

"Un Groupe de bancassurance en mouvement"

Crédit Mutuel Arkéa Group 2013 Half year results

September 2013



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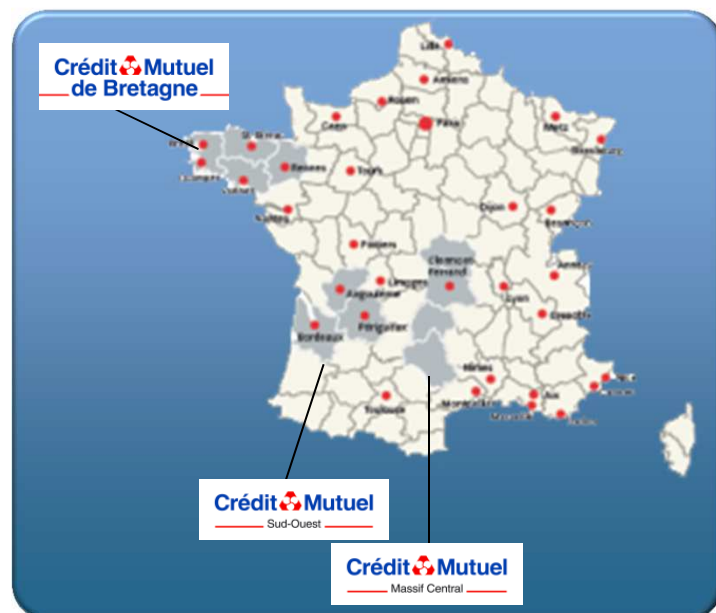


The Crédit Mutuel Arkéa group in brief

About Crédit Mutuel Arkéa

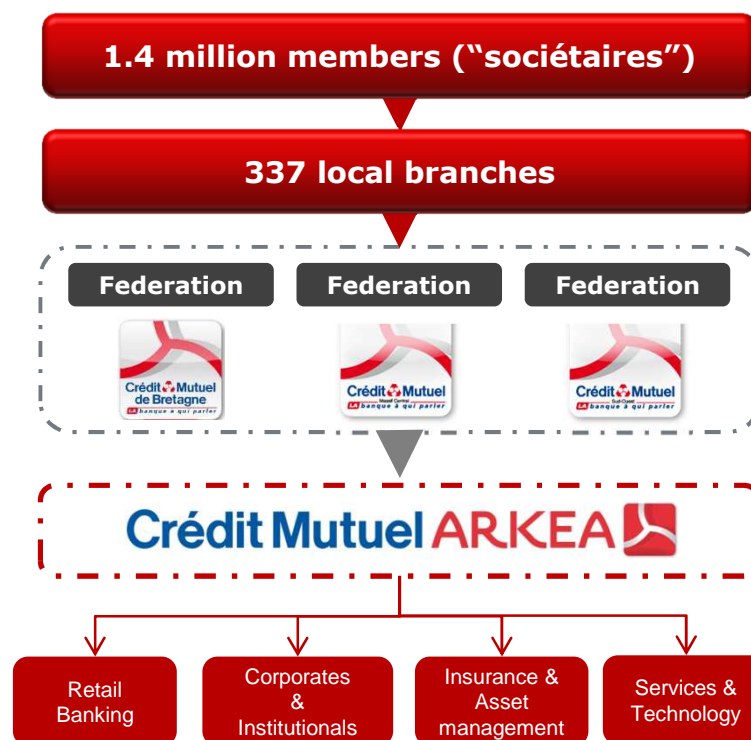
- A retail banking and insurance cooperative mutual bank, not listed on the stock exchange
- Developer, manufacturer and distributor of its product range
- Present in three French regions using the Crédit Mutuel brand, the Group reaches across France through its corporate & online subsidiaries and external networks

Regional foundations, national reach



Ownership and governance

- Crédit Mutuel Arkéa is entirely owned by customers of the 3 regional Crédit Mutuel federations
- Independent “administrators” representing customers form committees at local (branches), regional and central levels, supervise decision-making and results





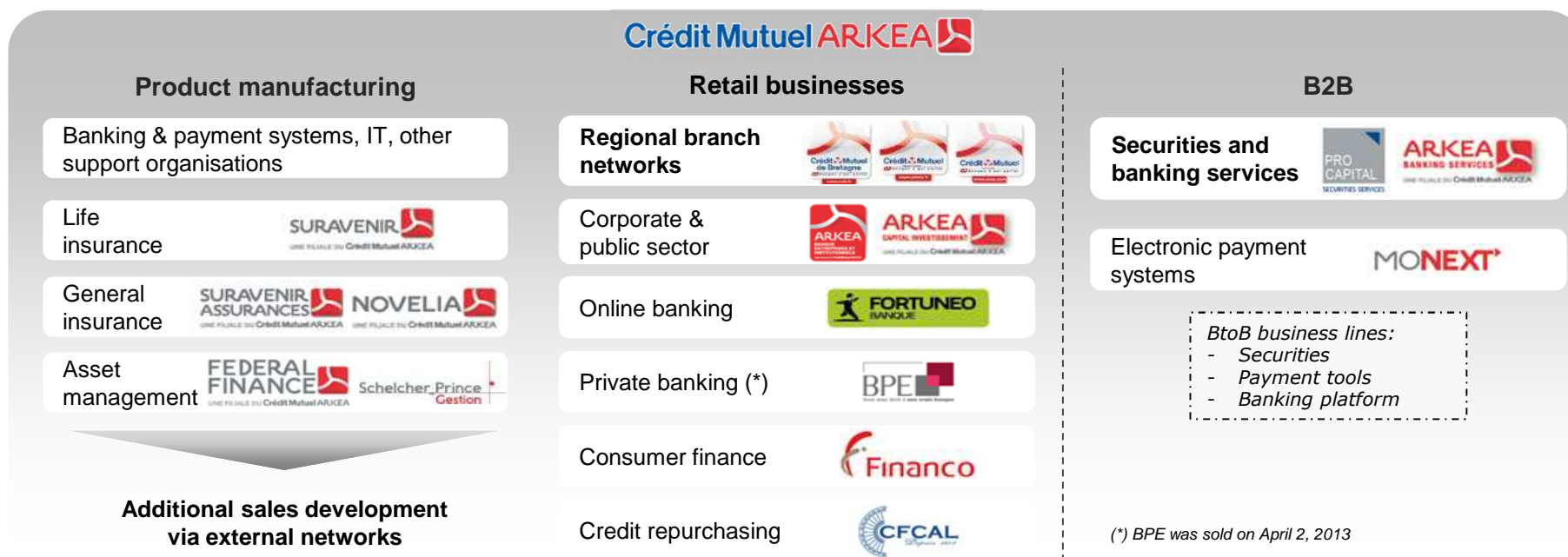
One brand, several business segments

■ A simple and innovating business model focused on :

- Retail and proximity banking, mixing local presence and national ambition, offering customers a complete range of products and solutions
- Expanding BtoB activities, with many reference customers

■ A strategic plan, « Horizons 2015 », aiming to :

- Reinforce the group's visibility beyond its historic territories
- Promote the « manufacturer – distributor » model to further develop the group's business
- Increase the group's ability to act as a strong technological services provider to BtoB customers





A group with strong fundamentals to match its ambitions

- A fully-fledged licensed bank
- Strategic autonomy
- Financial strength
- A simple and innovative business model

Strong fundamentals*

3.2 million

Members and clients**

€39.2 bn

Outstanding loans**

8,982

Employees*

€70.6 bn

Outstanding savings**

3,710

Administrators*

1.8 million

General insurance contracts**

€4.8 bn

Shareholders' equity**

€90.6 bn

Total balance sheet**

14.0%

Core Tier 1 ratio**

A/Aa3

S&P / Moody's LT ratings**

*As at 31/12/2012

**As at 30/06/2013

Group results .

