

**PROSPECTUS SUPPLEMENT N° 2 DATED 14 MAY 2018
TO THE BASE PROSPECTUS DATED 27 JUNE 2017**



ARKÉA HOME LOANS SFH

(duly licensed French specialised credit institution)

€10,000,000,000

COVERED BOND PROGRAMME

FOR THE ISSUE OF *OBLIGATIONS DE FINANCEMENT DE L'HABITAT*

This supplement (the "**Second Supplement**") is supplemental to, and must be read in conjunction with, the base prospectus dated 27 June 2017 (the "**Base Prospectus**") and the first supplement to the Base Prospectus dated 21 September 2017 (the "**First Supplement**") prepared with respect to the €10,000,000,000 Covered Bond Programme (the "**Programme**") for the issue, from time to time, subject to compliance with all relevant laws, regulations and directives, of covered bonds (the "**Covered Bonds**") by Arkéa Home Loans SFH (the "**Issuer**"). Unless the context otherwise requires, terms defined in the Base Prospectus have the same meaning when used in this Second Supplement.

On 27 June 2017, the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") approved the Base Prospectus as a base prospectus for the purposes of article 5.4 of Directive 2003/71/EC of 4 November 2003, as amended (the "**Prospectus Directive**") in its capacity as competent authority in Luxembourg under the *loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005, as amended, which implements the Prospectus Directive in Luxembourg (the "**Luxembourg Law**").

Application has been made to the CSSF for approval of this Second Supplement as a supplement to the Base Prospectus for the purposes of article 16 of the Prospectus Directive and article 13 of Luxembourg Law.

This Second Supplement has been produced for the purposes of supplementing the following sections of the Base Prospectus:

- The Cover Note of the Base Prospectus ;
- "SUMMARY OF THE PROGRAMME" on pages 6 *et seq.* of the Base Prospectus;

- "RESUME DU PROGRAMME (TRANSLATION OF THE SUMMARY OF THE PROGRAMME)" on pages 21 *et seq.* of the Base Prospectus;
- "RISK FACTORS" on pages 37 *et seq.* of the Base Prospectus;
- "DOCUMENTS INCORPORATED BY REFERENCE" on pages 72 *et seq.* of the Base Prospectus;
- "THE ISSUER" on pages 115 *et seq.* of the Base Prospectus;
- "FORM OF FINAL TERMS" on pages 164 *et seq.* of the Base Prospectus;
- "TAXATION" on pages 179 *et seq.* of the Base Prospectus;
- "SUBSCRIPTION AND SALE" on pages 184 *et seq.* of the Base Prospectus; and
- "GENERAL INFORMATION" on pages 189 *et seq.* of the Base Prospectus;

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COVER NOTE

On page 3 of the Base Prospectus, the following paragraphs shall be added after the fourth paragraph:

"MiFID II product governance / target market – The Final Terms in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU, as amended ("**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealer(s) nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

If the Final Terms in respect of any Covered Bonds include a legend entitled "Prohibition of Sales to EEA Retail Investors", the Covered Bonds are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) no. 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation."

On page 3 of the Base Prospectus, the following paragraphs shall be added after the seventh paragraph:

"Benchmark Regulation – Amounts payable under Floating Rate Covered Bonds will be calculated by reference to EURIBOR, LIBOR or EUR-CMS which are provided by the European Money Markets Institute ("**EMMI**") (with respect to EURIBOR) and ICE Benchmark Administration Limited ("**ICE**") (with respect to LIBOR and EUR-CMS) or other reference rates, as specified in the relevant Final Terms. As at the date of this Base Prospectus, only ICE appears on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**").

As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that EMMI is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). The relevant Final Terms will specify the administrator of any relevant benchmark used as a reference under the Floating Rate Notes and whether or not such administrator appears on the above mentioned register of administrators and benchmarks established and maintained by the ESMA."

