges

“ *Crédit Mutuel Arkéa Group,
banking & insurance entrepreneur* ”



Appendix

Income statement for the year ended 31st December 2013

€M	2013 IFRS	2012 IFRS	Variation	%
Net Banking & Insurance Income	1,620	1,667	(47)	(2.9)
General operating expenses	(1,039)	(1,138)	(99)	(8.7)
Amortisation and depreciation	(100)	(123)	(23)	(18.7)
Gross operating income	481	406	75	18.5
Provisions for risks	(150)	(116)	34	29.3
Operating income	331	290	41	14.1
Shares of earnings of companies carried under equity method and income/loss on others assets	2	3	(1)	(33)
Pre-Tax income	333	293	40	13.7
Income tax	(119)	(124)	(5)	4.0
Net income	214	169	45	26.6
Minority interest	(1)	(1)	-	-
Net income – Group share	213	168	45	26.6

Group consolidated balance sheet as at 31st December 2013

Assets (€M)	31/12/2013 IFRS	31/12/2012 IFRS	Liabilities (M€)	31/12/2013 IFRS	31/12/2012 IFRS
Cash, due from central banks	2,301	5,215	Liabilities at fair value	803	1,263
Financial assets at fair value	10,343	9,750	Due to banks	3,526	1,340
Financial assets available for sale	29,111	23,455	Customer accounts	34,550	30,215
Due from banks	8,936	7,027	Debt securities in issue	17,077	19,532
Loans and advances to customers	39,244	38,570	Accruals, deferred income and sundry liabilities	1,994	4,920
Held-to-maturity financial assets	228	322	Insurance companies technical reserves	30,283	28,201
Accruals, prepayments and sundry assets	2,249	5,072	Provisions for contingencies and charges	325	286
Investment property	1,134	1,066	Subordinated debt	397	418
Goodwil	423	423	Shareholders' equity	5,010	4,721
			Share capital and reserves	2,138	2,024
			Consolidated reserves	2,592	2,498
			Unrealised or deferred gains or losses	68	31
			Net income	213	168
			Minority interest	4	4
Total Assets	93,969	90,900	Total Liabilities	93,969	90,900

Covered bond programmes

	Crédit Mutuel Arkéa Public Sector SCF	Crédit Mutuel Arkéa Home Loans SFH
Programme size	€10 bn	€ 10 bn
Rating	AA+ (S&P) and Aaa (Moody's)	AAA (S&P)
Minimum over-collateralisation	Legal minimum : 2% Contractual minimum : 5% (Max. Asset percentage 95.2%)	Legal minimum : 2% Contractual minimum : 8.1% (Max. Asset Percentage 92.5%)
Asset Cover Test	Monthly Non-performing assets are not taken into account in Asset Cover Test calculations	Monthly Non-performing assets are not taken into account in Asset Cover Test calculations
Liquidity Support	Direct access to ECB using the cover pool	Direct access to ECB
Asset-Liability Management	Back-to-back loans to Crédit Mutuel Arkéa to ensure there is no mismatch Hedging strategy mitigates potential currency or interest rate risks in case of effective transfer of the collateral	
Risk weighting	10 %	20 % (CRD 3)
Listing	Luxembourg	Luxembourg
Specific controller	Cailliau Dedouit et Associés	Cailliau Dedouit et Associés

Covered bond programmes

	Crédit Mutuel Arkéa Public Sector SCF	Crédit Mutuel Arkéa Home Loans SFH
Current size	€1,260 M	€6,836 M
Over collateralisation	145%	141 % (77.7 % asset percentage)
Assets	100% French public sector originated by Crédit Mutuel Arkéa	100% French prime home loans originated by Crédit Mutuel Arkéa
Geographical breakdown	100 % France (Brittany 23 %, Île-de-France 15 %, Aquitaine 11 %, Nord-Pas-de-Calais 10 %)	100 % France (Brittany 65 %, Aquitaine 14 %, Île-de-France 5 %, Auvergne 3 %)
Seasoning	41 months	54 months
Average remaining terms	193 months	160 months
Average Loan Balance	€1,443,665	€75,293
Average LTV	N/A	Unindexed : 69 % Indexed : 67 %
Number of Borrowers	873	86,123
Issue outstanding	€870 M	€4,823 M