Half year ended June 30th, 2013



2013 Objectives: reminder

- Operational efficiency improvement, reduction of cost to income ratio
 - Specific action plan aimed at reducing operating expenses and generating recurrent cost savings
 - Industrialisation of processes, increased focus on group synergies
- On-going implementation of measures undertaken since 2011 to further strengthen the balance sheet
 - Loan-to-deposit ratio improvement
 - High liquidity reserves and solvency levels
 - Growth generation with limited balance sheet impacts: personal protection, external distribution, disintermediation



Half year 2013: on track to meet objectives based on key priorities

1. Improved financial performance

Reduced operating expenses, net income up by 26%

2. A continuous strengthening of the balance sheet

Loan-to-deposit ratio at 117%, down 11 pts since December 2012

3. Highly favourable solvency levels

Core Tier 1 ratio of 14 %, one of the bests in the market

4. A persistent, positive commercial momentum

Increasing customer portfolio, strong savings inflows (+91%)

5. Abundant liquidity reserves

€9.6 bn, reduced funding needs

**Strengthened position, improved
profitability**



Improved financial performance: key financial indicators

€m	H1 2013	H1 2012	+/-
Net banking and insurance income (NBII)	825	862	(4,3%)
Operating expenses	580	653	(11,2%)
Gross operating income	245	209	17,2%
Net operating income	176	165	6,7%
Net income	116	92	26,1%

- Slightly decreasing NBII relative to H1 2012, however up by 5% on a comparable basis and after adjusting for exceptional items
- A sharp decrease of operating expenses (-11%), resulting from actions taken to cut costs
- Improved profitability, as net income grows by 26%



Improved financial performance: key financial indicators

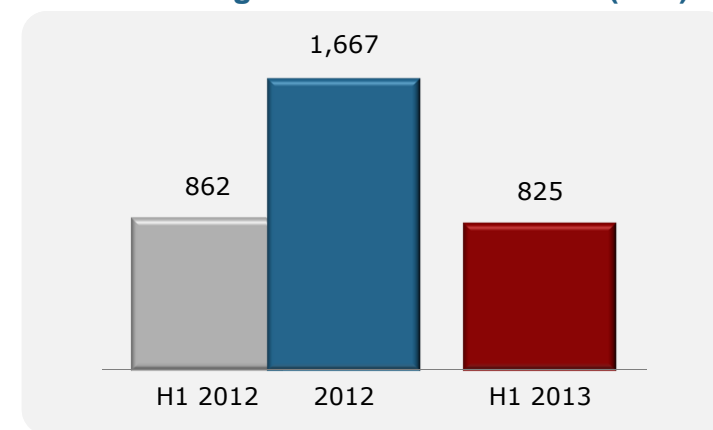
■ Net Banking and Insurance Income at €825 m

- Decreasing by 4.3% in comparison to H1 2012
- Yet on a comparable basis and after adjusting for exceptional items, NBII increases by €40 m thanks to:
 - A €7 m increase of the financial margin, with lower funding costs compensating for unfavourable interest rate impacts both on customer loans and deposits
 - Increased revenues from insurance activities (+ €28 m), driven by strong performances of the life and individual insurance businesses
 - A €11 m increase in commissions

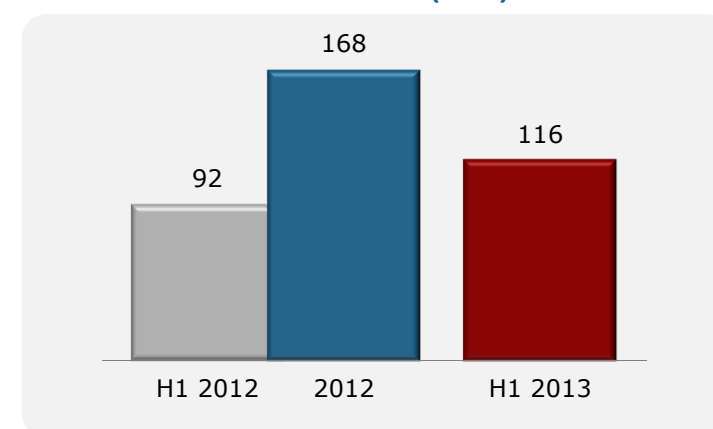
■ Net income increases to €116 m

- A 26% increase compared to H1 2012, one of the best performances within the French banking sector (+66% on a comparable basis and after adjusting for exceptional items)
- A sharp decrease of operating expenses, down 73% (-11.2%)
- A higher cost of risk, up 24%, resulting from a prudent approach taken on the provisioning of corporate and professional loans

Net banking and insurance income (€ m)



Net income (€ m)

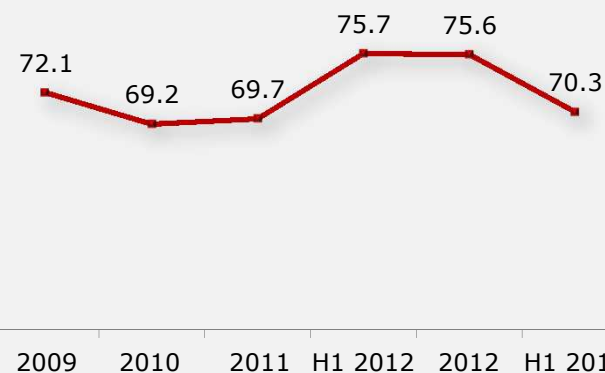




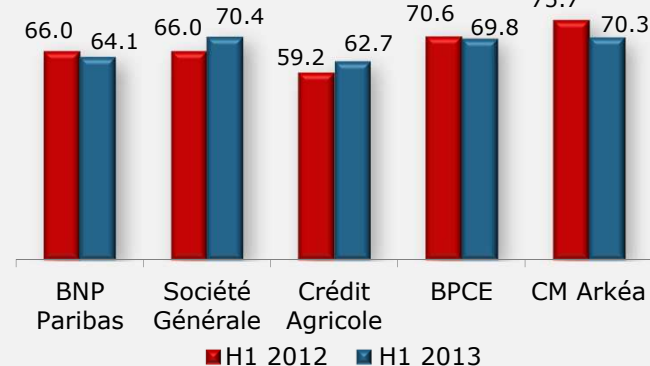
Improved financial performance: focus on operating expenses

- A sharp decrease of operating expenses: -€73 m (-11.2%)
 - A decline resulting from measures undertaken to cut costs in accordance with the action plan initiated in 2012
 - Staff costs lowered by €14 m
 - Significant reduction of outsourcing costs (-21 M€)
 - Other costs (marketing, property, travel, procurement,...) reduced by €8 m
- Positive impact on the cost to income ratio, improving by 5.4 points at 70.3%
 - Highest reduction within the French banking sector
 - On-going efforts to further improve the ratio

Cost to income ratio (%)