SUMMARY OF THE PROGRAMME

On page 8 of the Base Prospectus, the Element B.12 entitled "Selected historical key financial information" under section B. "Issuer" shall be deleted in its entirety and replaced with the following:

"Comparative Annual Financial Data (in thousands of EUR)"

Income Statement	31/12/2017	31/12/2016
Net banking income	2,320	2,285
Gross operating income	627	642
Net income	208	208

Balance sheet	31 December 2017	31 December 2016
Total consolidated balance sheet	5,179,877	4,683,157
Shareholders' equity	42,397	42,349
Debt securities	5,104,479	4,607,288

To the best of the Issuer's knowledge, there has been no material adverse change in the prospects of the Issuer since its last financial statements dated 31 December 2017 and there has been no significant change in the financial or trading position of the Issuer since 31 December 2017."

RESUME DU PROGRAMME (TRANSLATION OF THE SUMMARY OF THE PROGRAMME)

On page 23 of the Base Prospectus, the Element B.12 entitled "Sélection d'informations financières historiques clés" under section B. "Émetteur" shall be deleted in its entirety and replaced with the following:

"Données financières annuelles comparées (en milliers d'euros)"

Compte de résultat	31 décembre 2017	31 décembre 2016
Produit net bancaire	2.320	2.285
Résultat brut d'exploitation	627	642
Résultat net	208	208

Bilan	31 décembre 2017	31 décembre 2016
Total du bilan consolidé	5.179.877	4.683.157
Fonds propres	42.397	42.349
Titres de créances	5.104.479	4.607.288

À la connaissance de l'Émetteur, aucun changement défavorable significatif influant sur ses perspectives d'activité n'a eu lieu depuis la date des derniers états financiers au 31 décembre 2017, et il n'est survenu aucun changement significatif dans la situation financière et commerciale de l'Émetteur depuis le 31 décembre 2017."

RISK FACTORS

On page 45 of the Base Prospectus, the paragraph entitled "Relationship between the Borrower and the Confédération Nationale du Crédit Mutuel" shall be completed with the following:

"On 17th January 2018, Crédit Mutuel Arkéa's Board of Directors adopted a resolution aiming at proposing to the local banks of the Crédit Mutuel federations of Bretagne, Sud-Ouest and Massif Central, an orientation vote on an independency project of the Group (the "Project"). Through the vote of its Board of Directors, each local savings bank was fully free to approve or reject the Project:

- If approved, the local savings bank would remain a member of a fully independent Arkéa group;
- If rejected, the local savings bank would have the option to join, during the Project's implementation phase, one of the entities constituting the Crédit Mutuel group and put under the authority of the Confédération, in accordance with the articles of association of the Confédération Nationale du Crédit Mutuel.

Following the consultation process initiated by the local saving banks of Crédit Mutuel Arkéa Group and the meeting of the Boards of directors of the federations, Crédit Mutuel Arkéa Group officialized on 18th April 2018 the results of the votes cast by the 307 local savings banks. 94.5% of local savings banks voted in favour of independence for Crédit Mutuel Arkéa, which will thus become an independent territorial cooperative and mutual group. This historic and founding vote, which involves all stakeholders, definitively marks the departure of the Crédit Mutuel Arkéa Group from Crédit Mutuel."

On page 60 of the Base Prospectus, the following paragraphs shall be added after the last paragraph:

"The regulation and reform of "benchmarks" may adversely affect the value of Covered Bonds linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (including EURIBOR, LIBOR and EUR-CMS) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Floating Rate Covered Bonds linked to or referencing such a "benchmark". Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and applies since 1st January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of

administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Floating Rate Covered Bonds linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks" (including EURIBOR, LIBOR and EUR-CMS): (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Floating Rate Covered Bonds linked to or referencing a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Floating Rate Covered Bonds linked to or referencing a "benchmark".

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Covered Bonds which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Covered Bonds which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Covered Bonds. Depending on the manner in which the LIBOR rate is to be determined under the terms and conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Covered Bonds which reference LIBOR."

