



Amendment to the 2019 Universal Registration Document

Interim financial report June 2020

Annual universal registration document filed with the Autorité des Marchés Financiers
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on August 28, 2020.

The English language version of this report is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

A variable capital limited liability credit cooperative

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This universal registration document was filed on 28 August 2020 with the AMF, in its capacity as competent authority under Regulation (EU) No 2017/1129, without prior approval in accordance with Article 9 of said Regulation. The universal registration document may be used for the purposes of a public offer of securities or the admission of securities to trading on a regulated market if it is supplemented by a securities note and, where applicable, a summary and any amendments to the universal registration document. All of these documents are approved by the AMF in accordance with EU Regulation 2017/1129.

1. Presentation of the Arkéa group

1.1. Presentation of the group

The Arkéa group comprises Crédit Mutuel Arkéa, the networks of the federations of Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest, and some forty specialised subsidiaries that cover all banking and financial business lines. **A cooperative company, Arkéa is not listed on the stock exchange.** It is owned by its members, who are both shareholders and customers.

Complete and diversified, the Arkéa group combines financial strength, innovation and openness, local roots and responsible growth. Arkéa wants to be a banking partner in a world that thinks in the long term, by putting **its overall performance at the service of financing the real economy, regions and their stakeholders, as well as the life projects of its 4.7 million members and customers, in order to expand the scope of possibilities and help everyone achieve their potential.**

A benchmark player in all its markets - from retail banking to white-label services for major financial and retail accounts - Arkéa is pursuing an original development strategy, with the **ambition of developing a cooperative and collaborative banking model** that provides the best response to aspirations and lifestyles. **Arkéa is thus opting for open innovation**, sharing and pooling its expertise with that of its ecosystem - companies, finance and insurance startups, etc. - and its customers. - to offer solutions that create value for all. **Arkéa is convinced that this collaborative approach is, today and tomorrow, the main source of progress.**

As a territorial group, Arkéa is committed to maintaining regional decision-making centers and employment areas.

By deploying its cooperative and collaborative financial services model from its regional bases, the group now has a nationwide reach and serves customers throughout Europe through its online banking and services and its subsidiaries specialising in the business-to-business market.

- A network of 318 points of sale in Brittany (including 219 local banks) and 85 points of sale in Southwestern France (including 79 local banks) ;
- 19 regional business centers for Arkéa Banque Entreprises et Institutionnels ;
- 6 regional branches for Arkéa Investment Services;
- 8 regional branches for Financo ;
- A presence in Belgium with Keytrade Bank and ProCapital. Keytrade Bank is also present in Switzerland and Luxembourg ;
- Leetchi and Mangopay are present in the United Kingdom, Germany, Spain and Luxembourg ;
- A Europe-wide activity with Monext, the subsidiary specialising in electronic payments, which provides services in 25 countries.

(Data as of 12/31/2019)

436 points of sale in France

403 points of sale in Brittany and in the South-West

19 business units for Arkéa Banque Entreprises et Institutionnels

8 regional branches for Financo

6 regional branches for Arkéa Investment Services

A regional base and activity throughout Europe with Leetchi and Mangopay (UK, Germany, Spain and Luxembourg), ProCapital (Belgium), Keytrade Bank (Belgium, Switzerland and Luxembourg) and Monext (present in 25 countries).



The Crédit Mutuel group within the meaning of Article 511-20 of the CMF

The basis of Crédit Mutuel Arkéa's structure is made up, to the first degree, of the member local banks, which are each affiliated to a regional federation and take the form of variable-capital cooperative credit companies whose capital is wholly owned (100%) by the members who hold A Units. The members of the affiliated local banks are therefore both partners and customers.

Legally autonomous, the member local banks collect savings, distribute credit and offer the full range of financial services. In addition, each member local bank appoints a Board of Directors and/or Supervisory Board, composed of volunteer members elected by its members at the General Meeting according to the rule of "one person, one vote".

At the second level of Crédit Mutuel, the regional groups comprise a regional federation and a *caisse fédérale*. The latter may be inter-federal, as is the case for the federations of Bretagne, Massif Central, Sud-Ouest, Centre Est Europe, Ile-de-France, Sud-Est, Savoie-Mont Blanc, Midi Atlantique, Centre, Normandie, Loire Atlantique and Centre Ouest, Crédit Mutuel Méditerranéen and Dauphiné Vivarais.

The member local banks and the *fédérale caisse*, of which they are shareholders, are members of the regional federation.

This federation takes the form of associations governed by the law of 1 July 1901 and is the strategy and control body of the member local banks representing Crédit Mutuel Arkéa in its region.

The *caisse fédérale* is responsible for financial functions such as liquidity management as well as technical and IT services.

The federation and the *caisse fédérale* are administered by boards elected by the member local banks.

In addition to the eighteen (18) regional federations, there is the Crédit Mutuel Agricole et Rural (CMAR) federation, which has a national vocation in the agricultural market.

In the third level, there is the CNCM: Confédération Nationale du Crédit Mutuel.

Confédération Nationale du Crédit Mutuel and Caisse Centrale du Crédit Mutuel

The Confédération Nationale du Crédit Mutuel (CNCM) is the central body of the network under the terms of the Monetary and Financial Code. The 18 regional federations, the Crédit Mutuel Agricole et Rural (CMAR) federation, the Caisse Centrale du Crédit Mutuel (CCCM) and companies on a list held by CNCM are affiliated to it.

The CNCM continued to develop its organization, operation and governance in accordance with the request of the European Central Bank (ECB), its supervisor. In 2020, the CNCM specified the solidarity and resolution mechanism at the national level at the request of the resolution authority.

CCCM, a national financial body in the form of a credit institution, manages the intervention fund intended to be used in the event that Crédit Mutuel's financial solidarity is called into play. Its capital is held by all the *caisses fédérales*.

1.2. Arkéa's business lines

Arkéa, with the support of the expertise developed in its specialised subsidiaries and corporate departments, has a complete and competitive range of products and services. In a constantly changing environment, driven in particular by the digital transformation and changing consumer habits, Arkéa remains particularly attentive to the emergence of new businesses and activities, relying in particular on open partnerships. Today, Arkéa wants to make its cooperative and collaborative banking model the best response to aspirations and life paths.



1.3. Highlights of the first half 2020

JANUARY

Arkéa Capital, through the Arkéa Capital Managers fund, increases its stake in the **Piriou** group. Based in Concarneau (29), Piriou is the French leader in the construction and maintenance of civil and military vessels. It has more than 900 employees and in 2019 generated sales of more than 150 million euros. This fund-raising will enable it to continue implementing its strategic project with the ambition of tripling its turnover by 2023.

FEBRUARY

The Arkéa group is backing the Nouvelle-Aquitaine Capital-Investissement 1 (NACI 1) fund. This professional private equity fund (FPCI), newly created by the Nouvelle-Aquitaine Region, is designed to provide equity financing to regional SMEs and medium-size companies (ETIs) with a view to promoting their development or transfer. Unit investments will be between €3 and €10 million with a horizon of 5 to 8 years. NACI 1 has carried out a first operation with Talis Business Group, based in Bergerac (24) and specialised in work-linked training.

Hélène Bernicot has been appointed Chief Executive Officer of the Arkéa group. Previously, she was Head of the Corporate Secretary and Corporate Communication. She succeeds Ronan Le Moal, who has decided to devote himself to a new entrepreneurial project.

Arkéa Banque Entreprises et Institutionnels launches, under the name "Pact", its first impact loans for SMEs and medium-sizes companies committed to their societal and environmental transformation. These loans are loans whose remuneration is indexed to the borrower's ESG (Environment, Social and Governance) performance according to predetermined criteria. Charier, a public works specialist based near Saint-Nazaire (44), inaugurated the "Pact" scheme with a loan to partially finance its new head office, a passive building.

MARCH

Faced with the Covid-19 crisis, the Arkéa group ensures the continuity of its activities and banking and insurance services to its members and customers while deploying the necessary protective measures to preserve the health of its employees, with the large-scale deployment of teleworking and the closure to the public of the sales outlets of its networks in Brittany and Nouvelle Aquitaine. **Specific measures have been taken to support professional and business customers directly affected by the effects of the health crisis: development of cash management solutions, postponement of loan repayments (principal and interest) with the elimination of penalties and the additional costs of maturity extensions, etc.**

APRIL

Against the backdrop of an unprecedented health crisis, linked to the Covid-19 epidemic, the **Arkéa group is fully playing its role in providing support and assistance to economic players.** In total, more than 56,000 business, real estate or consumer loans have been extended, representing more than €5 billion in outstanding loans. In addition, in the first half of 2020, nearly 9,000 Government Guaranteed Loans (PGE) were granted by CMB, CMSO and Arkéa Banque E&I, for a total outstanding amount of €1.3 billion.

Aware of the societal issues related to training and employment, Arkéa is investing **€1 million in Ascor Communication** through its social innovation fund **We Positive Invest**. This specialist in distance vocational training trains some 6,000 people a year.

MAY

The Group's Board of Directors welcomes 4 new members, elected for a renewable three-year term. Valérie Barlois-Leroux joins the Board of Directors as an independent director. Valérie Blanchet-Lecoq, Philippe Chupin and Dominique Trubert all come from the Crédit Mutuel de Bretagne federation. The Board of Directors of the Arkéa group is composed of 19 directors, including 9 women.

Sophie Violleau is the new Chairwoman of the Crédit Mutuel du Sud-Ouest (CMSO) federation. Sophie Violleau has been a director of the CMSO federation and Crédit Mutuel Arkéa since 2016. The CMSO, which has 85 outlets spread across the departments of Charente, Gironde and Dordogne, serves more than 450,000 members and customers.

JUNE

Arkéa doubles its "Solidarity" budget with an additional €2 million. The solidarity schemes are managed locally by the local banks of Crédit Mutuel de Bretagne et du Sud-Ouest and aim to provide financial assistance to individual and professional customers and associations that have been weakened, in particular by the Covid-19 crisis. The Boards of Directors of each local bank allocate the aid, after studying the concrete situations on the ground.

Fortuneo completes its service offering and launches a personal loan solution in partnership with fintech Younited Credit. Consumers can finance their projects such as the purchase of a vehicle, home improvement work, a wedding, a trip, etc. thanks to a 100% online route, attractive rates, reduced application fees and a definitive answer within 24 working hours.

Arkéa carries out a second social impact bond issue. This €750 million fund-raising will contribute to the economic development of regions through the financing/refinancing of loans to SMEs and the healthcare sector in particular.

Arkéa Banque Entreprises et Institutionnels has taken another step forward in its CSR commitment with the **creation of a dedicated channel for financing environmental transition.** The new unit will help accelerate and structure the development of regional financing for renewable energy, renovation and energy efficiency projects and optimize the bank's close ties with all the public and private sector players involved in environmental transition projects.

Breizh Armor Capital is a private equity fund launched on the initiative of the Arkéa Group, Banque Populaire Grand Ouest-Crédit Maritime and the Brittany Region, which is active in the maritime economy in Brittany. **Endowed with €10 million and managed by Arkéa Capital, Breizh Armor Capital has just invested in Symbiomer**, a young company created in 2017 and specialized in macro-algae production and aquaculture.

The Arkéa group announces several appointments to its Executive Committee. Véronique Crouzier and Laurent Jurrius are appointed respectively Head of Human Resources and Head of Innovation and Operations. Frédéric Laurent, a member of the Executive Committee since 2016, takes over responsibility for the Retail Customers division.

Hélène Bernicot, Chief Executive Officer, and Anne Le Goff, Associate Chief Executive Officer, presented the Arkéa group's **development guidelines for 2024** to the Board of Directors. Arkéa's goal is to pursue its independence project and its development in the continuity of its existing business through :

- openness to its ecosystems, with the aim of promoting the balanced sharing of value with its members, customers, employees, partners and territories;
- the implementation of bold initiatives, whether technological or related to usage, enabling the identification of new levers for value creation.

The future project also emphasizes the development of synergies between business lines, capitalizing on the diversity of the Group's activities. Finally, the Group's objectives are to maintain a high level of financial strength and selectivity in its equity allocation and to remain a benchmark employer at the local and regional level.

JULY

Suravenir Assurances, the Arkéa group's property and personal insurance company, is providing concrete support to its policyholders most affected by the coronavirus crisis by redistributing part of the premiums collected. A total of more than €3.5 million will be paid out in 2020 to the customers of its distribution networks.

1.4. Solidarity relations

1.4.1. Solidarity relations within Crédit Mutuel Arkéa

The solidarity mechanism provided for within the Arkéa Group is an inter-federal mechanism based on Article R. 511-3 of the French Monetary and Financial Code (the "CMF").

This text provides that the European Central Bank (the "ECB") may, on the proposal of the ACPR, for mutual and cooperative groups, issue a collective licence to a regional or federal fund for itself and for all the funds affiliated to it "when the liquidity and solvency of the local banks are guaranteed as a result of such affiliation".

Crédit Mutuel Arkéa benefits from this collective approval for itself and for all the local banks that are members of the Crédit Mutuel de Bretagne et du Sud-Ouest federations, since ACPR and the ECB considered that this membership guaranteed the liquidity and solvency of the local banks.