Crédit Mutuel Arkéa Home Loans SFH

▪ **Crédit Mutuel Arkéa Home Loans SFH**

- A duly licensed French Société de Financement de l'Habitat, specialised credit institution with an exclusive purpose
- Strong protection in case of Crédit Mutuel Arkéa bankruptcy or liquidation ensured by French law
- Legal privilege for Obligations de Financement de l'Habitat investors : absolute seniority of payments
- Support from Crédit Mutuel Arkéa in terms of solvability and liquidity
- Entitled to enter into ECB repo facilities, using its own Obligations de Financement de l'Habitat (limited to 10% of the cover pool)

▪ **Cover Pool**

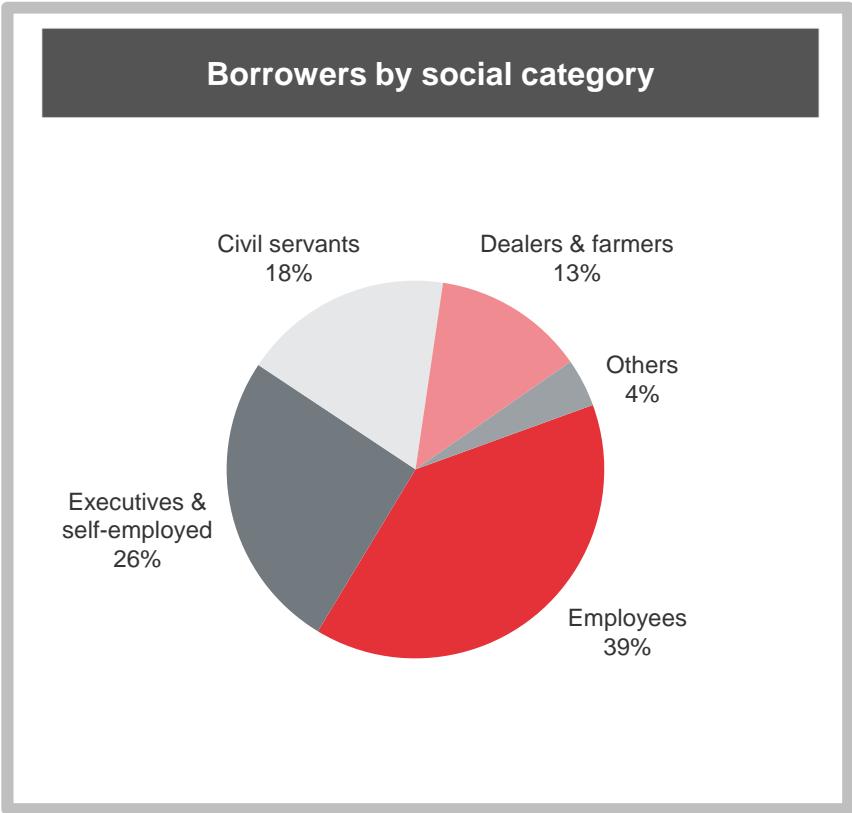
- Exclusively French prime home loans, originated by Crédit Mutuel Arkéa group with conservative underwriting procedures, restrictive eligibility criteria
- Benefits from the sound French home loans market (strict controls and non speculative market)
- Transfer relies on the collateral provisions of the French monetary and financial code (Art. L211-38, transposition of EU Collateral Directive 2002/47)

▪ **Crédit Mutuel Arkéa has chosen external insurance companies to guarantee home loans (excl. mortgages)**

- The insurer provides an unconditional first demand guarantee to Crédit Mutuel Arkéa
- Crédit Mutuel Arkéa has chosen L'Équité, subsidiary of Generali France (Baa1/A-/A-)
- The new loan production (excl. mortgages) is guaranteed by CNP Caution, subsidiary of CNP Assurances (rated "A" by S&P)
- To a lesser extent Crédit Mutuel Arkéa also uses Crédit Logement's guarantee (Aa3/A+ (Moody's / S&P))