DOCUMENTS INCORPORATED BY REFERENCE

The section headed "DOCUMENTS INCORPORATED BY REFERENCE" appearing on page 72 to 74 of the Base Prospectus is deleted in its entirety and replaced with the following:

"This Base Prospectus shall be read and construed in conjunction with the following documents which have been previously or simultaneously published and filed with the CSSF and which are incorporated by reference in, and shall be deemed to form part of, this Base Prospectus:

- the English language version of the financial statements of the Issuer as at, and for the year ended, 31 December 2017, including the English language version of the Arkéa Home Loans SFH *Tableau des Flux de Trésorerie au 31 décembre 2017* which contains the audited cash flow statements of the Issuer for the financial year ended 31 December 2017 (the "**2017 Financial Statements**") and the auditors' report thereon (the "**2017 Auditors' Report**" and together with the 2017 Financial Statements, the "**2017 Financial Information**")
- the English language version of the financial statements of the Issuer as at, and for the year ended, 31 December 2016, including the English language version of the Arkéa Home Loans SFH *Tableau des Flux de Trésorerie au 31 décembre 2016* which contains the audited cash flow statements of the Issuer for the financial year ended 31 December 2016 (the "**2016 Financial Statements**") and the auditors' report thereon (the "**2016 Auditors' Report**" and together with the 2016 Financial Statements, the "**2016 Financial Information**");
- the sections "Terms and Conditions of the French law Covered Bonds" of the following base prospectuses relating to the Programme: (i) Base Prospectus dated 22 December 2010 (the "**2010 Covered Bonds Conditions**"), (ii) Base Prospectus dated 9 May 2011 (the "**2011 Covered Bonds Conditions**"), (iii) Base Prospectus dated 14 June 2013 and its second supplement dated 2 September 2013 (the "**2013 Covered Bonds Conditions**"), (iv) Base Prospectus dated 29 May 2015 (the "**2015 Covered Bonds Conditions**") and (v) Base Prospectus dated 29 June 2016 (the "**2016 Covered Bonds Conditions**"). The parts of these documents that are not incorporated by reference in this Base Prospectus are not relevant for the investors.

The Issuer assumes responsibility for the correct translation of the 2016 Financial Information and 2017 Financial Information.

The documents incorporated by reference in this Base Prospectus may be obtained, without charge on request, at the principal office of the Issuer and the Paying Agents set out at the end of this Base Prospectus during normal business hours so long as any of the Covered Bonds are outstanding. Such documents will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The information incorporated by reference in this Base Prospectus shall be read in connection with the cross reference list below. Any information not listed in the cross reference list but included in the documents incorporated by reference is considered as additional information and is not required by the relevant schedules of the Commission Regulation no. 809/2004 of 29 April 2004, as amended.

Cross-reference list

INFORMATION INCORPORATED BY REFERENCE	REFERENCE
(Annex XI item 11 of the European Regulation 809/2004/EC)	
11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	
<u>11.1 Historical financial information</u>	
<i>2016 Financial Information</i>	
- Balance sheet	Page 1 of the 2016 Financial Statements
- Income statements	Page 2 of the 2016 Financial Statements
- Notes	Pages 3 to 10 of the 2016 Financial Statements
- Cash Flow Statements	Page 9 of the 2016 Financial Statements
- Auditor's report relating to the above	Pages 1 and 2 of the 2016 Auditors' Report
<i>2017 Financial Information¹</i>	
- Balance sheet	Page 6 of the 2017 Financial Statements
- Income statements	Page 7 of the 2017 Financial Statements
- Notes	Pages 9 to 15 of the 2017 Financial Statements
- Cash Flow Statements	Page 14 of the 2017 Financial Statements
- Auditor's report relating to the above	2017 Auditors' Report

The Covered Bonds Previous Conditions are incorporated by reference in this Base Prospectus for the purpose only of further issues of Covered Bonds to be assimilated (*assimilables*) and form a single series with Covered Bonds already issued under the relevant Covered Bonds Previous Conditions.