The solidarity mechanism is organised by the financial regulations contained in each of the general operating regulations specific to the federations of Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest, and the internal regulations of Crédit Mutuel Arkéa. It is binding only on the member local banks, these federations and Crédit Mutuel Arkéa. Furthermore, it does not create any obligations of the member local banks with regard to third parties. In other words, there is no passive solidarity of the members of Crédit Mutuel Arkéa with regard to third parties; creditors of a member local bank can only turn to that fund and not to any other or to Crédit Mutuel Arkéa indifferently.

This solidarity mechanism is essentially reflected in the constitution, at the level of each federation, of the federal fund that ensures the equalisation of the results of the member local banks, in accordance with General Decision No. 1-2020 of the Confédération Nationale du Crédit Mutuel (the "CNCM").

The federal fund is fed by allocations and subsidies from local banks and includes the federal solidarity fund and the federal reserve fund.

1 - The Federal Solidarity Fund ensures the equalization of the results of the member local banks by means of endowments and subsidies. Any local bank that has had a deficit for a period of three (3) consecutive years is subject to a special review. A recovery plan is set up with the departments of the federation concerned and Crédit Mutuel Arkéa. At the end of the recovery period set out in the plan, if the deficit is confirmed, the federation concerned, in consultation with Crédit Mutuel Arkéa, shall decide on the future of the local bank.

2 - The Federal Reserve Fund may intervene in favour of member local banks whose net position is negative or whose result is negative, as well as in favour of those that have been victims of an exceptional disaster.

The federation decides annually on the level of endowment to this fund. The federal reserve fund is managed by the federation. Requests for intervention submitted to it are examined by a Committee of administrators.

Independently of this federal fund, Crédit Mutuel Arkéa may also intervene directly in the form of advances, subsidies or loans granted to member local banks in difficulty.

In addition, Crédit Mutuel Arkéa provides support to its subsidiaries within the framework of prudential supervision on a consolidated basis (Articles 7 and 8 of EU Regulation 575/2013 as amended, supplemented by ad-hoc intra-group financial agreements on the scope of liquidity), the provisions of the Monetary and Financial Code (Article L. 511-42 of the CMF) as well as the supplementary supervision obligations described in the Order of 3 November 2014 on the supplementary supervision of financial conglomerates and transposing European Directive 2002/87/EC as amended.

1.4.2. Solidarity relations within the Crédit Mutuel

1.4.2.1. Current context of disaffiliation

The Crédit Mutuel, within the meaning of Article 511-20 of the CMF, is governed by the CMF, in particular Articles L. 511-30 to L. 511-32 of the CMF relating to central bodies and Articles L. 512-55 to L. 512-59 of the CMF relating to Crédit Mutuel. The membership of the regional groups (2nd level of the organisation) in CNCM and the Caisse centrale du Crédit Mutuel (3rd level) completes the organisation of Crédit Mutuel.

As a central body, the CNCM represents the credit institutions affiliated to it at the Banque de France, the ACPR and the ECB. It oversees the application of the laws and regulations specific to its institutions. It exercises administrative, technical and financial control over the organisation and management of the affiliated Crédit Mutuel banks.

National solidarity is set by the CNCM's General Decision No. 1-2020. Furthermore, General Decision No 2-2020 provides for the implementation of measures in phases of proven financial difficulty or resolution within Crédit Mutuel as a whole.

It is specified that Crédit Mutuel Arkéa has its own solidarity mechanism as defined above, which would intervene in the first instance and that the Arkéa group would no longer benefit from the national inter-federal solidarity mechanism in the event of the Arkéa group's disaffiliation from the Crédit Mutuel as described below.

It is also specified that, in the context of the application of General Decision No 2-2020, Crédit Mutuel Arkéa could be obliged to participate in mechanisms for the prevention and management of banking crises within Crédit Mutuel.

On 17 January 2018, Crédit Mutuel Arkéa's Board of Directors gave its management a mandate to take any action that would enable Crédit Mutuel Arkéa to become a cooperative banking group independent from the rest of Crédit Mutuel, in order to pursue its original development strategy based on three strengths: its territorial roots, its culture of innovation and its agility.

On 18 April 2018, the Boards of Directors of the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations met and officialized the results of the votes cast by the 307 local banks. 94.5% of the local banks voted in favour of independence for Crédit Mutuel Arkéa.

The Arkéa group has begun the operational implementation of its disaffiliation. The Board of Directors of Crédit Mutuel Arkéa, on 29 June 2018, approved the target organisation plan for the future independent group and called on the local banks to give their opinion on the implementation of

this plan. Work to define the detailed technical details of the project has been under way for several months and discussions are underway with the supervisory authorities.

The disaffiliation operations will then be initiated in conjunction with the CNCM, within the limits of the powers attributed to it by law.

Following this disaffiliation, Arkéa (currently Crédit Mutuel Arkéa) would still be authorised as a cooperative bank and supervised directly by ACPR and the ECB. The local banks would become the Local Cooperatives, which would no longer be credit institutions, retaining their status as cooperative companies with variable capital and forming between them a union of cooperatives, Arkéa, pursuant to Article 5 of Law No 47-1775 of 10 September 1947 laying down the status of cooperation.

In addition, a cooperation pact between all the Local Cooperatives and Arkéa will be concluded for a ninety-nine (99) year period with a view to implementing solidarity, mutual aid and support mechanisms to promote the fulfillment of the Local Cooperatives' primary mission, namely to promote access to banking, financial and insurance services for all.

Within the framework of the General Decision (DCG) n°1-2019, relating to the disaffiliation of the Crédit Mutuel banks at their request, the operational implementation of the disaffiliation of the Arkéa group remains subject to the approval and vote of the Boards of Directors of the local banks.

The local banks that vote against the disaffiliation from the Crédit Mutuel group, or do not wish to participate in the vote, may not be part of this new organisation.

Even if 94,5 % of the local banks that voted in 2018 did so in favour of independence, these results do not prejudice the results of the future vote on the operational implementation of this disaffiliation from the Crédit Mutuel.

Each local bank will be called upon to decide on the implementation phase of the disaffiliation of the Arkéa group in order to approve the disaffiliation project, the terms and conditions of disaffiliation and the filing of a disaffiliation request by the Federation concerned, in accordance with the DCG.

Local banks that choose to vote against disaffiliation may join another federal or inter-federal fund in order to benefit from a new collective agreement.

For more information, investors should refer to section [●] of the Risk Factors.

At this stage, there is no certainty as to how this conflict with CNCM could evolve and/or the time frame in which it could be resolved, or the impact it could have if Crédit Mutuel Arkéa were to remain part of the Crédit Mutuel or become a totally autonomous banking group.

1.4.2.2. Solidarity mechanism in force

Crédit Mutuel's solidarity system aims to ensure the liquidity and solvency of all the institutions affiliated to the Confédération Nationale du Crédit Mutuel (CNCM) at all times in order to prevent any default. It is based on a set of rules and mechanisms put in place at the level of regional groups and at the confederal level.

As a reminder, the solidarity between CNCM affiliates is unlimited.

(i) Provisions applicable at the level of regional groups

The solidarity mechanism provided for within the Regional Federation concerned is a mechanism that is based on Article R.511-3 of the Monetary and Financial Code, independently of the statutory provisions relating to the joint and several liability of the Members within the limit of the nominal value of the shares subscribed by the member.

Each federation must set up a solidarity system between the local banks within its territorial jurisdiction.

This mechanism must enable a local bank to avoid a long-term deficit and/or to ensure the recovery of a deteriorated situation. It ensures the equalization of the results of the member banks by means of a federal fund, through contributions in the form of contributions or subsidies. The contribution obligation is imposed on all funds (including the federal or inter-federal fund), or only on funds with positive results, depending on the regulations of the federal fund concerned in force. The contributions, which ensure equalization, and the subsidies must cover the losses recorded in the financial year and any tax deficits carried forward. The equalization grants must include the sums needed to pay the remuneration of the shares. Grants from the federal fund are normally repayable.

Implementation of remedial measures at the level of "regional groups" as defined in the « DCG ». A system reviewed and updated annually enables the regional group to monitor a certain number of key indicators, included in the risk appetite framework adopted by the CNCM's Board of Directors, and to implement the corrective measures provided for in the recovery plan if the indicators are exceeded.

In the event of difficulty and under the control of the CNCM, a regional group may request the assistance of another regional group, in particular in the implementation of the recovery plan.

If no regional solidarity solution has been put in place or has not restored compliance with key indicators within the time frame set out in the recovery plan, or if objective evidence suggests that the implementation of such solutions would prove insufficient, the national solidarity mechanism shall be implemented.

(ii) Provisions adopted at the national level

The Confédération Nationale du Crédit Mutuel is responsible, without limitation, for ensuring the cohesion of its network and the proper functioning of its affiliated institutions. To this end, it must take all necessary measures, in particular to guarantee the liquidity and solvency of each of these institutions as well as the entire network (Article L.511-31 of the Monetary and Financial Code).

According to the arrangements laid down by the DCGs, the necessary interventions may be decided by the CNCM's Board of Directors if the mechanisms existing at the level of the regional groups prove to be insufficient to deal with any difficulties that a group may face.

2. Activity report

2.1. Synthesis elements

In a particularly unfavorable economic context (unprecedented health crisis, persistently low interest rates), the results for the first half of 2020 reflect the robustness of Arkéa's diversified model. It amounted to 249 million euros, an increase of 5 million euros compared to the first half of 2019.

From 16 March 2020, the Group massively deployed teleworking to ensure both continuity of service for customers and employee protection. Commercial activity remained strong, particularly with the introduction of state-guaranteed loans (nearly 9,000 government-guaranteed loans granted for an outstanding amount of around 1.3 billion euros) and the deployment of maturity deferrals on loans (introduction of nearly 56,000 loans with maturity deferrals representing an outstanding amount of 5.2 billion euros).

In terms of activity (compared to 31 December 2019) :

- A customer portfolio up 2.0% to 4.8 million, i.e. nearly 92,000 additional customers;
- Gross outstanding loans increased by 3.3% to €64.9 billion;
- Outstanding savings increased by 2.5% to €128.1 billion;
- A net loan-to-deposit ratio down 2 points to 99% ;
- Earned premiums in property and personal insurance grew by 5.2% to €218 million.

In terms of results (compared to June 30, 2019) :

Group net income of 249 million euros, up 2.1% compared to the first half of 2019.

- Revenues at €1.1 billion (-1.7%)
- A 13.6% decrease in operating expenses and depreciation to €667 million
- A cost of risk multiplied by 2.5 to €84 million.

In terms of solvency:

- Tier 1 capital, or Common Equity Tier 1 (CET 1), amounts to €6.4 billion and represents 77% of total prudential own funds. They increased by €273 million in the first half of 2020, which mainly corresponds to the consolidation of the retained earnings for the first half of 2020 and the net inflow of shares. After taking into account Tier 2 capital, prudential capital amounted to €8.3 billion euros.
 - Outstanding shares increased by 50 million euros to 2.3 €billion (excluding exit from the CMMC federation).

- The Group's capital requirements are increasing with the development of the Group's commitments, mainly to its retail customers.

Evolution of prudential capital

(in € millions)	06.30.2020	12.31.2019
Common equity Tier 1 capital	6,437	6,164
Tier 1 capital	6,460	6,199
Additional equity (Tier 2) net of deductions and surcharges	1,865	1,852
Total regulatory capital	8,325	8,051

Changes in capital requirements

(in € millions)	06.30.2020	12.31.2019
Credit risk	2,867	2,812
Standardized approach	565	533
Central and public administrations	105	106
Credit institutions	17	14
Corporates	18	19
Retail customers	362	334
Shares, securitizations and other non-credit obligation assets	62	60
Internal ratings-based approach	2,302	2,279
Credit institutions	82	54
Corporates	960	971
Retail customers	268	282
Equities	960	944
Securitization	0	0
Other non-credit obligation assets	32	29
Market risk and CVA (standardized approach)	7	9
Operational risk (almost exclusively advanced measurement approach)	197	188
Total capital adequacy requirements	3,071	3,009

Evolution of prudential ratios¹

	06.30.2020	12.31.2019
Common Equity Tier 1	16.8%	16.4%
Overall ratio	21.7%	21.4%
Leverage ratio	5.9%	6.3%

¹ Ratios at 30 June 2020 including half-yearly results

In terms of liquidity :

The Group has significant latitude with regard to regulatory requirements:

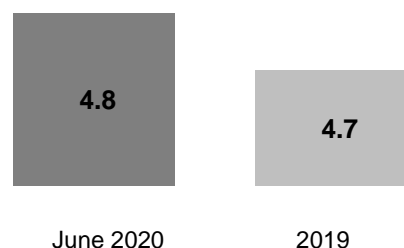
- LCR at 178.4% at the end of June 2020 for a regulatory requirement of 100%.

2.2. Activity

2.2.1. Customers

The customer portfolio increased by 2.0% in the first half of 2020, with nearly 92,000 additional customers brought in by online banking (+41,000 customers), max personal assistant (+25,000 customers) and insurers (+23,000 customers).