Cost to income ratio (%) – French banking sector





Improved financial performance: a prudent approach to client risk

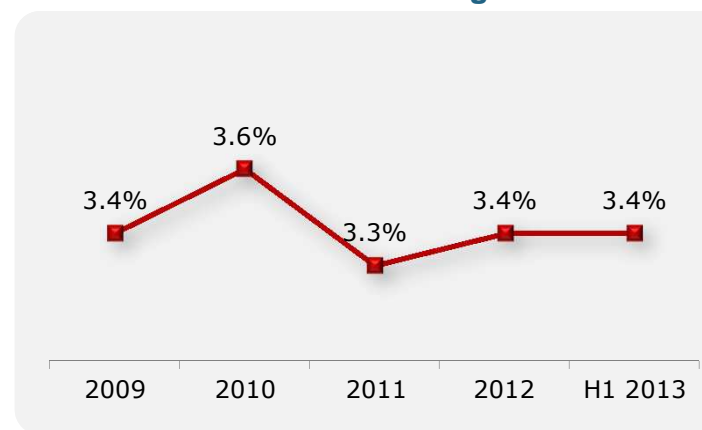
■ A quality loan portfolio

- Non Performing Loans (NPL) level remains flat vs. 2011 and 2012, at 3.4%
- E+ rated loans follow a continuous downward trend, at 1.7 % of total outstanding loans
- Home loans are the core of the group lending business, representing almost 50% of outstanding loans

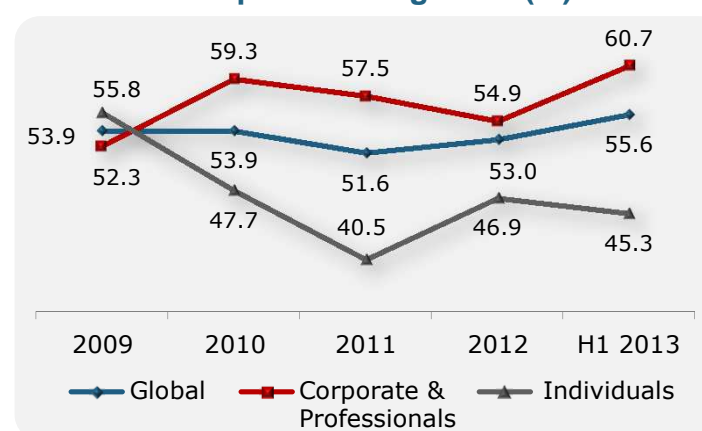
■ In the currently challenging economic environment, the group has kept a prudent approach to client risk and has raised its global provisioning rate to 55.6%

- This comes as a consequence of a 5.8-point increase of the Corporate & Professionals NPL provisioning rate, while the Individuals rate has decreased by 1.6 points
- Total cost of risk has increased by €24 m vs. H1 2012

NPL over outstanding loans



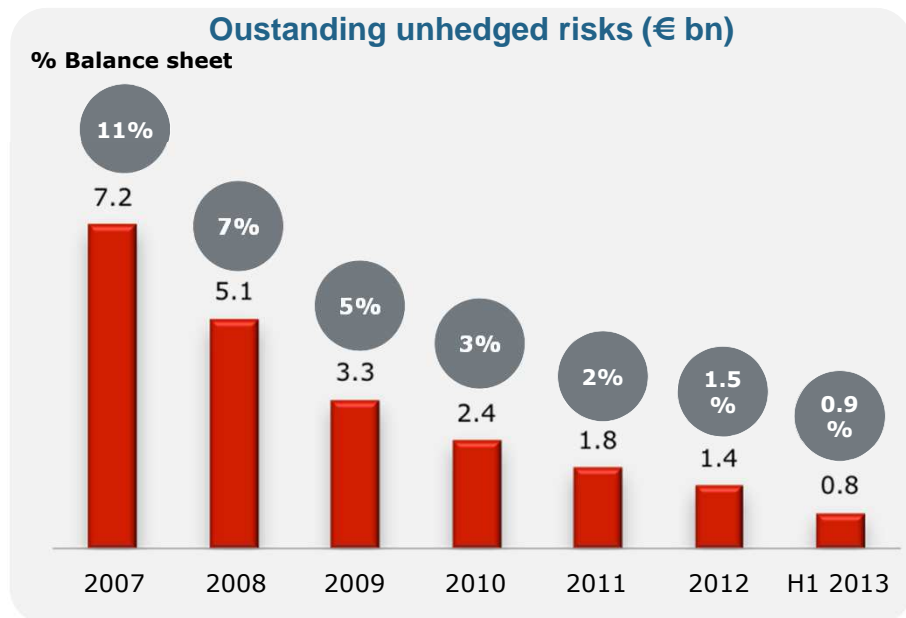
NPL provisioning rates (%)





Improved financial performance: a limited market risk

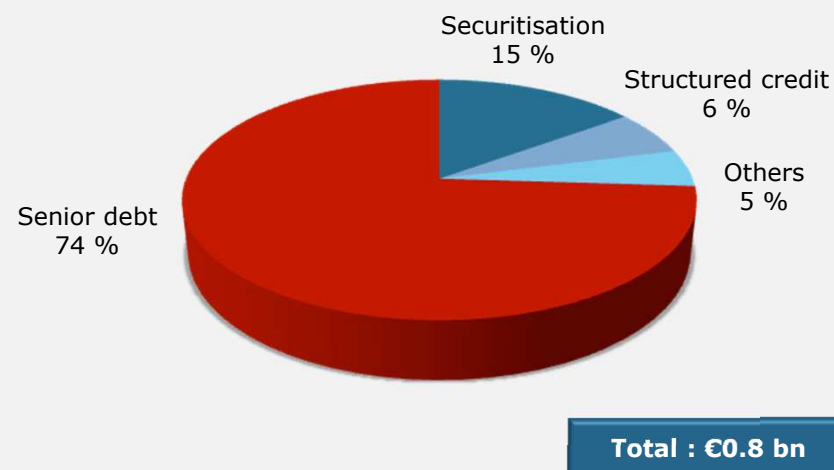
An investment portfolio under run-off strategy



■ Continued risk reduction policy

- No new investments
- Natural portfolio amortisation, opportunistic redemptions

Breakdown of the investment portfolio as at 30.06.13

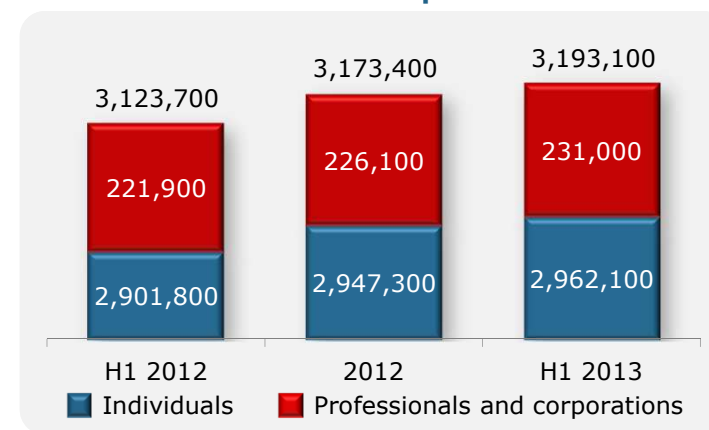




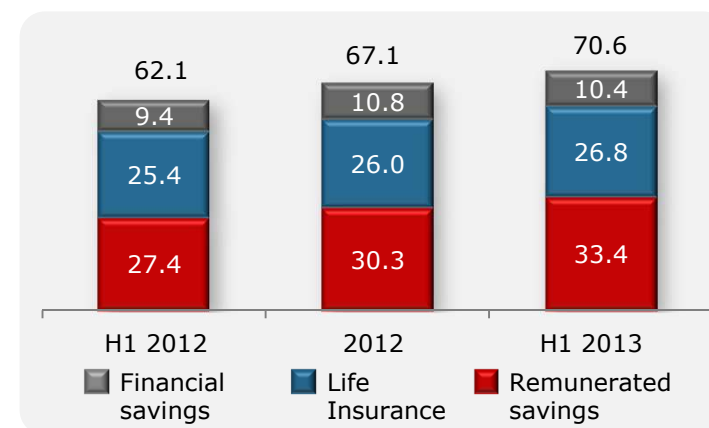
A persistent, positive commercial momentum: strong development of insurance activities, large savings inflows