▪ **Closely monitored and supervised**

- Regulated by the French Banking Authorities (ACPR) with strict conditions
- Independent specific controller, who regularly audits the collateral portfolio
- Legal minimum collateralisation of 102% reinforced by a contractual minimum of 108.1%
- Liquidity rule: 180 days of liquidity ahead to cover forthcoming payments

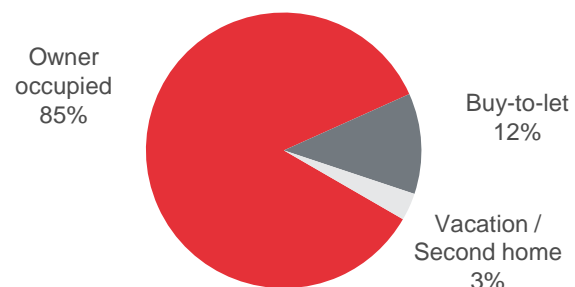


- Crédit Mutuel ARKEA
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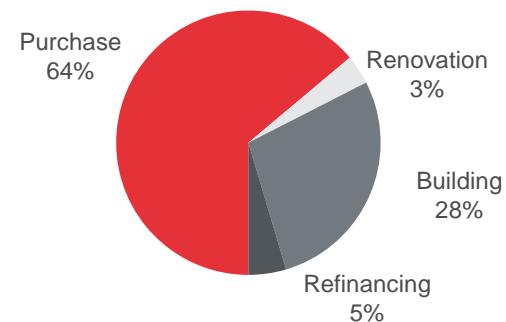
SFH cover pool SFH as at 28/02/2014