Customer portfolio (in millions)

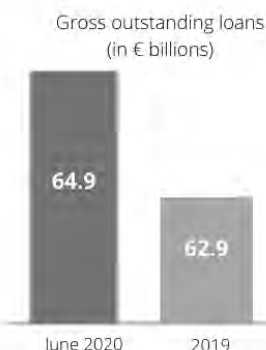
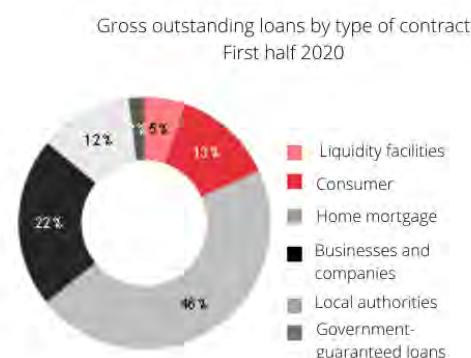
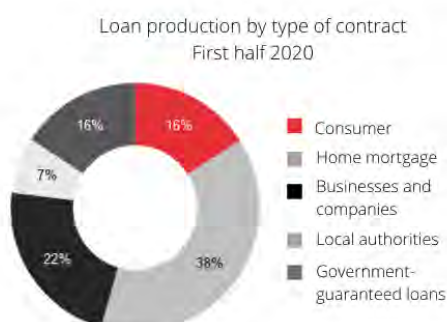


2.2.2. Lending

Gross outstanding loans before provisions increased by 3.3% compared to end 2019 to reach €64.9 billion. At comparable scope², gross outstanding loans rose 5.7% to €64.9 billion. Outstanding net provisions (including interest) amounted to €4.5 billion.

Loan production in the first half of 2020 reached €8.3 billion, up 7.6% compared to the first half of 2019.

Growth in production was driven by government-guaranteed loans, with production of €1.3 billion in the first half of the year. New housing loan production remained stable compared to the first half of 2019 at €3.2 billion despite the health crisis and containment. The other loan families were down: -17% to €1.3 billion on consumer loans and -15% to €2.5 billion on loans to companies (excluding government-guaranteed loans) and local authorities.



² Exit of the Crédit Mutuel Massif Central federation on 1st January 2020

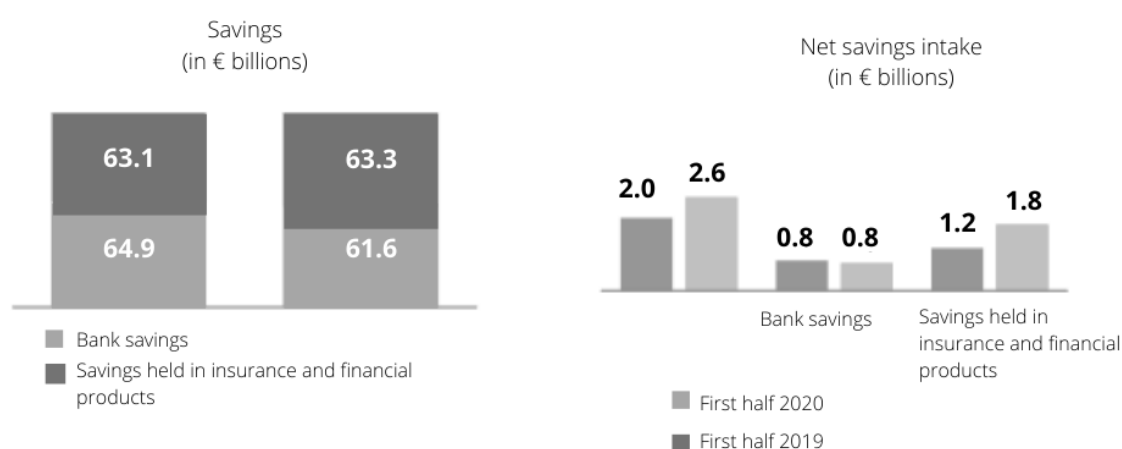
2.2.3. Saving

Total outstanding savings amounted to €128.1 billion, up 2.5% compared with end 2019. On a comparable consolidation scope basis³, outstanding savings increased 3.7% to €128.1 billion.

Net new savings amounted to €2.0 billion, down 22.2% compared with the first half of 2019.

The first half of the year was marked by :

- Stable net inflows into bank savings accounts at €0.8 billion
- Net inflows into insurance savings plans amounted to €0.4 billion, down €0.8 billion.
- Net inflows into financial savings increased by €0.1 billion to €0.8 billion.



2.2.4. Non-life insurance

Non-life insurance policies are distributed through the Group's networks and through networks outside the Arkéa group.

Earned premiums in the portfolio were up 5.2% to €218 million at the end of June 2020.

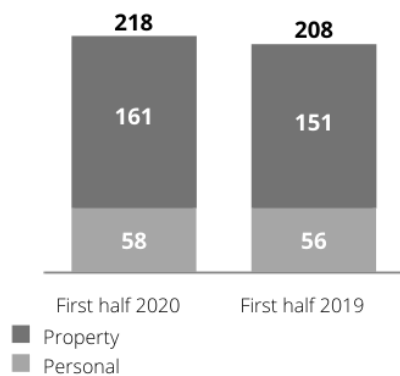
New business premiums in the first half of the year were impacted by the health crisis and were down 18% compared to the first half of 2019 at €26 million.

Premiums earned in the portfolio contributed by external networks represent 35% of total premiums earned in property and personal insurance at the end of June 2020.

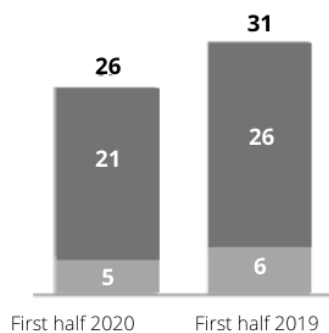
New business premiums contributed by external networks represent 59% of total new business premiums, up 3 points compared to the first half of 2019

³ Exit of the Crédit Mutuel Massif Central on January 1st 2020

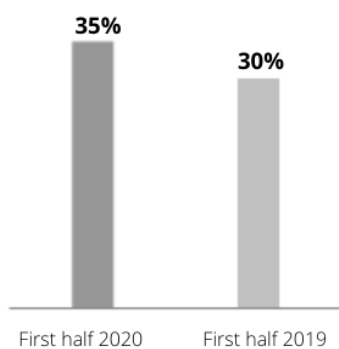
Premiums earned on the portfolio
(in € millions)



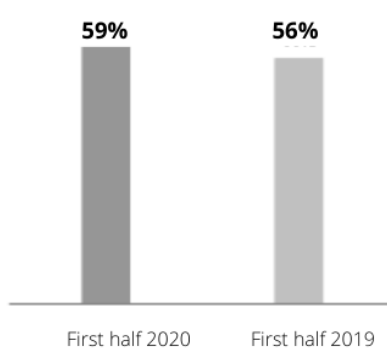
New business premiums
(in € millions)



Share of external networks in
portfolio earned premiums



Share of external networks in new
business premiums



2.3. Balance sheet

As of June 30, 2020, Arkéa's balance sheet increased by 7.6 billion euros to 164.7 billion euros (+4.8%), mainly driven by:

- the increase in customer activity with a €2.1 billion increase in outstanding loans and a €3.3 billion increase in outstanding deposits,
- €8.4 billion increase in resources borrowed on the markets in connection with the Group's participation in TLTRO 3 operations conducted by the ECB and the funds raised under the annual refinancing program.

ASSETS (in billions of euros)

June 2020	Change	December 2019
Customer loans 64.5 of which provisions B1 -0.1 of which provisions B2 0.0 of which provisions B3 -0.9	2.1	Customer loans 62.5 of which provisions B1 -0.1 of which provisions B2 -0.1 of which provisions B3 -0.8
Repayments 8.6	1.4	Repayments 7.2
Cash flow 14.5	4.4	Cash flow 10.1
Financial assets 18.3	4.0	Financial assets 14.4
Property, plant and equipment 1.5	0,0	Property, plant and equipment 1.5
Other assets (including minority interests in UCITS) 6.2	-3,1	Other assets (including minority interests in UCITS) 9.3
Other Assets 3.8		Other Assets 3.4
Minority UCITS 2.4		Minority UCITS 5.9
Insurance assets 51.0	-1.3	Insurance assets 52.3
Non-current assets held for sale 0.1	0.1	Non-current assets held for sale 0.0
TOTAL 164.7	7.6	157.1

LIABILITIES (in billions of euros)

June 2020		Change	December 2019	
Customer deposits	65.0	3.3	Customer deposits	61.7
Market resources	33.9	8.4	Market resources	25.5
Subordinated debts	2.5	0.0	Subordinated debts	2.5
Other liabilities (including minority interests in UCITS)	7.2	-3.2	Other liabilities (including minority interests in UCITS)	10.3
Insurance liabilities	48.5	-1.3	Insurance liabilities	49.8
Shareholders' equity	7.5	0.1	Shareholders' equity	7.4
Non-current liabilities held for sale	0.1	0,1	Non-current liabilities held for sale	0.0
TOTAL	164.7	7.6		157.1

2.4. Consolidated results

In the first half of 2020, the Arkéa group posted net income (group share) of 249 million euros, a level similar to the first half of 2019 (+2.1%).

(en millions d'euros)	First half 2020	First half 2019	Change 1st H 2020 / 1st H 2019	
			abs.	%
Net banking and insurance income including gains on disposal / dilution of MEE shares	1,096	1,116	-19	-1.7%
Operating expenses	-667	-773	105	-13.6%
Gross operating income	429	343	86	25.0%
Cost of risk	-84	-34	-50	149.7%
Pre-tax income	344	334	10	3.1%
Income tax	-95	-89	-5	5.7%
Net income, group share	249	244	5	2.1%
Cost/income ratio⁴⁴	60.9%	69.2%	-8.4 pts	

2.4.1. Net Banking and Insurance Income (NBI) and gains or losses on disposal - dilution of associates and joint ventures accounted for by the equity method

Revenues were down 1.7% compared to the first half of 2019 at €1,096 million (-19 €million).

The analysis of revenues is based on the segment breakdown presented in the financial statements.

Banking segment

The banking sector includes retail banking for individuals (local banks of Crédit Mutuel, Arkéa Direct Bank [including Fortuneo and Keytrade], Financo and CFCAL), retail banking for businesses (Arkéa Banque Entreprises et Institutionnels, Arkéa Crédit Bail, Arkéa Capital Investissement et Partenaire) and subsidiaries involved in Business Process Outsourcing (Monext, Nextalk, Arkéa Banking Services, ProCapital Securities Services, Leetchi, Nouvelle Vague, Pumpkin and Izimmo).

Revenues in the Banking sector were up 4.0% compared to the first half of 2019 at €836 million.

On a comparable basis⁵, revenues were down 4.0% to €746 million (- €31 million):

⁴ Ratio of Operating Expenses (general operating expenses plus depreciation, amortisation and impairment of intangible and tangible fixed assets) to Net Banking and Insurance Income (NBI).

⁵ Excluding changes in consolidation scope in 2020 (Crédit Mutuel Massif Central federation) and 2019 (Budget Insight and Leasecom) and excluding the remarkable Younited and Linxo operations.

- Financial margin decreased by 16.9% (- €65 million) to €322 million. Client interest margin increased by 34 million euro, but the economic uncertainty generated by the health crisis severely penalized the valuation of private equity investments.
- Fees and commissions increased by 2.9% (+ €9 million) to €314 million, driven by the dynamism of stock market brokerage activities.
- Other operating income and expenses were up 29.7% (+ €25 million) to €111 million.

The insurance and asset management sector

The insurance and asset management sector includes life insurance (Suravenir), non-life insurance (Suravenir Assurances), brokerage (Novélia) and asset management companies (Federal Finance, Schelcher Prince Gestion and Arkéa Capital).

Insurance and Asset Management revenues were down €51 million to €261 million, marked by the underperformance of the financial markets and ad hoc measures (contribution to the solidarity fund, commercial measures for vulnerable people) in the context of the health crisis.

2.4.2. Operating expenses

Operating expenses and depreciation totalled €667 million, down 13.6% (- €105 million). On a comparable basis⁶, operating expenses and depreciation fell by €22 million to €732 million:

- Personnel expenses decreased by €23 million to €385 million ;
- Other expenses decreased by €2 million to €280 million;
- Depreciation, amortization and provisions increased by 3 million to €67 million.

2.4.3. Cost of risk

Given the uncertainties and the unfavorable evolution of the economic context in the context of the health crisis, the Arkéa group has increased the provision rate on healthy loans by reinforcing the weighting of the pessimistic scenario and has set aside provisions for the business sectors considered most vulnerable.

Thus, the cost of risk was up €50 million (multiplied by 2.5 compared to the first half 2019) to €84 million. At comparable scope⁷, the cost of risk rose by €52 million to €84 million euros:

- Charges to provisions on healthy loans increased by 27 million euros to €37 million in the first half of the year.
- The cost of risk on doubtful and disputed customer loans increased by €25 million to €47 million.

⁶ Excluding changes in the scope of consolidation in 2020 (Crédit Mutuel Massif Central federation) and 2019 (Budget Insight and Leasecom), excluding the remarkable Younited and Linxo operations and the crystallization of the additional pension supplement following the implementation of the Pacte law.