- A net acquisition of c. 20,000 new customers within highly competitive markets, total client portfolio reaching 3.2 million customers
 - Fortuneo: high customer acquisition levels
- A very positive growth of the general insurance client portfolio
 - 215,500 new contracts in 2013 (+6% vs. H1 2012), 1.8 million contracts in total
 - Success of the individual protection business with 89,300 new contracts (+35% vs. H1 2012) and more than 660,000 contracts in total
- Total savings inflows of €3.7 bn , up 91% vs. H1 2012 (€1.75 bn)
 - Interest-earning deposits: €2.4 bn (+78%)
 - High inflows from Corporates and from on-line banking clients (Fortuneo)
 - Life insurance: €490 m vs. €5 m in H1 2012
 - Financial savings : €750 m (95% of 2012 inflows), a 34 % increase
 - These items contribute to a 5.2% growth in total outstanding savings since December 2012, at €70.6 bn

Total customer portfolio



Outstanding savings (€ bn)

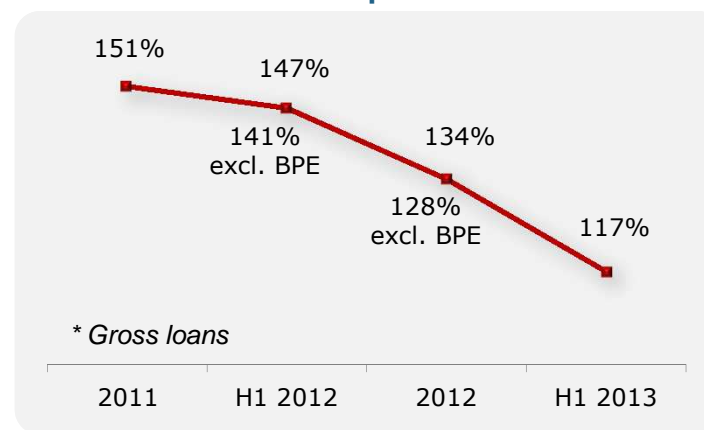




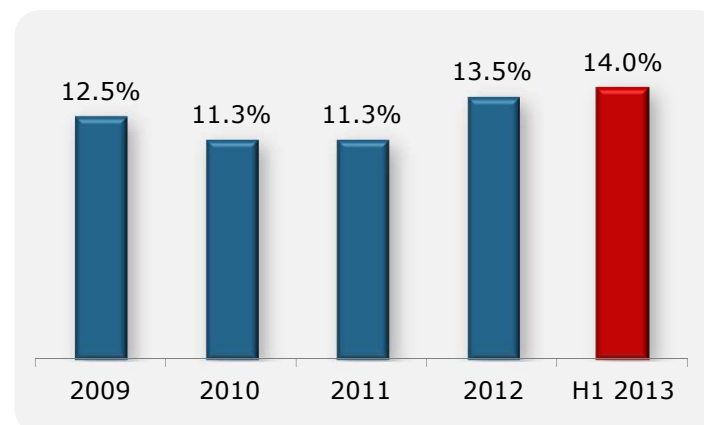
A continuous strengthening of the balance sheet, highly favourable solvency levels

- An 11-point improvement of the loan-to-deposit ratio, following on from 2012
 - A drop from 128% to 117%, inflection initiated in 2011
 - Illustrates the high level of savings inflows in H1 2013 (+ €3.7 bn)
 - Outstanding loans increase by 0.5% to €39.2 bn since December 2012, with a slowing but still significant loan production of €3.5 bn
- Solvency ratios above regulatory requirements, amongst the best in the French banking industry
 - Increasing regulatory capital levels with total member shares reaching €2.1 bn (+3.2%)
 - Tier 1 : €3.5 bn – 14.4% ratio
 - Core Tier 1 : €3.4 bn – 14.0% ratio, up 0.5 point since end of 2012

Loan-to-deposit ratio*



Core Tier I ratio

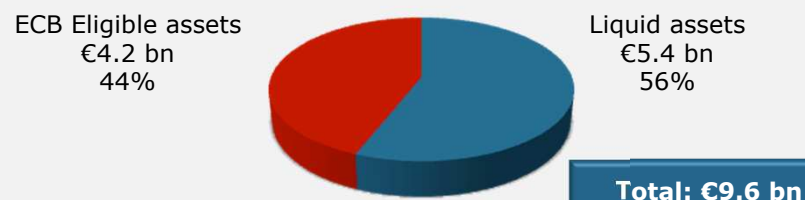




Short term liquidity and medium to long term resources: abundant reserves, a secured and diversified funding

Important liquidity reserves

Liquidity reserves breakdown



Residual maturity profile



■ Total liquidity reserves as at June 30th, 2013

- A liquidity surplus of €5.4 bn, €4.2 bn ECB eligible assets

■ Long term resources favoured, a limited recourse to money markets

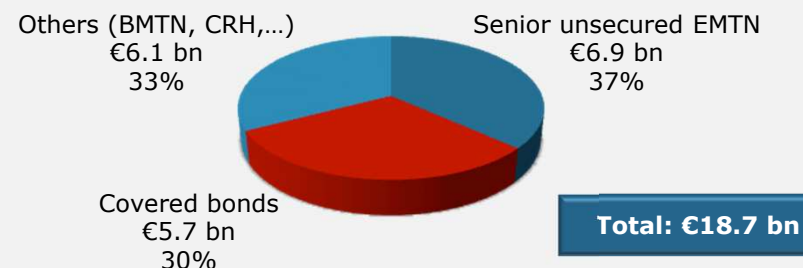
- Average debt residual maturity of 6.5 years

Operating and diversified funding channels

2013 Long term issues



Outstanding long term issues





Medium to long term resources: reduced market funding needs

- An opportunistic approach, as funding needs are low
 - Repayment of LTRO (€750 m) in February
 - Taking advantage of market conditions to pre-finance 2014
 - Issue of €500 m 10-year covered bonds (Home Loans SFH programme) in July, at MS + 48 bps
- A diversified European investor base, 3 funding programmes

Programme	Type	S&P Rating	Emission cap	Outstanding as at 30/07/2013
EMTN	Senior Unsecured	A	€ 13 bn	€ 8.3 bn
Home Loans (SFH)	Covered Bonds	AAA	€ 10 bn	€ 4.8 bn
Public Sector (SCF)	Covered Bonds	AAA	€ 10 bn	€ 870 m



Half year 2013: on track to meet objectives based on key priorities

- Reduced operating expenses, a sharp decrease of the cost to income ratio
- New growth drivers generating revenues with minimum balance sheet impacts
- Increased profitability, highly improved net income
- A reinforced balance sheet, high solvency levels