¹ Please note that the pages of the cross-reference list refer to the PDF version of the 2017 Financial Statements

Cross-reference list in respect of the Covered Bonds Previous Conditions

INFORMATION INCORPORATED BY REFERENCE	REFERENCE
2010 Covered Bonds Conditions	
Terms and Conditions of the French law Covered Bonds	Pages 40 to 68 of the Base Prospectus dated 22 December 2010
2011 Covered Bonds Conditions	
Terms and Conditions of the French law Covered Bonds	Pages 45 to 74 of the Base Prospectus dated 9 May 2011
2013 Covered Bonds Conditions	
Terms and Conditions of the French law Covered Bonds	Pages 42 to 73 of the Base Prospectus dated 14 June 2013 and pages 2 to 3 of its second supplement dated 2 September 2013
2015 Covered Bonds Conditions	
Terms and Conditions of the French law Covered Bonds	Pages 76 to 112 of the Base Prospectus dated 29 May 2015
2016 Covered Bonds Conditions	
Terms and Conditions of the French law Covered Bonds	Pages 77 to 113 of the Base Prospectus dated 29 June 2016

Non-incorporated parts of the 2010 Covered Bonds Conditions, 2011 Covered Bonds Conditions, 2013 Covered Bonds Conditions, 2015 Covered Bonds Conditions and 2016 Covered Bond Conditions are not relevant for investors."

THE ISSUER

On page 120 of the Base Prospectus, the paragraph entitled "Members of the board of directors (*conseil d'administration*)" shall be deleted and replaced with the following:

"On the date of this Base Prospectus, the board of directors (*conseil d'administration*) consists of 6 (six) members.

<u>Name and Position</u>	<u>Date of appointment</u>
Mrs. Le Goff, Anne, Chairman of the board of directors of the Issuer	1 February 2018
Mr. Le Pache, Jean-Luc, Deputy chief executive officer and Director	13 December 2013
Mr. Cadiou, Christian, Director	13 December 2013
Crédit Mutuel Arkéa, Director represented by Mrs. Elizabeth Quéllec	10 October 2008
Mr. Jacq, Auguste, Director	10 October 2008
Mr. Morvan, Jérémy, Director	28 April 2010

The members of the board of directors (*conseil d'administration*) have their business addresses at the registered office of the Issuer.

Mrs. Anne Le Goff, Chairman of the board of directors of the Issuer is also Head of the Support and Development division (*Directeur du Pôle Supports au développement*) of Crédit Mutuel Arkéa and Deputy chief executive officer (*Directeur général délégué*) of Crédit Mutuel Arkéa;

Mrs. Elisabeth Quéllec, Chief executive officer of the Issuer and representative of Crédit Mutuel Arkéa at the board of directors of the Issuer, is also Head of Financial Management Control (*Directeur de la direction Pilotage Financier*) of Crédit Mutuel Arkéa;

Mr. Jean-Luc Le Pache, Deputy chief executive officer of the Issuer, is also Deputy to the deputy chief executive officer in charge of the development support division (*adjoint au Directeur général délégué chargé du pôle Supports au développement*) of Crédit Mutuel Arkéa;

Mr. Christian Cadiou, Director, is also member of the supervisory board (*conseil de surveillance*) of Arkéa Banque Entreprises et Institutionnels and member of the board of a *Caisse locale* (the *Caisse locale de Brest Bellevue-Quizac*).

Mr. Auguste Jacq, Director, is also Director (Administrateur) of Crédit Mutuel Arkéa;"

FORM OF FINAL TERMS

On page 164 of the Base Prospectus the following legend is inserted following the section heading:

"[PRIIPS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS

– The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) no. 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]²

[MIFID II PRODUCT GOVERNANCE / [RETAIL INVESTORS,] PROFESSIONAL INVESTORS AND ECPS [ONLY] TARGET MARKET

– Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 2 June 2017 has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties[,/ and] professional clients[only/ and retail clients], each as defined in MiFID II; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate[; and (iii) the following channels for distribution of the Covered Bonds to retail clients are appropriate – investment advice[, and portfolio management]]. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]³

² Legend to be included if the Covered Bonds are not intended to be sold to retail clients.

³ Legend to be included following completion of the target market assessment in respect of the Covered Bonds, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 5 February 2018 / alternative wording if the Covered Bonds are intended to be sold to retail clients.

On page 176 of the Base Prospectus, the Part B Paragraph 6 entitled "Historic Interest Rates – Floating Rate Covered Bonds only" shall be deleted in its entirety and replaced with the following:

"6. HISTORIC INTEREST RATES - Floating Rate Covered Bonds only

[Applicable/Not Applicable] *(if not applicable, delete the remaining subparagraph of this paragraph)*

Historic interest rates:

Details of historic [EURIBOR, LIBOR, EUR-CMS] rates can be obtained from [Reuters/[•]].