⁷ Excluding changes in scope in 2020 (Crédit Mutuel Massif Central federation) and 2019 (Budget Insight and Leasecom).

At mid-year 2020, the cost of risk represents 0.13% of outstanding customer commitments on the balance sheet, i.e. 0.26% annually on this level.

Portfolio credit risk quality

The amount of doubtful and disputed receivables, including interest, increased by 6.5% to €1,557 million at 30/06/2020.

The rate of doubtful and disputed loans (including interest) on total outstanding loans rose to 2.4% in the first half of 2020 (2.3% at 12/31/2019).

Provisioning

The Arkéa group remained very cautious in its approach to customer credit risk, net of guarantees received, in the first half of 2020. The provision rate for doubtful and disputed receivables (principal and interest) reached 55% at the end of June 2020.

2.5 Ratings

As at 30/06/2020	Short-term ratings
Moody's	P-1
Fitch	F1
	Long-term ratings
Moody's	Aa3
Fitch	A-
	Outlook
Moody's	Negative
Fitch	Negative

3. Consolidated financial statements at June 30, 2020

Balance sheet (in € thousands)

		06.30.2020	12.31.2019
Assets	Notes		
Cash, due from central banks	1	14,511,523	10,083,885
Financial assets at fair value through profit or loss	2	1,482,925	1,480,688
Derivatives used for hedging purposes	3	1,111,175	1,082,121
Financial assets at fair value through equity	4	13,038,887	9,654,975
Securities at amortized cost	5	662,016	635,489
Loans and receivables - credit institutions, at amortized cost	1	11,755,823	9,785,387
Loans and receivables - customers, at amortized cost	6	64,502,065	62,444,613
Remeasurement adjustment on interest-rate risk hedged portfolios		928,263	790,682
Placement of insurance activities	7	53,372,120	58,172,448
Current tax assets		160,674	240,252
Deferred tax assets		137,013	144,962
Accruals, prepayments and sundry assets		1,339,464	911,703
Non-current assets held for sale		92,982	5,336
Deferred profit-sharing		0	0
Investments in associates		156,797	197,630
Investment property		131,686	144,215
Property, plant and equipment		330,070	343,158
Intangible assets		458,689	457,604
Goodwill	8	566,776	566,776
TOTAL ASSETS		164,738,948	157,141,925

		06.30.2020	12.31.2019
Liabilities	Notes		
Due to central banks	9	0	0
Financial liabilities at fair value through profit or loss	10	1,185,141	1,173,150
Derivatives used for hedging purposes	3	1,185,728	1,043,663
Debt securities	12	19,129,003	16,533,888
Due to banks	9	13,602,485	7,767,767
Liabilities to customers	13	64,996,431	61,700,260
Remeasurement adjustment on interest-rate risk hedged portfolios		223,797	274,938
Current tax liabilities		149,638	110,949
Deferred tax liabilities		151,449	151,241
Accruals, deferred income and sundry liabilities		2,664,617	2,296,644
Liabilities associated with non-current assets held for sale		92,052	0
Insurance companies' technical reserves	14	50,922,138	55,708,402
Provisions	15	422,415	531,286
Subordinated debt		2,518,844	2,498,059
Total equity		7,495,210	7,351,679
Shareholders' equity, group share		7,491,991	7,348,433
Share capital and additional paid-in capital		2,302,683	2,353,416
Consolidated reserves		4,815,338	4,294,471
Gains and losses recognized directly in equity		124,511	189,810
Net income for the year		249,460	510,737
Non-controlling interests		3,219	3,246
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		164,738,948	157,141,925

Income statement

(in € thousand)

		06.30.2020	06.30.2019
Income statement	Notes		
Interest and similar income (1)	18	864,997	904,807
Interest and similar expense (1)	18	(531,549)	(596,773)
Commission income	19	311,583	300,160
Commission expense	19	(74,302)	(68,774)
Net gain (loss) on financial instruments at fair value through profit or loss	20	(20,047)	58,403
Net gain (loss) on financial instruments at fair value through equity	21	11,487	35,636
Net gain (loss) on derecognition of financial instruments at amortized cost	22	320	0
Net income from insurance activities	23	334,477	395,881
Income from other activities	24	143,742	120,110
Expense from other activities	24	(31,420)	(33,612)
NET BANKING INCOME		1,009,288	1,115,838
Gains (losses) on disposal - dilution in investments in associates	25	87,139	(19)
NET BANKING INCOME including gains (losses) on disposal - dilution in investments in associates		1,096,427	1,115,819
General operating expenses	26	(600,300)	(708,439)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		(67,002)	(64,188)
GROSS OPERATING INCOME		429,125	343,192
Cost of credit risk	27	(84,220)	(33,730)
OPERATING INCOME		344,905	309,462
Share in net income of equity-accounted associates and joint ventures		1,165	434
Gains (losses) on other assets	28	(2,022)	23,789
Changes in goodwill		0	0
PRE-TAX INCOME		344,048	333,685
Income tax	29	(94,595)	(89,470)
Net income (loss) from discontinued operations		0	0
NET INCOME		249,453	244,215
O/w non-controlling interests		(7)	(143)
NET INCOME - GROUP SHARE		249,460	244,359

(1) The interest calculated using the effective interest rate method for instruments valued at fair value through OCI or at amortized cost is presented in note 18.

		06.30.2020	06.30.2019
Statement of net income and gains and losses recognized directly in equity	Notes		
Net income		249,453	244,215
Revaluation of financial assets at fair value through recyclable equity (net of taxes)		8,377	9,033
Revaluation of available-for-sale financial assets (net of taxes)		(44,216)	75,929
Revaluation of derivatives used to hedge recyclable items (net of taxes)		530	(132)
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes)		(125)	259
Items to be recycled to profit or loss		(35,434)	85,089
Actuarial gains (losses) on defined benefit plans (net of taxes)		6,613	(17,355)
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option (net of taxes)		(1,423)	(5,701)
Revaluation of equity instruments at fair value through equity (net of taxes) (1)		(14,177)	14,190
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes) not recycled to profit or loss		(20,879)	(1,241)
Items not to be recycled to profit or loss		(29,866)	(10,107)
Total gains and losses recognized directly in equity		(65,300)	74,982
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY		184,153	319,197
of which group share		184,161	319,352
of which non-controlling interests		(8)	(155)

(1) of which the impact of the transfer to reserves of non-recyclable items for €136,000.

CHANGES IN SHAREHOLDERS' EQUITY

(in € thousands)

	Share capital and reserves	Consolidated reserves	Total gains and losses recognized directly in equity	Net income attributable to equity holders of the parent	Shareholders' equity, group share	Non-controlling interests in equity	Total equity
Position at January 1, 2019	2,266,390	3,896,396	104,373	437,288	6,704,447	3,153	6,707,600
Capital increase/reduction	68,373				68,373		68,373
Cancellation of treasury shares							
Issuance of preferred shares							
Equity components of hybrid instruments							
Equity components whose payment is share-based							
Allocation of the previous year income		437,288		(437,288)			
Dividend paid in 2019 in respect of 2018		(39,505)			(39,505)	(4)	(39,509)
Change in equity interests in subsidiaries with no loss of control		12			12		12
Subtotal of changes involving transactions with shareholders	2,334,763	4,294,191	104,373	0	6,733,327	3,149	6,736,476
Changes in gains and losses recognized directly in equity		(60)	74,994		74,934	(12)	74,922
2019 net income				244,359	244,359	(143)	244,216
Subtotal	2,334,763	4,294,131	179,367	244,359	7,052,620	2,994	7,055,614
Impact of acquisitions and disposals on non-controlling interests		346			346	(12)	334
Share of changes in shareholders' equity from investments in associates and joint ventures		(2,333)			(2,333)		(2,333)
Change in accounting methods							
Other changes		6,750			6,750	21	6,771
Position at June 30, 2019	2,334,763	4,298,894	179,367	244,359	7,057,383	3,003	7,060,386
Capital increase	18,653				18,653		18,653
Cancellation of treasury shares							
Issuance of preferred shares							
Equity components of hybrid instruments							
Equity components whose payment is share-based							
Allocation of the previous year's income							
Dividend paid in 2019 in respect of 2018							
Change in equity interests in subsidiaries with no loss of control		(12)			(12)		(12)
Subtotal of changes involving transactions with shareholders	2,353,416	4,298,882	179,367	244,359	7,076,024	3,003	7,079,027
Changes in gains and losses recognized directly in equity			10,443		10,443	25	10,468
2019 second half net income				266,378	266,378	235	266,613
Subtotal	2,353,416	4,298,882	189,810	510,737	7,352,845	3,263	7,356,108
Impact of acquisitions and disposals on non-controlling interests		(346)			(346)	12	(334)
Share of changes in shareholders' equity from investments in associates and joint ventures		(50)			(50)		(50)
Change in accounting methods		7,500			7,500		7,500
Other changes		(11,515)			(11,515)	(29)	(11,544)
Position at December 31, 2019	2,353,416	4,294,471	189,810	510,737	7,348,433	3,246	7,351,679
Capital increase	50,197				50,197		50,197
Cancellation of treasury shares							
Issuance of preferred shares							
Equity components of hybrid instruments							
Equity components whose payment is share-based							
Allocation of the previous year's income		510,737		(510,737)			
Dividend paid in 2020 in respect of 2019						(6)	(6)
Change in equity interests in subsidiaries with no loss of control		(1,278)			(1,278)	(21)	(1,299)
Subtotal of changes involving transactions with shareholders	2,403,613	4,803,930	189,810	0	7,397,352	3,219	7,400,571
Changes in gains and losses recognized directly in equity			(68,170)		(68,170)	(1)	(68,171)
06.30.2020 net income				249,460	249,460	(7)	249,453
Subtotal	2,403,613	4,803,930	121,640	249,460	7,578,642	3,211	7,581,853
Impact of acquisitions and disposals on non-controlling interests	(100,930)	12,866	2,871		(85,193)		(85,193)
Share of changes in shareholders' equity from investments in associates and joint ventures							
Change in accounting methods							
Other changes		(1,458)			(1,458)	8	(1,450)
Position at June 30, 2020	2,302,683	4,815,338	124,511	249,460	7,491,991	3,219	7,495,210

Net cash flow statement

(in € thousands)

	06.30.2020	06.30.2019
Cash flows from operating activities		
Net income	249,453	244,215
Tax	94,595	89,470
Pre-tax income	344,048	333,685
Depreciation and amortization of property, plant and equipment and intangible assets	66,246	63,797
Impairment of goodwill and other non-current assets	0	(22)
Net additions to depreciations	61,232	54,496
Share of income (loss) from investments in associates	(1,761)	(1,759)
Net loss (gain) from investing activities	(110,822)	(2,527)
(Income)/expense from financing activities	0	0
Other changes	(1,387,700)	2,845,728
Total non-cash items included in net income and other adjustments	(1,372,805)	2,959,713
Interbank transactions	4,211,353	(205,556)
Transactions with customers	1,400,100	(877,363)
Transactions involving other financial assets/liabilities	2,248,455	(3,521,852)
Transactions involving other non-financial assets/liabilities	(3,619,603)	2,027,559
Dividends from investments in associates	2,028	866
Taxes paid	23,466	(39,639)
Net decrease/(increase) in operating assets and liabilities	4,265,799	(2,615,985)
NET CASH FLOW FROM OPERATING ACTIVITIES	3,237,042	677,414
Cash flows from investing activities		
Financial assets and investments	60,076	(152,021)
Investment property	33,362	929
Property, plant and equipment and intangible assets	(54,051)	(65,896)
Other	0	0
CASH FLOWS FROM INVESTING ACTIVITIES	39,387	(216,988)
Cash flows from financing activities		
Cash flows from/to shareholders	53,187	40,696
Other cash flows from financing activities	1,745,000	1,825,002
CASH FLOWS FROM FINANCING ACTIVITIES	1,798,187	1,865,698
Net increase/(decrease) in cash and cash equivalents	5,074,616	2,326,124
Cash flows from operating activities	3,237,042	677,414
Cash flows from investing activities	39,387	(216,988)
Cash flows from financing activities	1,798,187	1,865,698
Cash and cash equivalents, beginning of the year	9,195,374	3,831,782
Cash, central banks (assets & liabilities)	10,083,885	3,236,588
Deposits (assets and liabilities) and demand loans with credit institutions	(888,511)	595,194
Cash and cash equivalents, end of the year	14,269,990	6,157,905
Cash, central banks (assets & liabilities) (Notes 1 and 9)	14,511,523	6,147,781
Deposits (assets and liabilities) and demand loans with credit institutions (Notes 1; 7d; 9 and 14b)	(241,533)	10,124
CHANGE IN NET CASH AND CASH EQUIVALENTS	5,074,616	2,326,123

The cash flow statement is presented using the indirect method.

Net cash and cash equivalents includes cash, debit and credit balances with central banks and demand debit and credit sight balances with banks.

Changes in cash flow from operations record the cash flow generated by the group's activities, including such flows arising from negotiable debt securities.

Changes in cash from financing activities include changes related to shareholders' equity and subordinated debt.