Home Loans

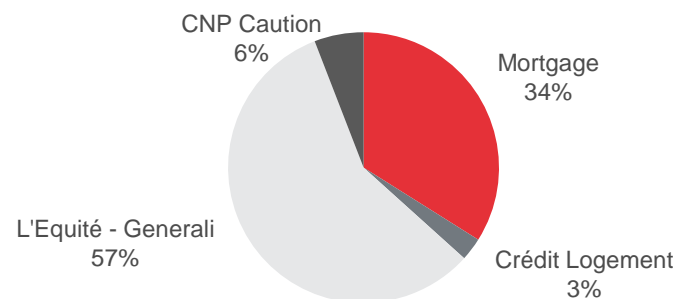
Occupancy type



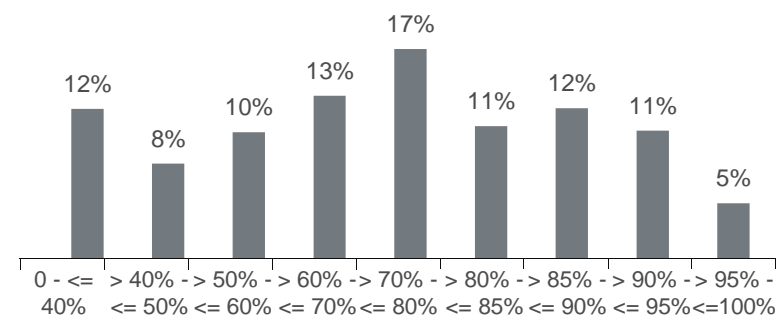
Loan purpose



Mortgage vs Guarantee

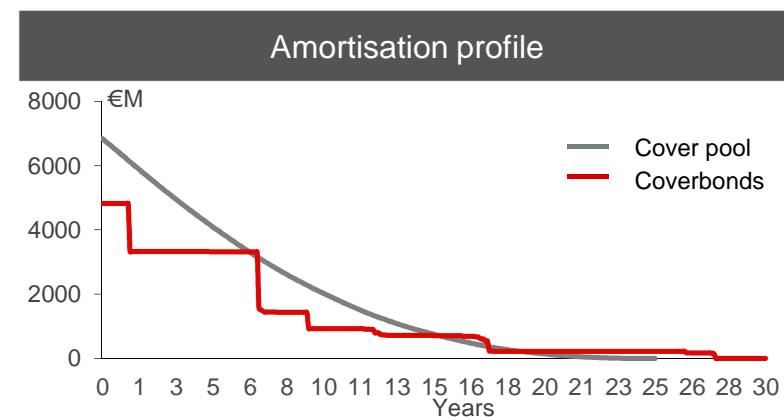
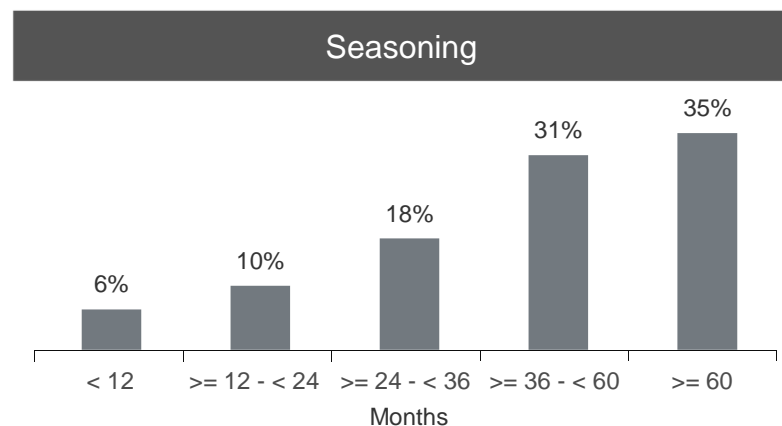
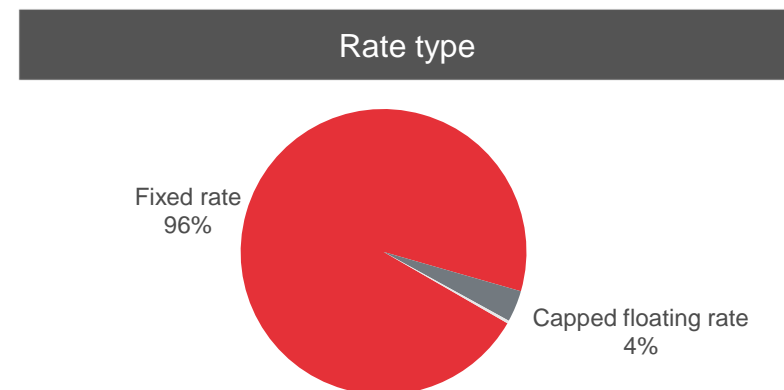
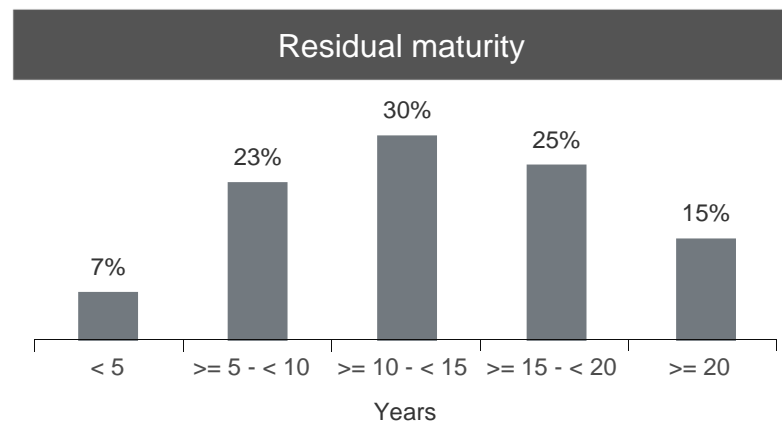