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Appendix



Appendix

- Profit & Loss account for the 6 months ended 30th June 2013
- Group Consolidated Balance Sheet as at 30th June 2013
- A quality rating
- Crédit Mutuel Arkéa covered bond programmes
- Crédit Mutuel Arkéa Home Loans SFH
 - Programme
 - Cover pool
 - Focus: Brittany's property market
- Crédit Mutuel Arkéa Public Sector SCF
 - Programme
 - Cover pool
 - Focus: French local authorities



Crédit Mutuel Arkéa

Profit & Loss account for the 6 months ended 30th June 2013

€ m	H1 2013	H1 2012	Variation	%
Net Banking & Insurance Income	825	862	(37)	(4.3)
General operating expenses	(530)	(583)	(53)	(9.1)
Amortisation and depreciation	(50)	(70)	(20)	(28.6)
Gross operating income	245	209	36	17.2
Provisions for risks	(69)	(45)	24	53.3
Operating income	176	165	11	6.7
Shares of earnings of companies carried under equity method and income/loss on others assets	3	3	0	0.0
Pre-Tax income	179	168	11	6.5
Income tax	(62)	(75)	(13)	(17.3)
Net income	117	93	24	25.8
Minority interest	1	1	0	0.0
Net income—Group share	116	92	24	26.1



Crédit Mutuel Arkéa

Consolidated Balance Sheet as at 30th June 2013

Assets (€ m)	Jun 2013	Dec 2012	Liabilities (€ m)	Jun 2013	Dec 2012
Cash, due from central banks	2,427	5,215	Liabilities at fair value	940	1,263
Financial assets at fair value	9,971	9,750	Due to banks	2,403	1,340
Financial assets available for sales	25,670	23,455	Customer accounts	33,544	30,215
Due from banks	9,373	7,027	Debt securities in issue	17,133	19,532
Loans and advances to customers	38,920	38,570	Accruals, deferred income and sundry liabilities	2,198	4,920
Held-to-maturity financial assets	281	322	Insurance companies technical reserves	28,802	28,201
Accruals, prepayments and sundry assets	2,452	5,072	Provisions for contingencies and charges	344	286
Investment property	1,090	1,066	Subordinated debt	409	418
Goodwill	423	423	Shareholders' equity	4,829	4,721
			Share capital and reserves	2,090	2,024
			Consolidated reserves	2,595	2,498
			Unrealized or deferred gains or losses	28	31
			Net income	116	168
			Minority interest	5	4
Total Assets	90,607	90,900	Total Liabilities	90,607	90,900



A quality rating

	Standard & Poor's *			Moody's **		
	CT	LT	Outlook	CT	LT	Outlook
Crédit Mutuel Arkéa	A-1	A	Stable	P-1	Aa3	Negative
BNP Paribas	A-1	A+	Negative	P-1	A2	Stable
BPCE	A-1	A	Negative	P-1	A2	Stable
Crédit Agricole SA	A-1	A	Negative	P-1	A2	Stable
Société Générale	A-1	A	Negative	P-1	A2	Stable

CM Arkéa:

* Last rating: 20/06/2013

** Last rating: 29/07/2013



Crédit Mutuel Arkéa

Covered bond programmes

	Crédit Mutuel Arkéa Public Sector SCF	Crédit Mutuel Arkéa Home Loans SFH
Programme size	€10 bn	€ 10 bn
Rating	AAA (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	Monthly Pre-Maturity Test Direct access to ECB using directly the cover pool	Monthly Pre-Maturity Test Direct access to ECB
ALM 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%
Listing	Luxembourg	Luxembourg
Specific controller	Cabinet Cailliau Dedouit et Associés	Cabinet Cailliau Dedouit et Associés



Crédit Mutuel Arkéa

Cover pools as at 31/07/2013

	Crédit Mutuel Arkéa Public Sector SCF	Crédit Mutuel Arkéa Home Loans SFH
Current size	€ 1,258 m	€ 6,874 m
Over collateralisation	139.9% (71.5% asset percentage)	139.4% (71.7% 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 24%, Paris region 16%, Aquitaine 11%, Nord-Pas-de-Calais 10%)	100% France (Brittany 65%, Aquitaine 14%, Paris region 5%, Auvergne 4%)
Seasoning	35 months	50 months
Average remaining terms	203 months	164 months
Average Loan Balance	€ 1,393,725	€ 75,120
Average LTV	N/A	Unindexed: 71% Indexed: 68%
Number of Borrowers	903	86,572
Issue outstanding	€ 870 m	€ 4,823 m



Crédit Mutuel Arkéa Home Loans SFH (issuer)

■ Crédit Mutuel Arkéa Home Loans SFH (the Issuer) is:

- 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
 - Bankruptcy remoteness
- Support from Credit 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 (Article L211-38, transposition of EU Collateral Directive 2002/47)

■ Crédit Mutuel Arkéa has chosen an external insurance company 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 group, and rated BBB+/A/BBB+ (Moody's /S&P/Fitch)
- The new loan production (excl. mortgages) is guaranteed by CNP Caution, subsidiary of CNP Assurances (part of Groupe Caisse des Dépôts et Consignations), rated A+ by S&P
- To a lesser extent Crédit Mutuel Arkéa also uses Crédit Logement's guarantee (Aa3 / A+ (Moody's / S&P))

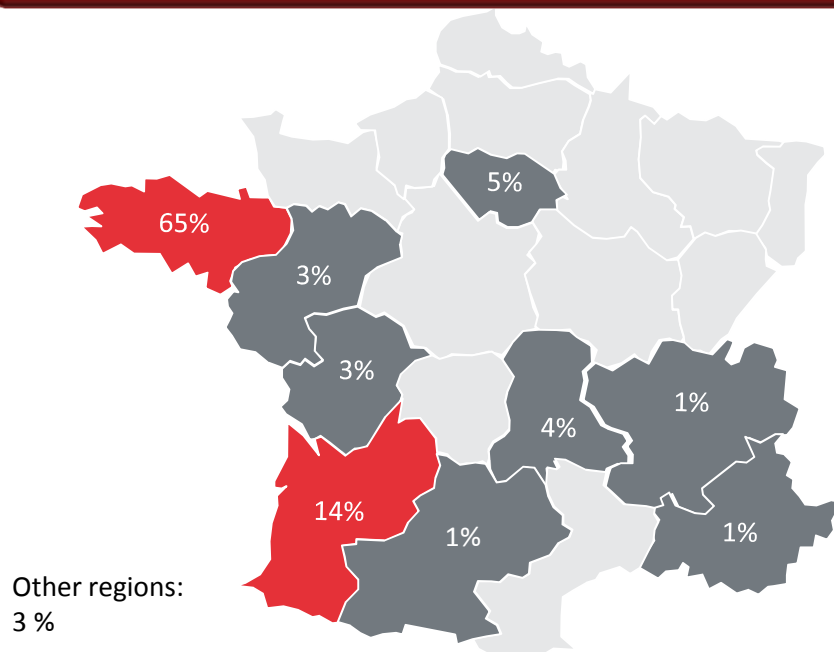
■ Closely monitored and supervised

- Regulated by the French Banking Authorities with strict conditions (ACP)
- 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