Appendix

Consolidated financial statements at June 30, 2020

HIGHLIGHTS OF THE YEAR

In addition to the impacts of the health crisis, the effects of which on the group's financial statements are detailed in the notes to the financial statements, the first half of 2020 was marked by changes in the scope of consolidation:

- The federation, the regional bank and the local banks of Crédit Mutuel Massif Central were deconsolidated on January 1, 2020.
The impact on the group's equity was -€85 million, that on customer loans -€1,455 million and that on amounts due to customers -€1,180 million.
- In the second quarter, Crédit Mutuel Arkéa ceased to have significant influence over Younited. Pursuant to IAS 28, Younited, which was previously consolidated using the equity method, was deconsolidated. The transaction generated a gain of €86 million recognized under "Gains (losses) on disposal – dilution of investments in associates".
- The Linxo divestment process that began in late 2019 was completed in the first half of 2020 and the company was deconsolidated.

The social bond issue launched in 2019 continued in 2020, with €750 million of non-preferred senior social bonds issued by Crédit Mutuel Arkéa in the second quarter.

In addition, €750 million of preferred senior debt and €1 billion of covered bonds were issued in the first half of 2020.

ACCOUNTING STANDARDS APPLIED

Pursuant to European Regulation 1606/2002 of July 19, 2002 on the application of international standards, Crédit Mutuel Arkéa group prepared its summary consolidated financial statements for the period ending June 30, 2020 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of that date. The content of these financial statements has been determined in accordance with the provisions of IAS 34 relating to condensed interim financial reporting.

At June 30, 2020, the group applied the standards in force as at January 1, 2020 and adopted by the European Union. The group chose to forgo early application of standards and interpretations adopted by the European Union whose application was optional in 2020.

Amendment to IAS 1 and IAS 8

The aim of this amendment is to clarify the definition of “materiality” and to align the definition used in the Conceptual Framework and the standards themselves. According to this amendment, information is material (i.e., relatively significant) if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Amendment to IFRS 3

The aim is to clarify the accounting treatment of the acquisition of an interest in a joint operation (vs. acquisition of an asset, which is recognized under the standard applicable to it, for example IFRS 9). Only joint ventures, and not joint operations, apply to the group.

COVID-19 health crisis

The Arkéa group is fully committed to confronting the COVID-19 health crisis. As a credit institution, it is offering its full support at the local level to its business and corporate customers that may be experiencing difficulties, particularly small and medium-sized companies.

The group is participating in the government's economic support program. It offers government-backed loans to help its business and corporate customers maintain their cash flow.

This financing is in the form of 12-month bullet loans that include a deferred repayment clause over a period of one to five years. The loan is first offered at an interest rate of 0% plus the cost of the government guarantee (charged through a fee paid by the customer).

These loans, which are held to collect cash flows and meet the “basic loan” criterion, are recognized at amortized cost using the interest rate method.

At June 30, 2020, government-backed loans issued by the Arkéa group totaled €1.3 billion and are guaranteed up to €1.1 billion.

The measurement of expected credit losses on these loans takes into account the effect of the government guarantee (implemented by Bpifrance) in the amount of 70% to 90% of the principal and interest due. At June 30, 2020, the impairment amount of these loans was immaterial.

The Arkéa group is taking concrete measures to support companies and individuals. It has offered loan repayment deferrals, mainly to companies, for up to six months (suspension of interest payments and/or deferral of principal repayment), with no penalties or additional costs. At the end of these periods, the loans will be permanently restructured.

At June 30, 2020, the cash flow losses related to the loans benefiting from the flexibility measures are not significant. Thus, these moratoriums have not been accounted for as substantial modifications of the loans contractual cash flows to which they have been applied. There has been no de-recognition of these loans. Deferred payments amount to €5.2 billion.

The Arkéa group reviewed the publications issued in late March 2020 by the IASB, the EBA and the ESMA.

It exercises judgment in recognizing expected credit losses in the special context of the COVID-19 crisis.

In particular, the repayment deferral measures were granted across the board without specific lending conditions. They are part of a financial scheme initiated by French banks, in accordance with the EBA's guidelines on moratoriums.

These measures are not necessarily an indicator of a significant increase in the credit risk of the financial assets in question or of reclassification as restructured (forborne) assets.

However, transfer to bucket 2 or 3 may occur in accordance with the group's rules.

With respect to provisions for performing loans, the Arkéa group took into account the unprecedented and brutal effect of the COVID-19 crisis on the macroeconomic environment:

- The weighting of the pessimistic scenario was increased to calculate the forward-looking probabilities of default for all portfolios. In addition to its direct impact on the impairment amount, this increase also results in an increase in transfers to bucket 2 linked to the higher probabilities of default at the reporting date. The overall impact at June 30, 2020 is estimated at €9 million;
- Based on the authorities' recommendations, an additional provision was set up in anticipation of the increase in verified losses in sectors considered the most vulnerable to the health crisis (tourism, gaming, leisure, hotels, restaurants, auto industry excluding manufacturers, clothing, alcoholic beverage establishments, light vehicle rentals, commercial passenger transport, airlines). The impact at June 30, 2020 is estimated at €16 million.

The overall impact of overweighting the pessimistic scenario and sector-specific impairment/provisions is estimated at €25 million.

The Arkéa group made no other changes (rules regarding transfer to non-performing, determination of ECL, collective approaches implemented, etc.).

Lastly, the Arkéa group has the financial strength to confront this unprecedented crisis, thanks to the level of its shareholders' equity and capital and the resulting ratios. At June 30, 2020 :

- CMA's overall solvency ratio⁸ is 16.8%,
- leverage ratio¹ is 5.9% (CRR2 regulatory threshold: 3%)
- LCR ratio is 178% (regulatory threshold: 100%).

Information regarding risk management is provided in the section entitled "Risk factors".

⁸ Included half year net income.

Main standards not yet adopted by the European Union

IFRS 17 Insurance Contracts

Date and methods of first-time application

On May 18, 2017, the IFRS Foundation published the new IFRS 17 Insurance Contracts. IFRS 17 replaces IFRS 4 Insurance Contracts published in 2004. Under IFRS 4, companies were allowed to continue using national accounting rules for insurance contracts, which resulted in a large number of different approaches, making it difficult for investors to compare the financial performance of companies.

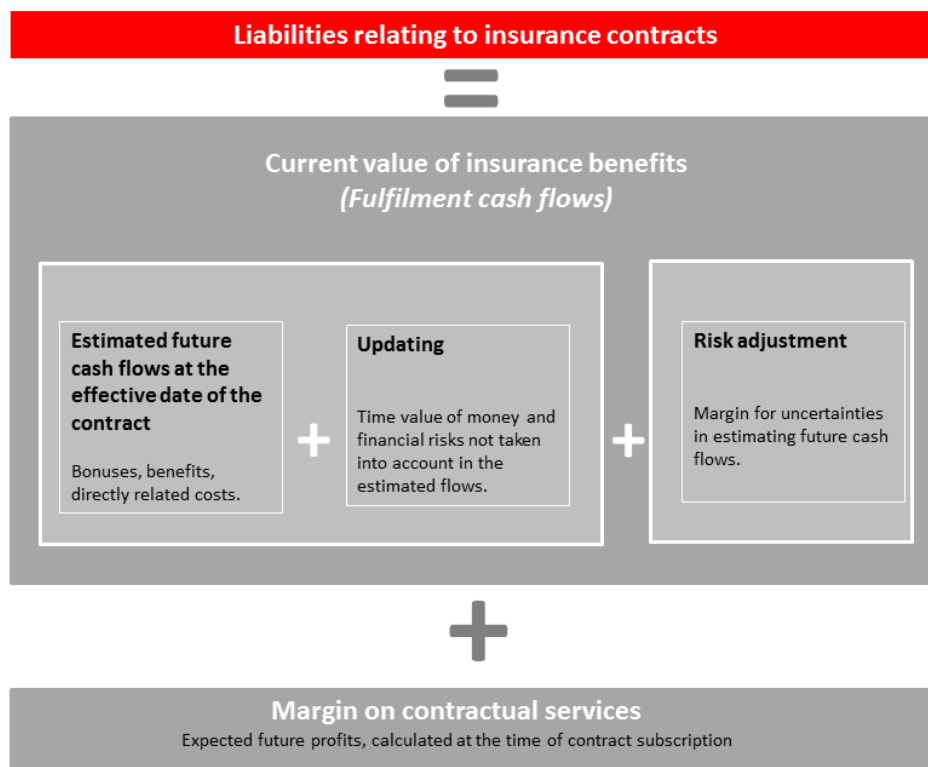
IFRS 17 offers a solution to the comparison problems created by IFRS 4 by requiring all insurance contracts to be recognized in a standardized manner.

The IASB has examined some of the implementation issues raised by various stakeholders since the publication of IFRS 17 and will determine whether it is necessary to amend IFRS 17. In addition, on June 26, 2019 the IASB published an exposure draft containing a number of amendments to IFRS 17 "Insurance Contracts". The aim of the amendments is to facilitate implementation of the standard. The date of application, originally planned for 2021, was pushed back to January 1, 2023 through an amendment adopted on June 25, 2020.

Accounting principles under IFRS 17

IFRS 17 defines the new rules for the recognition, measurement and presentation of insurance contracts that fall within its scope (insurance contracts, reinsurance contracts and financial contracts with a discretionary profit-sharing component). The technical provisions currently recognized on the liability side of the balance sheet will be replaced by a valuation of the insurance contracts at current value.

The general model used to evaluate contracts shown as liabilities will be based on the aggregation of three components using a building blocks approach: discounted future cash flows, a risk margin and a margin on contractual services.



Positive margins on contractual services will be recognized progressively in profit or loss over the duration of the insurance service. In the case of loss-making contracts, the loss corresponding to the net cash outflow for the group of contracts must be recognized in profit or loss upon subscription.

This general model will apply by default to all insurance contracts.

However, IFRS 17 also provides for an adjustment of the general model for direct profit-sharing contracts. This adapted model, known as the 'Variable Fee Approach', will allow the obligation to return to policyholders a substantial portion of the return on the underlying assets net of policy charges to be reflected in the valuation of the insurance liability (the changes in the value of the underlying assets accruing to policyholders being neutralized in the margin on contractual services).

The standard also makes it possible, subject to conditions, to apply a simplified approach known as the "premium allocation approach" to contracts with a term of 12 months or less or if the application of the simplified approach gives a result close to the general model.

These valuation models for insurance liabilities will have to be applied to portfolios of similar insurance policies, the granularity of which will be determined by combining three areas:

- aggregation of contracts exposed to similar risks and managed together,
- a breakdown of policies by year of underwriting, and
- upon initial recognition, a distinction is made between loss-making contracts, contracts for which there is no significant possibility of subsequently becoming loss-making, and other contracts.

The standard requires a more detailed level of granularity in the calculations since it requires estimates per group of contracts.

IFRS 17 project

Despite the uncertainties still surrounding the standard (date of application, actions underway to change certain positions, exposure draft published on June 26, 2019), the CM Arkéa group's insurance entities have set up project structures to keep up with the changes resulting from the standard and continued their preparatory work through the first semester of 2020: assessment and documentation of choices related to standards, modeling, adaptation of systems and organizations, production of accounts and changeover strategy, financial communication and change management.

The standards adopted by the European Union are available on the European Commission's website:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_fr

ACCOUNTING PRINCIPLES AND VALUATION METHODS

Since January 1, 2018, the Group has applied IFRS 9 "Financial Instruments" and the amendment to IFRS 9 "Prepayment clause providing for negative compensation" adopted by the European Union on November 22, 2016 and March 22, 2018 respectively for its banking activity.

The insurance business continues to apply IAS 39 following the adoption of the temporary exemption from applying IFRS 9, as provided for by the amendment to IFRS 4.

To take advantage of this deferral, the following conditions must be met:

- no transfer of financial instruments between the insurance segment and the conglomerate's other segments (with the exception of financial instruments at fair value through profit or loss for both segments involved in the transfer),
- indication of the insurance entities deferring application of IFRS 9,
- the provision of additional information in notes presenting the insurance activities separately from the banking activities.

In compliance with the conditions listed above, the group entities that are deferring application of IFRS 9 are Suravenir and Suravenir Assurances.

The accounting principles and valuation rules applied to assets and liabilities arising from the issuance of insurance policies are established in accordance with IFRS 4.

Excepting the cases described above, the other assets held and liabilities issued by insurance companies follow the rules common to all of the group's assets and liabilities.

Accounting principles for the banking business

IFRS 9 sets out different classification rules for equity instruments (shares or other variable-income securities) and for debt instruments (bonds, loans or other fixed-income securities).

To determine the accounting category of debt instruments (debt securities, loans and receivables), the following two criteria must be analyzed:

- The business model that summarizes the way in which the entity manages its financial assets in order to generate cash flows: "Collection of cash flows", "Collection of cash flows and sale" or "Other";
- Characteristics of cash flows that will be "SPPI – Solely payments of principal and interest" if they are cash flows from a basic loan and, more specifically, if "the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding".

- Business models

The business model represents the way in which instruments are managed in order to generate cash flows and revenue. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather at a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at inception and may be reassessed in the case of a change in model.

To determine the model, all the available information must be observed, including:

- the way in which the business's performance is reported to decision-makers,
- the way in which managers are compensated,
- the frequency, schedule and volumes of sales in previous periods,
- the reasons for the sales,
- future sales forecasts,
- the way in which risk is assessed.