Unindexed LTV



SFH cover pool as at 28/02/2014

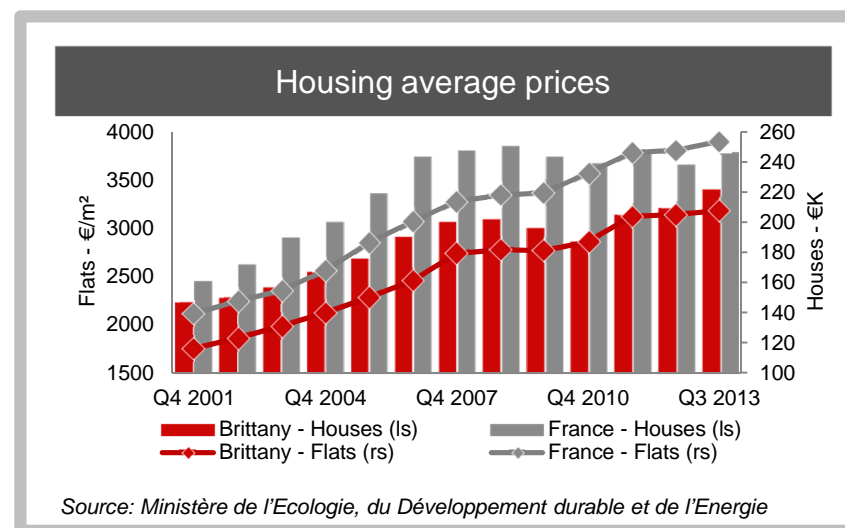
Home Loans



Focus on the French housing market

- A low risk and conservative origination
 - Borrowers' indebtedness represents on average 30.5% of their disposable income
 - The vast majority of home loans are subject to either a mortgage or a guarantee from a credit institution or an insurance company
 - Loans have an average residual maturity of 18.7 years
 - 90% of loans have a fixed rate
 - Average LTV is 78.5% when loan is granted

Source: ACPR



- Recent trends
 - Housing supply remains low vs. strong structural demand (residential permits down 15.7% yoy at end Nov. 2013)
 - Interest rates are at their lowest (3.09% end 2013 vs. 5.07% end 2008)
 - Price corrections have been limited since 2008 (-1.7% Q3 2013 vs. Q3 2012)

Sources: Ministère de l'Egalité des Territoires et du Logement, ACPR, Notaires de France

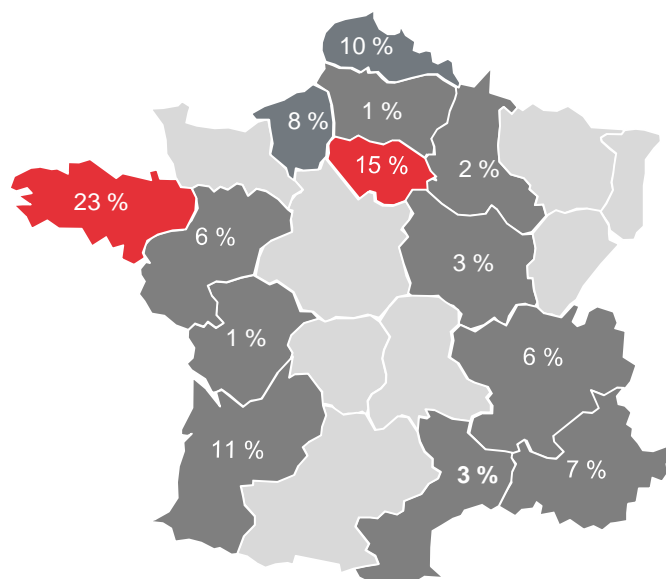
- Brittany: a non speculative housing market
 - A smooth price evolution
 - Prices significantly lower than national average
 - Highest ownership rate in France (67% in Brittany vs. a national average of 58%)

Crédit Mutuel Arkéa Public Sector SCF

- **Crédit Mutuel Arkéa Public Sector SCF**
 - A licensed Société de Crédit Foncier (SCF) to issue Obligations Foncières
 - Strong protection in case of Crédit Mutuel Arkéa bankruptcy or liquidation ensured by French law
 - Legal privilege for Obligations Foncières investors : absolute seniority of payments
 - Support from Crédit Mutuel Arkéa in terms of solvability and liquidity
 - Direct access to ECB liquidity
- **Cover Pool**
 - Strict eligibility criteria to enter cover pool
 - Pure French public sector exposure (direct exposure or 100% guaranteed by such entities), no ABS
 - Loans originated by Crédit Mutuel Arkéa only
- **Closely monitored and supervised**
 - Regulated by the French Banking Authorities (ACPR) with strict conditions
 - Independent specific controller, regular audit of the collateral portfolio
 - Legal minimum collateralisation of 102% reinforced by a contractual minimum of 105%
 - Liquidity rule: 180 days of liquidity ahead to cover forthcoming payments