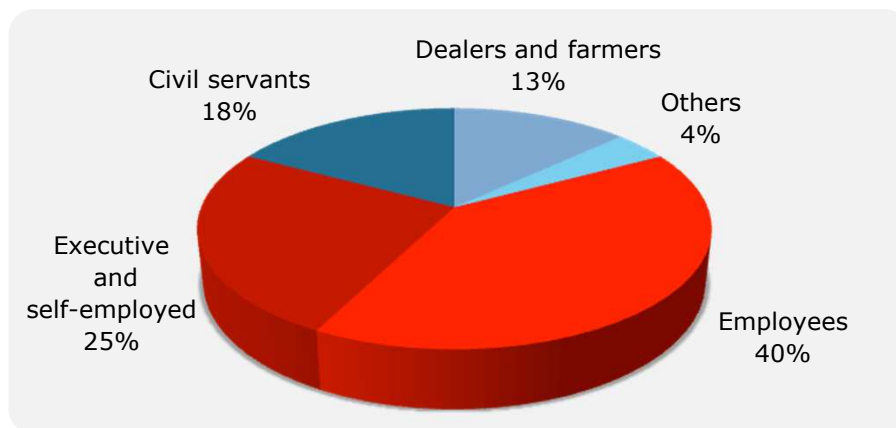
SFH Cover pool Borrowers as at 31/07/2013

Geographical distribution (outstanding)



- Cover pool is made of 100% domestic home loans originated by Crédit Mutuel Arkéa
- Cover pool is very granular with 97% of loans being lower than €150,000

Borrowers by social category



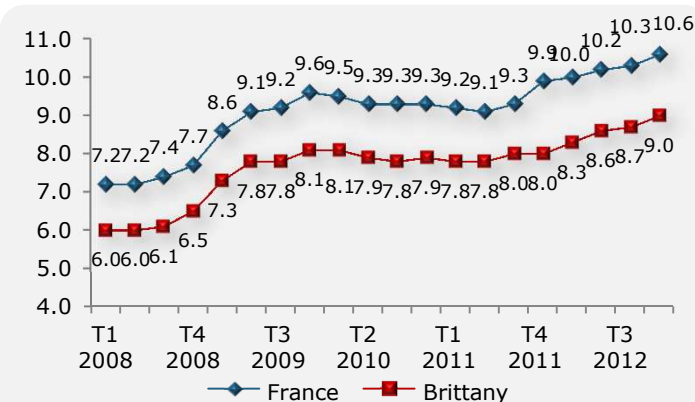


Focus on Brittany: a dynamic economic environment

■ A dynamic region

- A positive demographic growth thanks to a positive migration balance
- An unemployment rate historically lower than the French average
- A mixed and developing local economy based on a vast network of small and medium size companies

Unemployment rate – France and Brittany

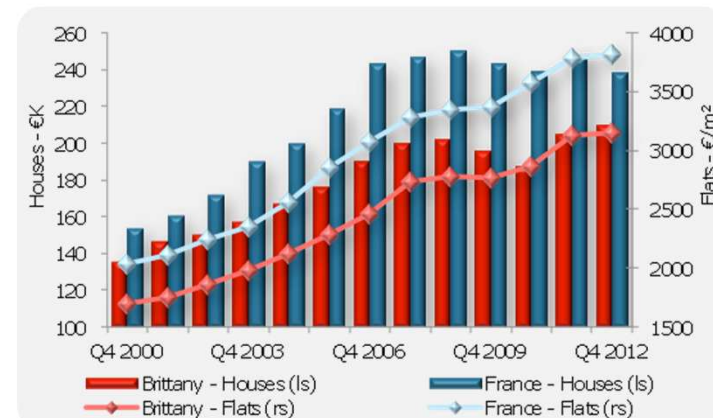


Source: Insee

■ A non speculative housing market

- A smooth price evolution
- Prices significantly lower than national average
- Resulting in an average acquisition cost of 4.7 years of income (national average of 5.5 years)
- Highest ownership rate in France (67% in Brittany vs. a national average of 58%)