Under the hold-to-collect model, certain examples of authorized sales are explicitly indicated in the standard:

- in relation to an increase in credit risk,
- close to maturity.

These "authorized" sales are not included in the analysis of the significant and frequent nature of the sales carried out on a portfolio. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.

For other sales, thresholds have been defined based on the maturity of the securities portfolio (the group does not sell its loans).

The group has mainly developed a model based on the collection of contractual cash flows from financial assets, which applies in particular to the customer financing activities.

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and on the sale of these assets. Within the group, the contractual cash flow collection and sale model applies primarily to the cash management and liquidity portfolio management activities.

- Cash flow characteristics

The contractual cash flows, which represent only repayments of principal and payments of interest on the principal balance, are compatible with a so-called basic agreement.

In a basic agreement, interest mainly represents consideration for the time value of money (including in case of negative interest) and credit risk. Interest may also include liquidity risk, administrative fees to manage the asset and a profit margin.

All the contractual clauses must be analyzed, including those that could change the repayment schedule or the amount of the contractual cash flows. The option under the agreement, on the part of the borrower or the lender, to repay the financial instrument early is compatible with the SPPI (Solely Payments of Principal and Interest) nature of the contractual cash flows insofar as the amount repaid essentially represents the principal balance and related receivables and, where applicable, a reasonable compensatory payment.

An analysis of the contractual cash flows may also require comparing them with those of a benchmark instrument when the time value of money component included in the interest can be changed as a result of the instrument's contractual clauses. This is the case, for example, if the interest rate of the financial instrument is revised periodically, but there is no correlation between the frequency of the revisions and the term for which the interest rate is defined (monthly revision of a one-year rate, for example), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the undiscounted contractual cash flows of the financial asset and those of the benchmark instrument is or may become significant, the financial asset cannot be considered basic.

Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year, and cumulatively over the life of the instrument. The quantitative analysis takes into account a set of reasonably possible scenarios.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist mainly of debt securities (fixed- or variable-income) and loans to credit institutions and customers:

- held for trading ("Resale" business model); or
- related to the application of the option made available under IFRS 9 to designate a financial instrument at fair value through profit or loss if doing so eliminates or significantly reduces an accounting treatment inconsistency; or
- whose cash flows do not correspond to those of a basic loan ("non-SPPI" cash flows); UCI (undertaking for collective investment) and mutual fund instruments will be recognized as such.

By default, shares will also be recognized at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognized at fair value excluding acquisition costs and including accrued dividends.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading "interest and similar income" according to the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the financial asset or liability. Dividends from variable-income securities are recognized in the income statement under the heading "Net gain (loss) on financial instruments at fair value through profit and loss."

Changes in fair value during the period, at the reporting date, as well as capital gains or losses on assets in this category are also recognized in "Net gain (loss) on financial instruments at fair value through profit or loss".

No impairment is recognized on the assets at fair value through profit or loss, since the counterparty risk is included in the market value (fair value).

Derivative financial instruments used for trading and hedging purposes – assets and liabilities

In accordance with the option offered by IFRS 9 pending the finalization and adoption of the standard's macro hedging component, the Crédit Mutuel Arkéa group has decided not to adopt the Hedging component of IFRS 9 and continues to apply all the provisions of IAS 39 with regard to hedging.

However, the additional disclosures on hedging required by amended IFRS 7 are presented as of January 1, 2018.

Unless they qualify for hedge accounting, derivative financial instruments are by default classified as trading instruments.

The group deals mainly in simple derivative instruments (swaps, vanilla options), particularly interest-rate instruments and classified in level 2 of the fair value hierarchy.

Derivatives are covered by master netting agreements, which make it possible to net winning and losing positions in case of counterparty default. The group negotiates ISDA-type (International Swaps and Derivatives Association) master agreements for each derivative transaction.

However, these derivatives are not netted on the balance sheet, in accordance with IAS 32.

Through these collateralization agreements, the group receives or disburses only cash as guarantees.

IFRS 13 allows for the recognition of own credit risk when valuing derivative financial liabilities (debt value adjustment – DVA) and the measurement of counterparty risk in the fair value of derivative financial assets (credit value adjustment – CVA).

The group calculates the CVA and DVA on derivative instruments for each counterparty to which it is exposed.

The CVA is calculated on the basis of the group's expected positive exposure to the counterparty, estimated using the so-called Monte Carlo method, multiplied by the counterparty's probability of default (PD) and by the loss given default (LGD) rate. DVA is calculated on the basis of the group's expected negative exposure to the counterparty, estimated using the so-called Monte Carlo method, multiplied by the group's probability of default (PD) and by the loss given default (LGD) rate.

The calculation methodology uses market data, particularly on the credit default swap (CDS) curves to estimate the PD.

The Funding Valuation Adjustment (FVA) represents the cost of financing positions on derivative instruments that do not involve the transfer of collateral. The FVA calculation involves multiplying the group's expected exposure to the counterparty by the estimated market financing cost.

An amount of €28.9million was recognized on the balance sheet for valuation adjustments as at June 30, 2020.

To classify a financial instrument as a hedging derivative, the group prepares formalized documentation of the hedging transaction at inception: hedging strategy, designation of the hedged instrument (or the portion of the instrument), nature of the hedged risk, designation of the hedging instrument, procedures for measuring the effectiveness of the hedging relationship. According to this documentation, the group assesses the effectiveness of the hedging relationship at inception and at least every six months. A hedging relationship is deemed to be effective if:

- the ratio between the change in value of the hedging derivatives and the change in value of the hedged instruments for the risk hedged lies between 80% and 125%; and
- the changes in value of the hedging derivatives expected over the residual term of said derivatives offset those expected from the hedged instruments for the risk hedged.

The group designates a derivative financial instrument as a hedging instrument in a fair value hedge or in a cash flow hedge based on the nature of the risk hedged.

Risks hedged:

Micro-hedging is the hedging of part of the risks incurred by an entity on the assets and liabilities it holds. It applies specifically to one or more assets and liabilities with regard to which the entity hedges the risk of a negative change in a given type of risk, using derivatives.

Macro-hedging aims to protect all the group's assets and liabilities against unfavorable trends, particularly in interest rates.

The group hedges only interest rate risk for accounting purposes, through micro-hedges or more globally through macro-hedges.

Overall interest rate risk management is described in the management report, together with the other risks that may give rise to economic hedging through natural matching of assets/liabilities or the recognition of derivatives transactions.

Micro-hedges are implemented in particular via asset swaps and are generally aimed at synthetically converting a fixed-rate instrument into a variable-rate instrument.

Fair value hedging:

The goal of fair value hedging is to reduce the risk of a change in the fair value of a financial transaction. Derivatives are used notably to hedge the interest rate risk on fixed-rate assets and liabilities.

With respect to fair value hedging transactions, the change in fair value of the derivative is recorded on the income statement under the heading "Net gain (loss) on financial instruments at fair value through profit or loss" in symmetry with the revaluation of the hedged risk. The only impact on the income statement is the potential ineffectiveness of the hedge. This may result from:

- the "counterparty risk" component included in the value of the derivatives,

- differences in the price curves of the hedged item and of the hedge. For instance, swaps are valued using the Overnight Indexed Swap curve if they are collateralized and using the BOR curve if they are not. The hedged items are valued using the BOR curve.

The goal of the derivative financial instruments used as macro-hedging transactions is to hedge comprehensively all or part of the structural rate risk resulting primarily from retail banking operations. For the accounting treatment of such transactions, the group applies the provisions contained in IAS 39 as adopted by the European Union (the IAS 39 “carve-out”).

The accounting treatment of derivative financial instruments designated from an accounting standpoint as fair value macro-hedging is the same as the accounting treatment for derivatives used in fair value micro-hedging. The change in the fair value of portfolios hedged against interest rate risk is recorded in a separate line of the balance sheet entitled “Remeasurement adjustment on interest-rate risk hedged portfolios” with an offsetting entry recorded in the income statement. The effectiveness of hedges is checked prospectively by verifying that at inception derivatives reduce the interest rate risk of the hedged portfolio. Hedges must be de-designated when the underlyings to which they are linked become insufficient with effect from the most recent date on which the hedge was found to be effective.

Cash flow hedging:

The goal of cash flow hedging is to reduce the risk related to a change in future cash flows from financial instruments. Derivatives are used notably to hedge the interest rate risk on adjustable rate assets and liabilities.

In cash flow hedging transactions, the effective portion of the change in the fair value of the derivative is recorded in a separate line in equity “Gains and losses recognized directly in equity” while the ineffective portion is recognized in the income statement under the heading “Net gain (loss) on financial instruments at fair value through profit or loss.”

As long as the hedge is effective, the amounts recorded in equity are transferred to the income statement under “interest and similar income (expense)” synchronized with the cash flows of the hedged instrument impacting profit or loss. If the hedging relationship is discontinued or is no longer highly effective, hedge accounting ceases. The accumulated amounts recorded in equity as part of the revaluation of the hedging derivative are transferred to the income statement under “interest and similar income (expense)” at the same time as the hedged transaction itself impacts the income statement, or when it has been determined that such transaction will not take place.

The group does not hedge net investments in foreign operations.

Benchmark rate reform

IBOR reform is a response to the weaknesses observed in the methodologies used to develop indices and set interbank rates, which are based on data reported by banks and on a significantly lower volume of underlying transactions.

In Europe, it takes the form of the Benchmark Regulation (BMR), which was published in 2016 and came into force in early 2018. The key element of this reform is the calculation of rates based on actual transactions to ensure the security and reliability of the indices used by the market.

Indices created on or after January 1, 2018 must now comply with the BMR regulation and be approved by the regulator. Existing indices can continue to be used until December 31, 2021. Eventually, the old benchmark indices (LIBOR, EONIA, EURIBOR, etc.) will no longer be accepted unless they comply with the new regulation.

To ensure a smooth transition, the group has identified the legal, commercial, organizational, tool-related and financial/accounting impacts. It began work in project mode in the first quarter of 2019.

Regarding the accounting aspects, the group is monitoring all the work carried out by the IASB on the effects of benchmark rate reform on financial information. The stakeholders were informed of the flexibility measures proposed in the Phase 2 exposure draft published in April 2020.

Since January 1, 2019, the group has applied the Phase 1 amendment to IAS 39, IFRS 9 and IFRS 7 published by the IASB, which allows it to maintain existing hedging relationships in this exceptional and temporary context until the uncertainty created by IBOR reform is resolved as to the choice of a new index and the effective date of this change.

The group believes that there are still uncertainties regarding the Eonia rate (date of transition to €STR unknown), the EURIBOR rate (in the absence of contractual changes to financial instruments indexed to this benchmark (including fall-back clause)) and LIBOR rates (uncertainties about replacement rates).

At June 30, 2020, the derivatives notional amounts, all derivatives included, are the following:

<i>(In € thousands)</i>	Notional amounts 06.30.20
EURIBOR	71,819,531
EONIA	4,145,915
LIBOR	23,951

Financial assets at fair value through equity

Financial assets at fair value through equity consist of securities (fixed- or variable-rate):

- held in order to collect the cash flows inherent in the instrument and to generate gains and losses through sales; and
- whose cash flows correspond to those of a basic loan ("SPPI" cash flows).

Debt instruments at fair value through equity are initially recognized at fair value, i.e. their purchase price, including acquisition costs – if material – and accrued dividends. At the end of the reporting period, such securities are measured at their fair value, with any changes in value recognized in equity under "Unrealized gains (losses) recognized directly in equity".

These unrealized gains or losses recognized in equity are recognized through profit or loss only in case of a sale or impairment for credit risk.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading "interest and similar income" according to the effective interest rate method.

This category also includes shares resulting from the application of the irrevocable option made available under IFRS 9 at the time of initial recognition. This irrevocable choice is made on a deal-by-deal basis, i.e. each time a security is added to the portfolio.

Impairment is not recorded for these assets.

The unrealized gains or losses on these instruments recognized in equity are never recognized through profit or loss for equity instruments, even in the case of a sale.

Dividends from variable-income securities are recognized in the income statement under the heading "Net gain (loss) on financial assets at fair value through equity".

Financial assets at amortized cost

Financial assets at amortized cost meet the following criteria:

- they are held in order to collect the cash flows inherent in the instrument; and
- the cash flows correspond to those of a basic loan ("SPPI" cash flows).

Most of the loans and receivables owed to Crédit Mutuel Arkéa group by financial institutions and customers that are not intended for sale when extended are recognized under "Loans and receivables at amortized cost".

Debt securities (fixed- or variable-rate) that meet the aforementioned criteria are also recognized at amortized cost.

Initially, they are recognized at market value which is usually the net amount initially paid out including the transaction costs directly attributable to the transaction and fees analyzed as an adjustment to the effective yield of the loan. Financial assets are valued at amortized cost on the closing date. Interest, transaction costs and fees included in the initial value of the loans are amortized over the life of the loan using the effective interest rate method. In this manner they contribute to the formation of income over the life of the loan.

With regard to loans, the fees received in connection with financing commitments that have a low probability of being drawn or which are used haphazardly over time and in terms of amount are spread on a straight-line basis over the term of the commitment.