Benchmarks:

Amounts payable under the Covered Bonds will be calculated by reference to [EURIBOR, LIBOR, EUR-CMS] which is provided by [the European Money Markets Institute/ICE Benchmark Administration Limited]. As at [•], [the European Money Markets Institute/ICE Benchmark Administration Limited] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**"). [As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that the European Money Markets Institute is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]"

On page 177 of the Base Prospectus, the Part B Paragraph 8 entitled "Distribution" shall be completed with the following:

"(vi) Prohibition of Sales to EEA Retail Investors:

[Not Applicable/Applicable]"

TAXATION

On page 179 of the Base Prospectus, the second paragraph of the sub-paragraph (a) in the section 1 entitled "French Taxation" is deleted in its entirety and replaced with the following:

"Furthermore, according to Article 238 A of the French General Tax Code (*Code général des impôts*), interest and other revenues on such Covered Bonds are not deductible from the Issuer's taxable income, if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid in such a Non-Cooperative State (the "**Deductibility Exclusion**"). Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Article 109 *et seq.* of the French General Tax Code (*Code général des impôts*), in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 bis 2 of the French General Tax Code (*Code général des impôts*), at a rate of (i) 12.8% for individuals, (ii) 30% for corporate or other legal entities (to be aligned on the standard corporate income tax rate set forth in Article 219-1 of the French General Tax Code (*Code général des impôts*) for fiscal years beginning as from 1 January 2020) or (iii) 75% for payments made outside France in a Non-Cooperative State, subject to the provisions of an applicable double tax treaty, if any. "

SUBSCRIPTION AND SALE

On page 186 of the Base Prospectus, the following paragraph shall be added after the paragraph entitled "European Economic Area":

"Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Covered Bonds include a legend entitled "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds."

GENERAL INFORMATION

On page 189 of the Base Prospectus, paragraphs (3) and (4) are deleted in their entirety and replaced with the following:

"(3) There has been no significant change in the financial or trading position of the Issuer since 31 December 2017."

"(4) There has been no material adverse change in the prospects of the Issuer since 31 December 2017."

On page 190 of the Base Prospectus, paragraphs (12) (b) and (c) are deleted in their entirety and replaced with the following:

- "(b) the audited non-consolidated financial statements of the Issuer, including the cash flow statements of the Issuer for the fiscal years ended 31 December 2017, in respect of the financial year ended 31 December 2017;
- (c) the audited non-consolidated financial statements of the Issuer, including the cash flow statements of the Issuer for the fiscal years ended 31 December 2016 and 31 December 2015, in respect of the financial year ended 31 December 2016;"

Copies of the Base Prospectus, this Second Supplement as well as the 2017 Financial Information may be obtained, without charge on request, at the principal office of the Issuer and the Paying Agents set out at the end of the Base Prospectus during normal business hours so long as Covered Bonds are capable of being issued under the Programme. Such documents will also be published on the website of the Issuer (http://www.arkea.com/banque/assurance/credit/mutuel/ecb_5039/fr/home-loans-sfh) and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Issuer accepts responsibility for the information contained in this Second Supplement. To the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Second Supplement is in accordance with the facts and contains no omission likely to affect its import.

Save as disclosed in this Second Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus and its First Supplement.

To the extent that there is any inconsistency between (a) any statement in this Second Supplement or any statement incorporated by reference into the Base Prospectus by this Second Supplement and (b) any other statement in or incorporated by reference into the Base Prospectus, the statement in (a) above shall prevail.

In accordance with article 16.2 of the Prospectus Directive and article 13 paragraph 2 of the Luxembourg Law, investors who have, in the course of an offer of securities to the public, already agreed to purchase or subscribe for the securities before first publication of this Second Supplement have the right, exercisable within a time limit of two (2) working days after the publication of this Second Supplement (*i.e.* until 16 May 2018 included), to withdraw their acceptances, provided that the new factor, mistake or inaccuracy referred to in article 13 paragraph 1 of the Luxembourg Law arose before the final closing of the offer to the public and the delivery of the securities.