Housing average prices



Source: Ministère de l'Écologie, du Développement durable et de l'Énergie



SFH Cover pool Home loans as at 31/07/2013

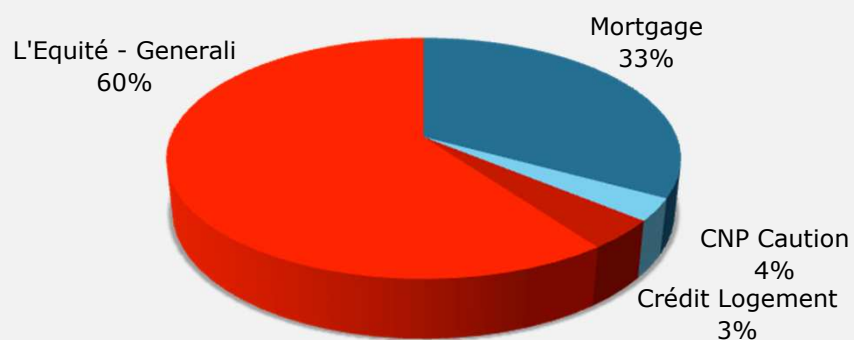
Occupancy type



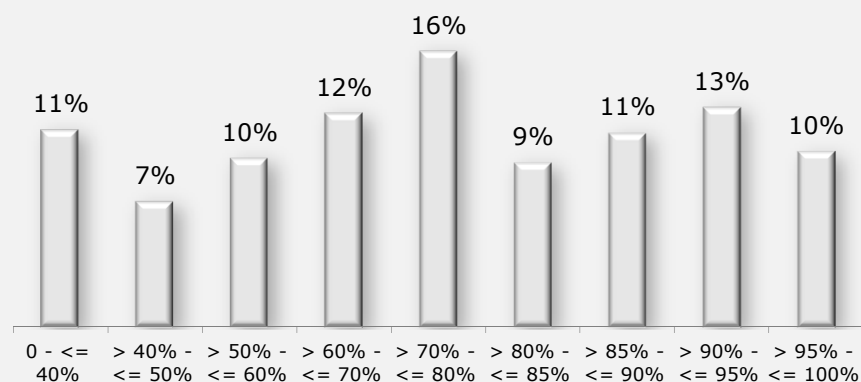
Loan purpose



Mortgage vs guarantee



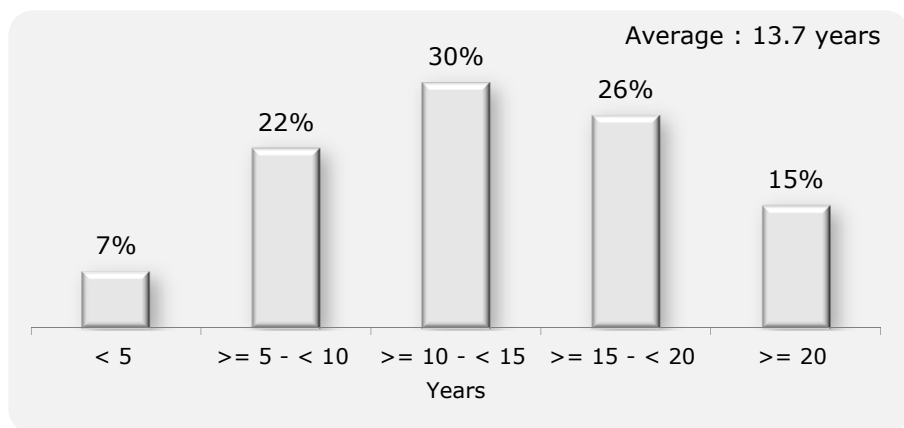
Unindexed LTV



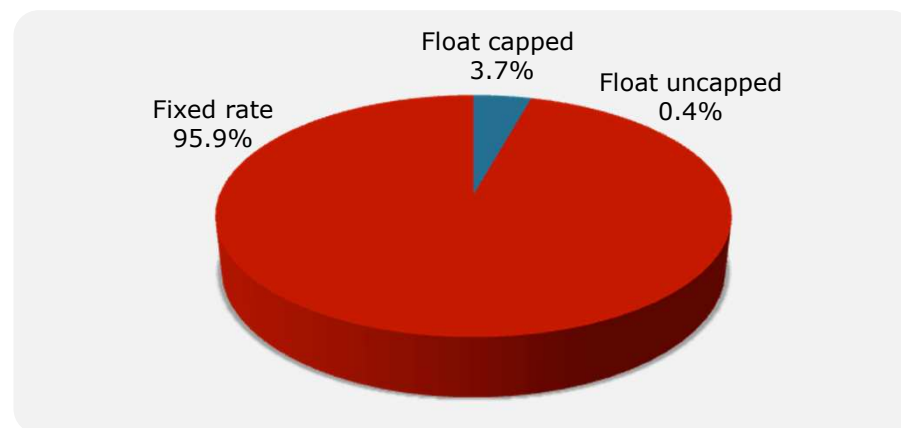


SFH Cover pool Home loans as at 31/07/2013

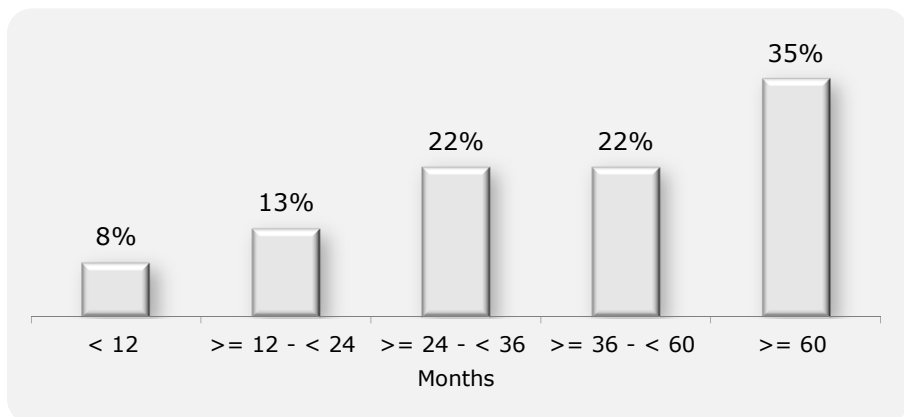
Residual maturity



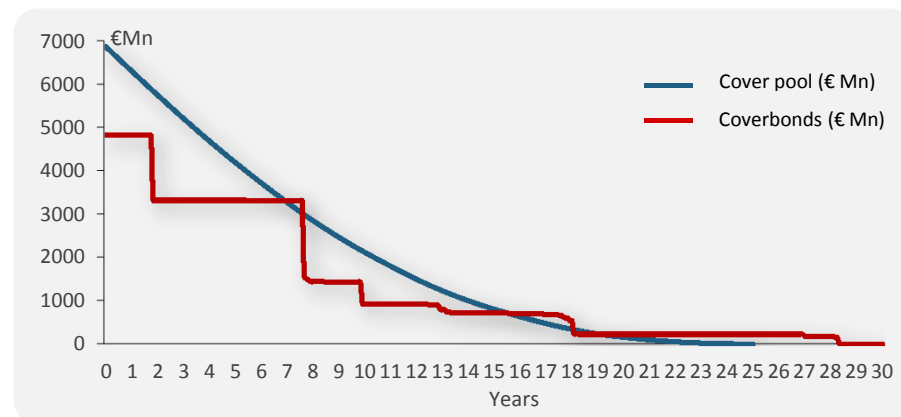
Rate type



Seasoning (months)



Amortisation profile





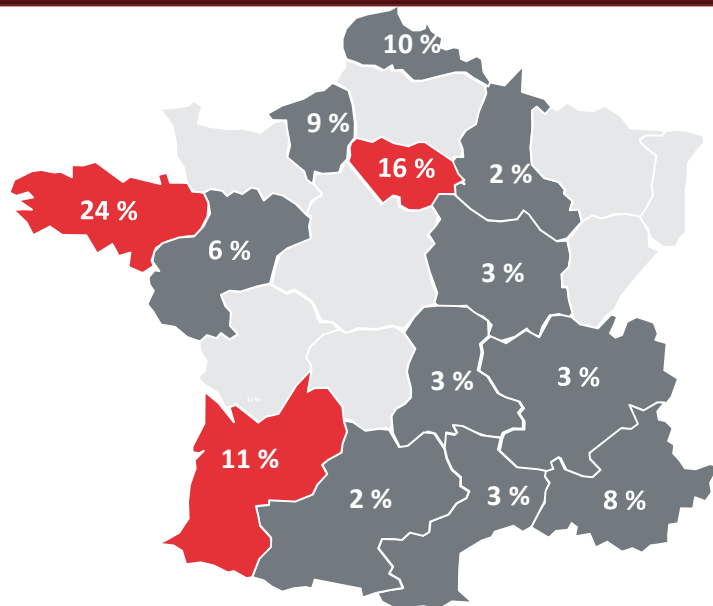
Crédit Mutuel Arkéa Public Sector SCF (issuer)

- A licensed Société de Crédit Foncier (SCF) to issue Obligations Foncières
 - Direct access to the ECB liquidity
 - 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
 - Bankruptcy remoteness
 - Support from Credit Mutuel Arkéa in terms of solvability and liquidity
- Cover Pool
 - Strict eligibility criteria to enter cover pool
 - Pure French public sector exposure (direct exposure or 100% guaranteed by such entities)
 - Loans or bonds only (no ABS)
 - Mainly originated by Crédit Mutuel Arkéa (max 20% of assets coming from debt purchase restricted exposures to Crédit Mutuel Arkéa existing clients)
- Closely monitored and supervised
 - Regulated by the French Banking Authorities with strict conditions (ACP)
 - Independent specific controller
 - Regular audit program of the collateral portfolio performed by independent auditors
 - Legal minimum collateralisation of 102% reinforced by a contractual minimum of 105%
 - Liquidity rule : 180 days of liquidity ahead to cover forthcoming payments



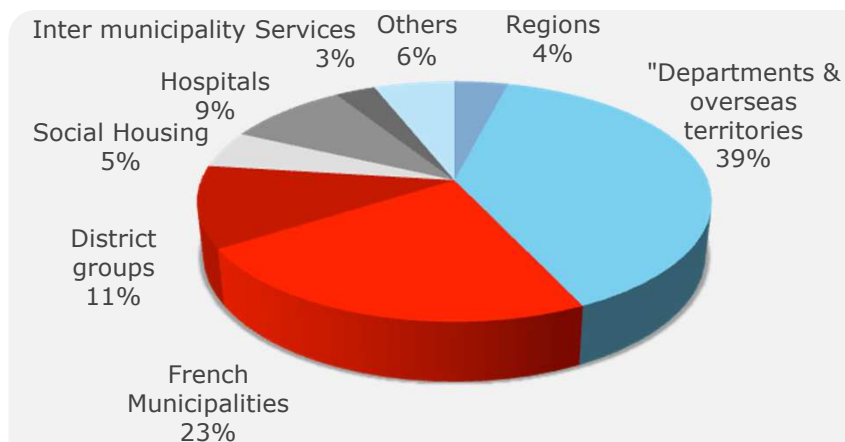
SCF Cover pool Borrowers as at 31/07/2013

Geographical breakdown (outstanding)