The restructuring of a loan due to financial difficulties encountered by the borrower is defined as a change in the terms and conditions of the initial transaction that the group only consents for economic or legal reasons linked to the borrower's financial difficulties.

For restructuring that does not result in de-recognition of the financial asset, the value of the restructured asset is adjusted to bring the net carrying amount to the present value of the new expected future cash flows discounted using the original effective interest rate of the asset in question. The change in the value of the asset is recognized in the income statement under the heading "Cost of credit risk" and may be reversed through profit or loss when the provision for calculated expected loss decreases.

The restructuring of a loan as a result of the debtor's financial difficulties results in the loan agreement's novation. Based on the definition of this concept by the European Banking Authority (EBA), the Group identified loan restructuring (forbearance) on those loans held.

Changes in financial assets that are not made due to financial difficulties of the borrower (i.e. commercial renegotiations) are generally analyzed as the prepayment of the old loan, which is derecognized, followed by the introduction of a new loan at market terms.

Customer finance leases

Lease transactions are considered finance leases when all of the risks and rewards incidental to the ownership of the leased property are transferred to the lessee. Otherwise leasing transactions are classified as operating leases.

Finance leases are recognized on the balance sheet at the amount corresponding to the value of the minimum payments due from the lessee discounted at the implied interest rate of the contract plus any unsecured residual value. The interest portion of the lease payments is recorded on the income statement under the heading "Interest and similar income."

Impairment of financial assets and commitments given

In accordance with IFRS 9, a provision for expected losses is recognized when the financial asset is recorded on the balance sheet.

The financial assets in question include:

- debt instruments (securities and loans and receivables) recognized at amortized cost or at fair value through equity
- leasing receivables
- other receivables, such as customer receivables, and receivables under IFRS 15 Revenue from Contracts with Customers, etc.

The group has chosen to use simplifying measures (Art. IFRS 9 B5.5.35) as provided for by the standard for entities that do not have source data enabling the measurement of the credit loss.

Financing or guarantee commitments given that are not measured at fair value through profit or loss are also subject to impairment.

Equity instruments and debt instruments recognized at fair value through profit or loss are not covered by provisions for impairment for credit risk.

Provisions for impairment are also set up for receivables with guarantees when an expected credit risk exists.

Impairment is recognized under "Net additions to/reversals from provisions for loan losses" and may be reversed through profit or loss when the provision for calculated expected loss decreases.

Under the IFRS 9 provisioning model, financial assets for which a provision for impairment is recognized are classified into three groups called "buckets" based on the credit risk level:

- Bucket 1: IFRS 9 introduces the notion of "expected loss"; consequently, since credit/counterparty risk cannot be zero regardless of the asset, a provision for individual credit risk is calculated (based on one-year expected losses) and recognized when the financial asset is recorded on the balance sheet.
- Bucket 2: if, during the life of the instrument, credit risk increases significantly, the loan is reclassified into bucket 2 and a provision for lifetime expected losses is recognized.

- Bucket 3: in case of actual credit risk (counterparty default, for example), the loan is classified into bucket 3. A provision for lifetime expected losses is recognized.

Actual loss exists where:

- there are one or more delinquent payments for three months;
- the position of a counterparty presents characteristics such that even in the absence of delinquent payments, we can conclude that there is a known risk;
- the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganization/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy and liquidation of property, including a summons to appear before an international court.

The classification of the outstandings of any given counterparty as impaired leads by contagion to an identical classification of all those counterparty's assets and liabilities, regardless whether guarantees or collateral exist. This contagion extends to all of the other members of the same household (except minors) as well as all counterparties belonging to the same risk group.

A. Significant increase of credit risk

The group uses the models developed for prudential purposes and has therefore applied a similar breakdown of its outstanding loans to assess any significant increase in credit risk:

- low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns, specialized financing,
- high default portfolios (HDP), for which historical data is used to develop a statistical rating model: mass corporate, retail.

A significant increase in credit risk, which entails transferring a loan out of bucket 1 into bucket 2, is assessed by:

- taking into account all reasonable and justifiable information, and
- comparing the risk of default on the financial instrument at the reporting date with the risk of default at the initial recognition date.

For the group, this entails measuring risk at the borrower level. All the group's counterparties are rated by the rating system. This system is based on:

- statistical algorithms or "mass ratings" based on one or more models, using a selection of representative and predictive risk variables (HDP), or
- manual rating grids developed by experts (LDP).

Change in risk since initial recognition is measured on a contract-by-contract basis. Unlike bucket 3, transferring a customer's contract into bucket 2 does not entail transferring all the customer's outstanding loans or those of related parties (absence of contagion).

The expected credit loss approach under IFRS 9 is symmetrical, i.e. if lifetime expected credit losses were recognized in a previous period, and if, for the financial instrument and the current period, there is no longer a significant increase in the credit risk since its initial recognition, the provision is again calculated on the basis of an expected credit loss over 12 months.

It should be noted that the group applies the symmetry principle provided for by the standard. As such, the criteria for transfers in and out of bucket 2 are identical.

The group has demonstrated that a significant correlation exists between the risks of default at 12 months and at termination, which allows it to use 12-month credit risk as a reasonable approximation of the change in risk since initial recognition, as the standard permits.

A.1) Quantitative criteria

For the LDP portfolios, the boundary is based on an allocation matrix that shows the relationship between the internal ratings at origination and at the reporting date.

For the HDP portfolios, a continuous and growing boundary curve shows the relationship between the default rate at origination and the default rate at the reporting date. The group does not use the operational simplification offered by the standard, which allows outstanding loans with low risk at the reporting date to be maintained in bucket 1.

A.2) Qualitative criteria

As well as this quantitative data, the group uses qualitative criteria such as the notion of restructured loans, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

B. Buckets 1 and 2 – calculation of expected credit losses.

In terms of calculation, the provisioning model takes into account:

- probability of the debtor's default
- loss given the debtor's default
- The Crédit Mutuel Arkéa group's exposure (i.e. loans outstanding with this counterparty on the balance sheet and in commitments given).

Provisions must also take into account past, present and forward-looking information.

Expected credit losses are measured by multiplying the outstanding amount of the loan by its probability of default (PD) and by the loss given default (LGD). The off-balance sheet exposure is converted to an on-balance sheet equivalent based on the probability of a drawdown. The one-year probability of default is used for bucket 1 and the probability of default at termination for bucket 2.

These parameters are taken from the models developed for prudential purposes and adapted to IFRS 9 requirements. They are used for both assignment to the buckets and the calculation of expected losses.

B.1) Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach,
- for low default portfolios, on an external probability of default scale.

B.2) Loss given default

This is based:

- for high default portfolios, on the flows of collections observed over a long period of time, discounted at the interest rates of the contracts,
- for low default portfolios, on the regulatory levels.

B.3) Conversion factors

These are used to convert off-balance sheet exposure to an on-balance sheet equivalent and are mainly based on the prudential models.

B.4) Forward-looking aspect

The general forward-looking approach adopted has an impact on:

- the bucket allocation of outstanding loans: in effect, the application of forward-looking parameters has an impact on the analysis of significant deterioration and consequently on the allocation by bucket.
- the calculation of expected credit loss (ECL) with parameters that take forward-looking factors into account.

To calculate expected credit losses, the standard requires that reasonable and justifiable information, including forward-looking information, be taken into account. The development of the forward-looking aspect requires anticipating changes in the economy and applying these anticipated changes to the risk parameters. This forward-looking aspect is determined at the group level and applies to all the parameters.

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral and pessimistic), which will be weighted based on the group's view of changes in the economic cycle over five years. The group mainly relies on macroeconomic data available from well-known national or international statistics agencies. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- they are recent, meaning they occurred a few weeks before the reporting date;
- they cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

The forward-looking aspect for maturities other than one year is derived from the forward-looking aspect for the one-year maturity.

The forward-looking aspect is also included in the LGD by incorporating information observed over a period close to current conditions.

For low default portfolios, forward-looking information is incorporated into the large accounts and bank models, and not into the local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

C. Bucket 3: recognition

Impairment reflects the difference between amortized cost and the present value of discounted estimated future cash flows. Discounting is carried out at the initial effective interest rate of the loan for fixed-rate loans and at the last effective interest rate set according to the contractual terms and conditions for variable-rate loans. In practice, future flows are discounted only if the impact of discounting is material compared to their estimated amounts. Consequently, the provisions are discounted. In the income statement, changes in impairment are recorded under "cost of risk" except for reversals related to the effects of the reversal of discounting, which are recorded under "Interest and similar income."

D. Originated credit-impaired financial assets

These are contracts with incurred credit losses on the date of initial recognition or acquisition. These financial assets are subject to specific recognition under the provisions of IFRS 9

At the reporting date, these contracts are identified in an "originated credit-impaired assets" category and provisioned based on the same method used for exposures in bucket 2, i.e. an expected loss over the residual maturity of the contract.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss are divided into those held for trading and those assigned to this category under the option afforded by IFRS 9. This allows financial instruments to be designated at fair value through profit or loss on initial recognition in the following cases:

- hybrid instruments containing one or more embedded derivatives,
- groups of assets or liabilities measured and managed at fair value,
- substantial elimination or reduction of an accounting treatment inconsistency.

The Crédit Mutuel Arkéa group uses this option to record at fair value through profit or loss issues of liabilities originated and structured on behalf of clients whose risks and any hedging thereof are managed as part of the same whole.

Initially, financial liabilities at fair value through profit or loss are recognized at their fair value excluding acquisition costs and including accrued dividends. At the reporting date, they are measured at fair value and changes in fair value are recognized:

- under "Gains or losses recognized directly in non-recyclable equity", for the portion corresponding to own credit risk;
- in profit or loss for the period under "Net gain (loss) on financial instruments at fair value through profit or loss", for the remaining portion.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, satisfies the definition of a derivative. It is designed to affect certain cash flows, much like a standalone derivative.

This derivative is split off from the host contract and accounted for separately as a derivative instrument at fair value through profit or loss when the following three conditions are met:

- the hybrid instrument that hosts the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and its related risks are not considered to be closely linked to those of the host contract;
- the separate measurement of the embedded derivative to be separated is sufficiently reliable to provide an accurate assessment.

Realized and unrealized gains and losses are recognized on the income statement under "Net gain (loss) on financial instruments at fair value through profit or loss".

Amounts owed to credit institutions and customers

At inception, amounts owed to credit institutions and customers are recognized at fair value. This is normally the net amount received initially less transaction costs that can be directly attributed to the transaction when they are significant. On the closing date, such amounts are valued at their amortized cost according to the effective interest rate method.

By their nature, regulated savings products earn interest at the market rate. Housing savings plans and housing savings accounts are subject to a provision when necessary.

Related receivables or interest due on amounts due to credit institutions and customers are recorded on the income statement under "Interest and similar expense."

Debt securities

Debt securities are broken down by type of security (certificates of deposit, interbank market securities and negotiable debt instruments, bonds and similar).

They are initially recognized at fair value i.e. at their issue price less any transaction costs that can be directly attributed to the transaction when they are significant. On the closing date, such amounts are valued at their amortized cost according to the effective interest rate method. Related receivables or interest due on debt securities is recorded in the income statement under "Interest and similar expense."

Subordinated debt

Subordinated debt includes fixed or indefinite term debt that may or may not be represented by a certificate and that differs from receivables or bonds because in the event of the liquidation of the debtor, repayment will only occur after all secured creditors have been paid. This debt is valued according to the amortized cost method. Related receivables or interest owed on subordinated debt is recorded on the income statement under "Interest and similar expense."

Renegotiated debt

Renegotiation of a debt with an existing borrower can, depending on the circumstances, be considered to be a modification of the terms of the debt or an extinction of the debt.

Under the standard, when a financial debt is modified because the duration, interest rate or contractual terms and conditions have been adjusted, an assessment must be made of the materiality of said change (10% threshold). This assessment is based on a quantitative test that may be supplemented by a more qualitative test.

The quantitative test consists of comparing the value of the future cash flows under the new terms and conditions discounted at the effective interest rate of the original loan with the discounted value of the residual cash flows of the initial liability.

The quantitative test is supplemented by a qualitative test when the result is less than 10%. In particular, this qualitative test enables a significant change in the debt's risk profile to be taken into consideration (change of currency of the debt, type of interest rate or very substantial extension of the duration of the loan) which the quantitative test does not take into account, and to analyze, if appropriate, the change as an extinction of the debt.

A renegotiated debt that does not result in derecognition must be maintained at its original effective interest rate and the impact related to renegotiation (gain or loss) recognized immediately through profit or loss.

Accounting principles for the insurance business

The insurance activity may defer application of IFRS 9 until 2023, as provided for by the amendment to IFRS 4 as adopted by the European Union.

The financial assets and liabilities of the insurance companies are subject to the provisions of IAS 39, as described below. They are presented under "Investments of insurance activities" and "Liabilities related to contracts of insurance activities", respectively, on the balance sheet.

Income and expenses related to the insurance activities are presented under "Net income from insurance activities" in the income statement, within which:

- Income and expenses recognized in respect of insurance contracts issued are presented under "Other income/expense related to insurance activities".
- Income and expenses relating to the insurance entities' proprietary activities are recognized under the appropriate line items.