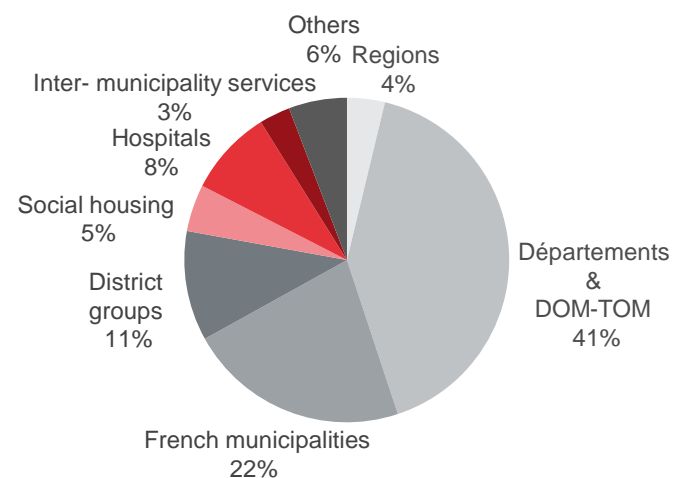
SCF cover pool SCF as at 28/02/2014 - Borrowers

Geographical breakdown



- Cover pool is 100% made of French public sector loans originated by Crédit Mutuel Arkéa
- A diversified regional distribution of the cover pool, due to the group's historical regional specificities

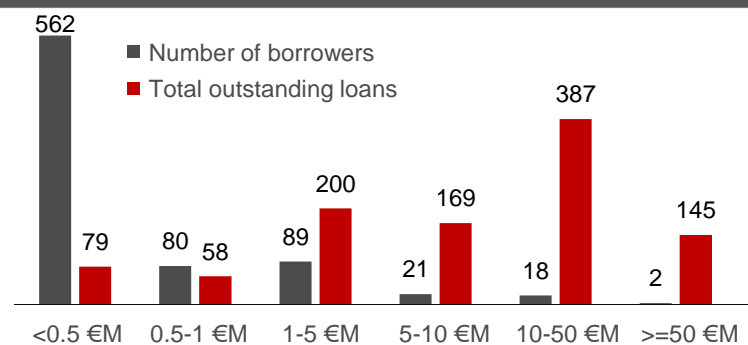
Borrower breakdown by activity



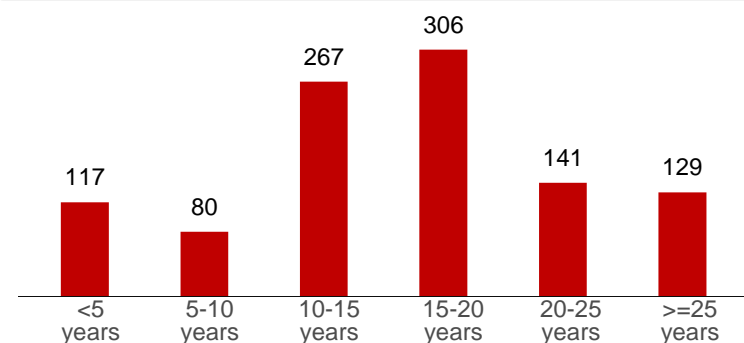
- Average loan balance per borrower: €1.4 m
- 20 largest borrowers represent 38% of the cover pool, distributed across France
- 98% of the pool is a direct claim to a public borrower