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

Borrower breakdown by activity

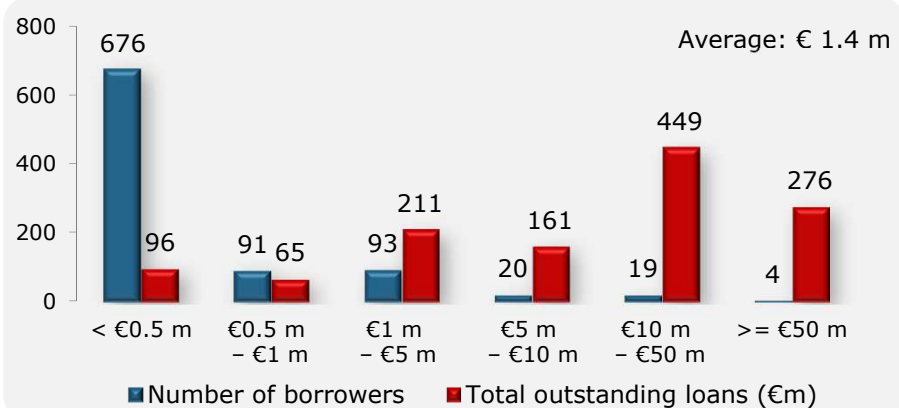


- Average loan balance per borrower: €1.4 m
- 20 largest borrowers represent 39% of the cover pool, distributed across France
- 98% of the pool is direct claim to a public borrower

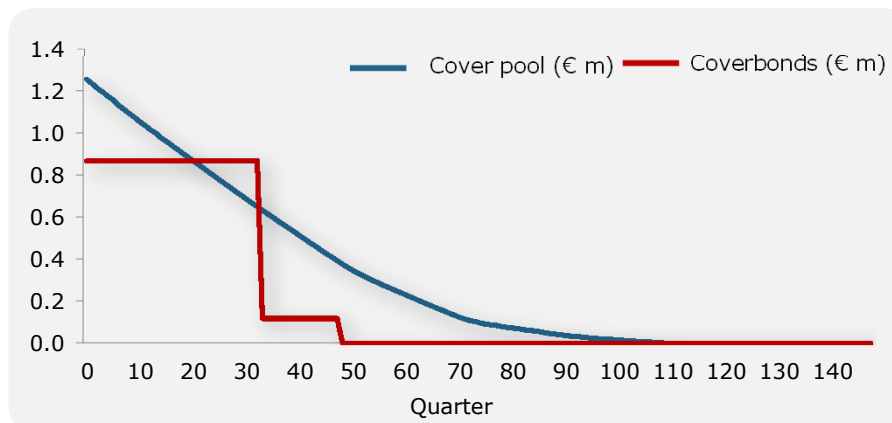


SCF Cover pool Loans as at 31/07/2013

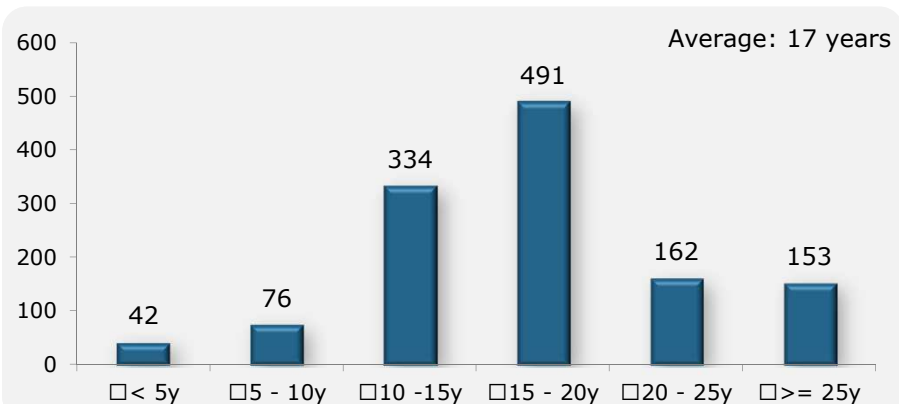
Loan amount breakdown per borrower



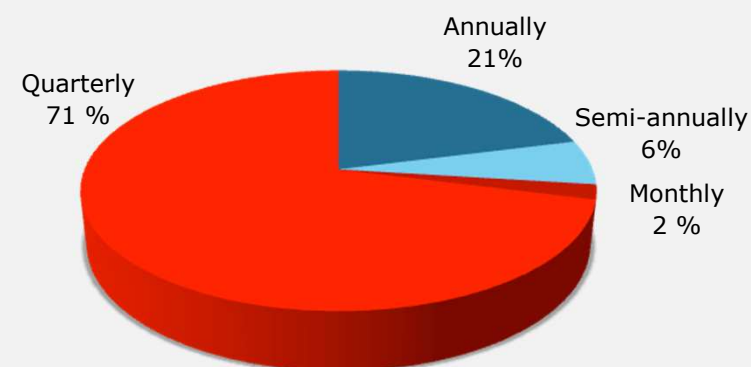
Amortisation profile



Residual maturity (€ m)



Repayment frequency

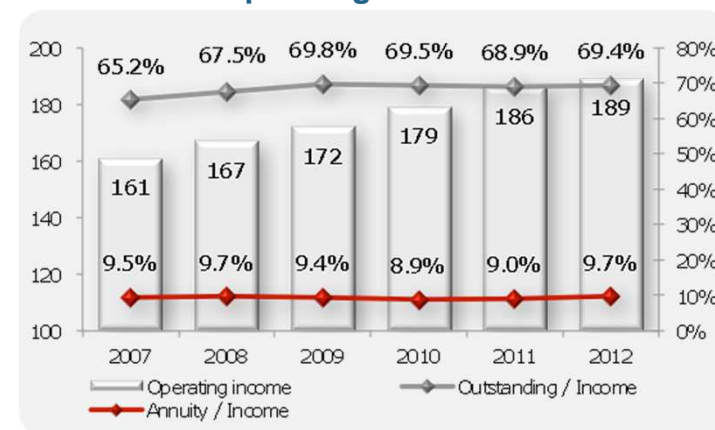




Local authorities: a regulated market

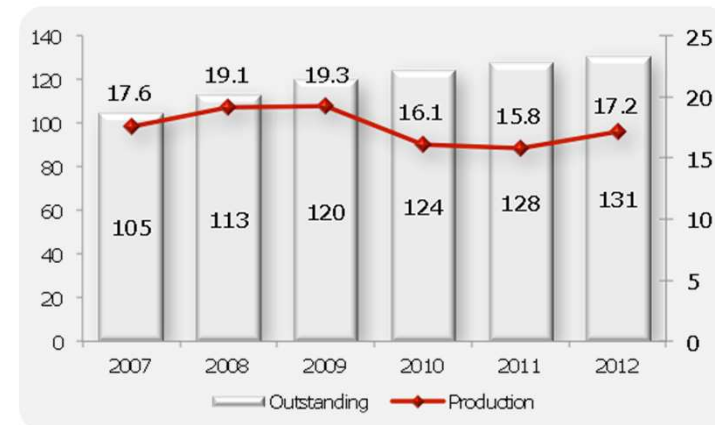
- Debt funding is strictly regulated by law
 - Financing through loans and bonds only to cover investment expenses
 - Loans and bonds issuance to fund operating expenses is strictly forbidden
 - Treasury lines are available to cover treasury mismatches when based on certain income
- Budgets must be voted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

Debt to operating income evolution



Source: collectivites-locales.gouv.fr

Debt evolution



Source: collectivites-locales.gouv.fr



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