SCF cover pool as at 28/02/2014 - Loans

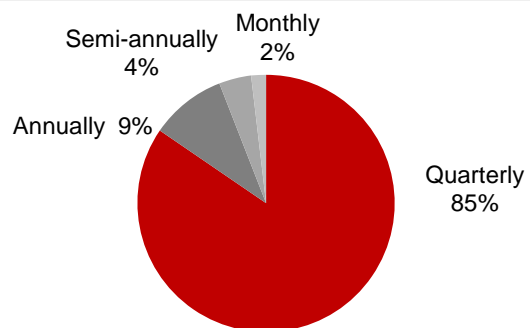
Loan amount breakdown per borrower



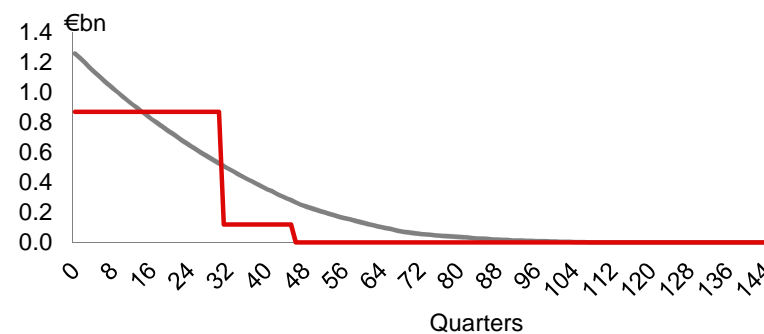
Residual maturity (€M)



Repayment frequency

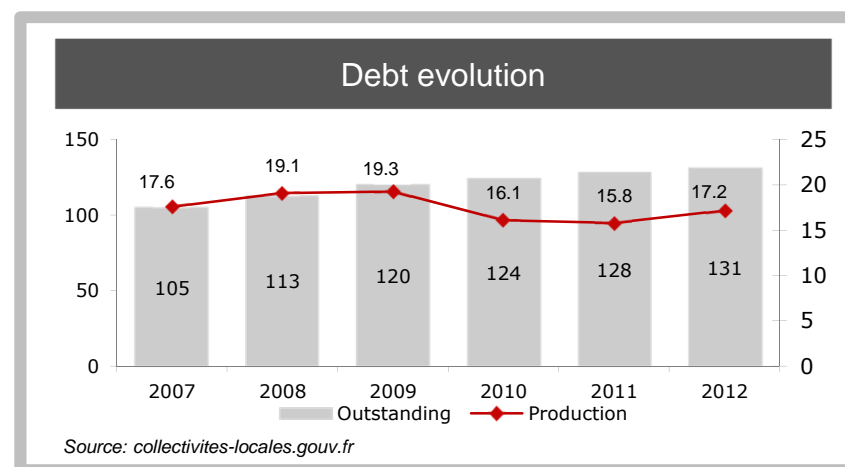
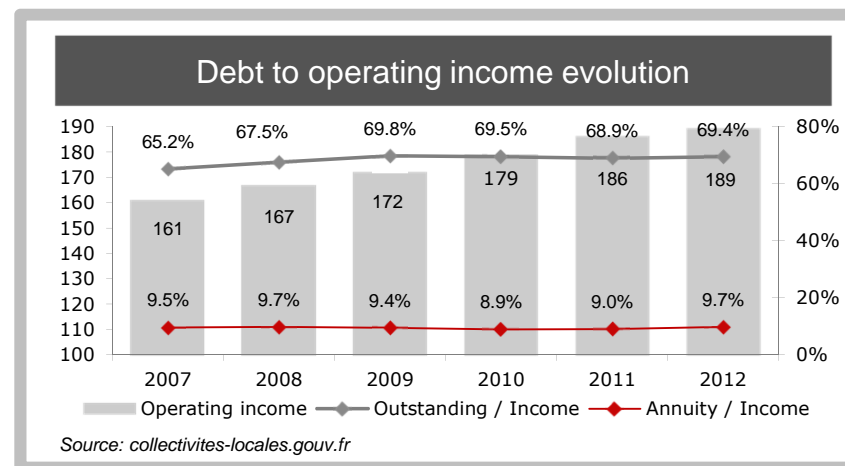


Amortisation profile



Local authorities: a regulated market

- Debt funding is strictly regulated by law
 - Financing through loans and bonds only to cover investment expenses
 - Loans and bonds issuance to fund operating expenses is strictly forbidden
 - Treasury lines are available to cover treasury mismatches when based on certain income
- Budgets must be voted balanced each year, no budget deficit is allowed
- Signed charter (Gissler) in 2009 between banks and local authorities to limit structured products and to promote risk understanding



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New corporate website

www.arkea.com