When they are significant, the disclosures required under IFRS 7 are produced separately for the insurance entities.

In accordance with the adoption regulation of November 3, 2017, the group has taken the necessary measures to ensure that there are no transfers of financial instruments that could lead to derecognition, between the insurance segment and the group's other segments, other than those measured at fair value through profit or loss in both segments.

The accounting policies applied to assets and liabilities arising from the issuance of insurance policies are established in accordance with IFRS 4. This standard also applies to reinsurance contracts subscribed and financial contracts that include a discretionary profit-sharing provision.

Excepting the cases described above, the other assets held and liabilities issued by insurance companies follow the rules common to all of the group's assets and liabilities.

The same assumptions were used in both fiscal years to value assets under insurance contracts and insurance liabilities.

Financial assets at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are divided into those held for trading and those assigned to this category under the option afforded by IAS 39. This allows financial instruments to be designated at fair value through profit or loss on initial recognition in the following cases:

- hybrid instruments containing one or more embedded derivatives;
- groups of assets measured and managed at fair value;
- substantial elimination or reduction of an accounting treatment inconsistency.

The group uses this option to record the following financial instruments at fair value through profit or loss:

- investments serving as cover for unit-linked life insurance contracts in order to eliminate the inconsistency in accounting treatment with the related insurance liabilities,
- shares of mutual funds whose management company is part of the group,
- certain structured or restructured products (CDOs, convertible bonds),

Financial assets representative of unit-linked insurance contracts include bonds issued by group entities that have not been eliminated through consolidation, in order to maintain the matching of technical provisions on unit-linked contracts with the fair value of the identified assets, which are themselves recognized at fair value. Non-eliminated fixed-income securities totaled €96 million at December 31, 2019. Their elimination would have had an impact of €5 million on net income in the year to December 31, 2019. At June 30, 2020, the group is no longer concerned by this typology of fixed-income securities.

Financial assets representing the technical provisions on unit-linked contracts are presented in "Financial assets at fair value through profit or loss" (insurance activities).

The accounting treatment described in the banking section also applies to derivatives.

Financial assets at fair value through profit or loss are initially recognized at fair value excluding acquisition costs and including accrued dividends.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading "Interest and similar income" (insurance activities). Dividends from variable-income securities are recognized in the income statement under the heading "Net gain (loss) on financial instruments at fair value through profit and loss" (Insurance activity).

Changes in fair value during the period, at the reporting date, as well as capital gains or losses on assets in this category are also recognized in "Net gain (loss) on financial instruments at fair value through profit or loss" (insurance activity).

No impairment is recognized on the assets at fair value through profit or loss as the counterparty risk is included in the market value.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, satisfies the definition of a derivative. It is designed to affect certain cash flows, much like a standalone derivative.

This derivative is split off from the host contract and accounted for separately as a derivative instrument at fair value through profit or loss when the following three conditions are met:

- the hybrid instrument that hosts the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and its related risks are not considered to be closely linked to those of the host contract;
- the separate measurement of the embedded derivative to be separated is sufficiently reliable to provide an accurate assessment.

Realized and unrealized gains and losses are recognized on the income statement under "Net gain (loss) on financial instruments at fair value through profit or loss" (insurance activity)

Derivative financial hedging instruments – assets and liabilities

The treatment described in the accounting principles for banking activities also applies to derivative financial hedging instruments.

Available-for-sale financial assets

IAS 39 defines available-for-sale financial assets (AFS) as a residual category containing both fixed- and variable-income securities that are neither financial assets at fair value through profit or loss, financial assets held to maturity nor loans.

Available-for-sale securities are recognized initially at their fair value i.e. the purchase price, including acquisition costs – if they are material – and accrued dividends. At the end of the reporting period, such securities are measured at their fair value, with any changes in value recognized in equity under “Unrealized gains (losses) recognized directly in equity”.

Such unrealized gains or losses recognized in equity are only recognized in the income statement if the securities are sold or if there is permanent impairment.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading “Interest and similar income” (insurance activity) using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the financial asset or liability. Dividends from variable-income securities are recognized in the income statement under the heading “Net gain (loss) on financial instruments available-for-sale.”

Impairment of securities

Impairment is recorded when objective indicators of impairment for the securities exist. Such indicators are evidenced by a long-term, material decline in the value of shares or by the appearance of a material decline in credit risk due to default risk on debt securities.

In the case of equity securities, the group employs a quantitative criterion to identify material and long-term declines: impairment is recognized when a security has lost at least 50% of its value compared with its initial cost or over a period of more than 24 consecutive months. Analysis is performed line by line. Securities that do not meet the aforementioned criteria are nevertheless assessed for impairment if management believes that the amount invested cannot reasonably be expected to be collected in the near future. The loss is recognized in the income statement under “Net gain (loss) on financial instruments available-for-sale”. Any subsequent decline in value results in an increase in impairment charged against income. An increase in value does not lead to the provision being reversed through profit.

In the case of on debt securities, impairment is recorded in “Cost of risk,” (insurance activity) and may be reversed through profit when the market value of the security has increased due to some objective event that has taken place since the most recent impairment.

Held-to-maturity financial assets

Held-to-maturity financial assets are primarily fixed-income or determinable income securities with a fixed maturity that the insurance entities intend and are able to hold to maturity.

Initially, they are recognized at their acquisition price including acquisition costs – when material – and accrued dividends. At the end of the reporting period, they are valued according to the amortized cost method at the effective interest rate and may be the subject of impairment when necessary.

Loans and receivables due from credit institutions and loans and receivables related to the insurance activities

“Loans and receivables” are financial assets with fixed or determinable payments that are not quoted on an active market. All loans and receivables due from credit institutions and those related to the insurance activities which are not intended for sale from their origination are recognized in the “Loans and receivables” (insurance activity) category.

The treatment of these financial assets (excluding impairment) is identical to the treatment applied to loans and receivables due from credit institutions and from customers at amortized cost under IFRS 9.

Impairment of loans and receivables

Individually impaired receivables

Recorded in the cost of risk, impairment losses are recognized on all types of receivables, even those with guarantees, once there is an established credit risk corresponding to one of the following situations:

- there are one or more delinquent payments for three months;
- the position of a counterparty presents characteristics such that even in the absence of delinquent payments, we can conclude that there is a known risk;
- the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganization/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy and liquidation of property, including a summons to appear before an international court.

Impairment reflects the difference between amortized cost and the present value of discounted estimated future cash flows. Discounting is carried out at the initial effective interest rate of the loan for fixed-rate loans and at the last effective interest rate set according to the contractual terms and conditions for variable-rate loans. In the income statement, impairment loss movements are recorded under the heading “cost of risk” (insurance activities).

Financial liabilities

With regard to financial liabilities, the rules for the accounting treatment of financial liabilities at fair value through profit or loss, liabilities with credit institutions and customers, debt securities and subordinated debt are the same under IAS 39 and IFRS 9 (excluding recognition of renegotiated debts).

Insurance liabilities, representing commitments to policyholders and beneficiaries, are reported on the line “Insurance companies’ technical reserves”. They are valued, recognized and consolidated in accordance with French GAAP.

Technical provisions on life insurance contracts consist primarily of mathematical provisions representing the difference between the present value of the commitments undertaken respectively by the insurer and the policyholders. The risks covered include primarily death, disability and the inability to work (for borrower’s insurance).

Life insurance provisions are estimated conservatively on the basis of contractually-defined technical rates.

Technical provisions on unit-linked contracts are valued at the reporting date, based on the value of the assets used to support these contracts.

Technical provisions on non-life insurance contracts include unearned premiums (portion of premiums issued pertaining to later years), provisions for increasing risks (difference between the present value of the commitments undertaken respectively by the insurer and the policyholder) and claims payable.

Technical provisions are calculated gross of reinsurance, and the reinsurers' share is stated in assets.

Insurance contracts and financial contracts with a discretionary profit-sharing provision are subject to "shadow accounting." The provision for deferred profit-sharing represents the share of capital gains and losses on assets attributable to the policyholders. This provision is presented on either the liability or the asset side of the balance sheet. On the asset side, it appears as a separate item.

At the reporting date, an adequacy test is performed on the liabilities associated with these contracts (net of other items involving related assets or liabilities, such as deferred acquisition costs and the portfolio securities acquired). A verification is performed to ensure that the liability recorded is adequate to cover the future cash flows projected at that date. Any shortfall in the technical provisions is shown through a loss for the period (and potentially reversed at a subsequent date).

Common accounting principles for banking and insurance activities

Shareholders' equity

Difference between liabilities and equity

A debt instrument or financial liability is defined as a contractual obligation to deliver cash or another financial asset or to exchange financial instruments under potentially unfavorable conditions.

An equity instrument is defined as a contract containing a residual interest in an enterprise after subtracting all its debts (net assets).

Shares

Pursuant to these definitions, the shares issued by the Crédit Mutuel savings banks are considered shareholders' equity within the meaning of IAS 32 and IFRIC 2 and are treated as such in the group's consolidated financial statements.

Measurement of the fair value of financial instruments

Fair value is defined by IFRS 13 as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date". Initially, fair value is usually the transaction price.

Financial assets and liabilities measured at fair value are assessed and recognized at fair value as of their first-time consolidation as well as at subsequent measurement dates. These assets and liabilities include:

- financial assets and liabilities at fair value through profit or loss;
- financial assets at fair value through equity;
- available-for-sale financial assets;
- derivatives

Other financial assets and liabilities are initially recognized at fair value. They are subsequently recognized at their amortized cost and are subjected to valuations whose methods are disclosed in the notes to the financial statements. These other financial assets and liabilities include:

- loans and receivables with credit institutions and with customers at amortized cost under IAS 39 and IFRS 9 (including loans and receivables related to the insurance activities);
- debt securities at amortized cost;
- held-to-maturity securities;
- liabilities to credit institutions and customers;
- debt securities;
- subordinated debt.

Assets and liabilities are also classified in three hierarchical levels corresponding to the level of judgment used in valuation techniques to determine fair value.

Level 1: Assets and liabilities whose fair value is calculated using prices quoted (unadjusted) to which the entity has access on the measurement date on active markets for identical assets or liabilities.

An active market is one which, for the asset or liability being measured, has transactions occurring with sufficient frequency and volume so as to provide price information on a continuous basis.

This category includes notably equities, bonds and shares of mutual funds listed on an active market.

Level 2: Assets and liabilities whose fair value is calculated based on adjusted prices or using data other than quoted prices that are observable either directly or indirectly.

In the absence of any such quotation, fair value is determined using “observable” market data. These valuation models are based on techniques widely used by market operators, such as the discounting of future cash flows or the Black & Scholes model.

This category includes notably the following financial instruments:

- equities and bonds listed on a market that is considered inactive or that are unlisted;
- over-the-counter derivative instruments such as swaps and options,
- venture capital funds, innovation funds and real estate investment vehicles;
- structured products.

The fair value of loans and receivables, liabilities to credit institutions and debt securities (including subordinated debt) are also included in this level.

Loans and receivables and liabilities to credit institutions are measured using two methods:

- the fair value of fixed-rate items, such as fixed-rate loans and deposits, is measured by discounting the expected future cash flows;
- the fair value of variable-rate items, such as adjustable-rate loans with a maturity of more than one year, is measured using the Black & Scholes model.

The fair value of traditional fixed-rate loans, borrowings, debt securities and subordinated debt is obtained by discounting future cash flows and using dedicated yield curve spreads.

The fair value of variable-rate loans, borrowings, debt securities and subordinated debt is obtained by discounting future cash flows with the calculation of a forward rate and the use of dedicated yield curve spreads.

The group's counterparty default risk is factored into the yield curve used to value debt securities and subordinated debt.

For current receivables and liabilities (less than one year), fair value is considered equivalent to their nominal value.

Level 3: Assets and liabilities whose fair value is calculated using information on assets or liabilities not based on observable market data.

Valuation methods using unobservable market data are used only in the following cases:

- loans and receivables, and liabilities to customers,
- equity securities not listed on an active market,
- certain specialized financings,
- securities held by private equity companies.

Thus, for example, equity investments not listed on an official market are measured internally:

- in most cases, these holdings are measured on the basis of their revalued net assets or their carrying amount, on an entity-by-entity basis.

Similarly, the valuation methods used by private equity companies generally include:

- the transaction price for recent acquisitions
- the historical multiples method for mature companies
- adjusted net asset value for portfolio companies (holding companies) and investment firms (funds).

Given the diversity of the instruments valued and the reasons for their inclusion in this category, any calculation of the sensitivity of the fair value to changes in parameters would not provide relevant information.

The valuation provided by the models is adjusted to reflect liquidity risk. Using the valuations produced on the basis of a median market price, prices are adjusted to reflect the net position of each financial instrument at the bid or ask price (on selling or buying positions, respectively).

The day-one profit, i.e. the difference between the transaction price and the valuation of the instrument using valuation techniques, is considered null: transactions carried out by the group for its own account are recognized at their fair value. For transactions carried out on behalf of customers, the part of the margin not yet recognized is recorded in income when the parameters are observable.

Use of judgments and estimates in the preparation of financial statements

Preparation of the group's financial statements requires making assumptions and estimates whose future realization involves certain risks and uncertainties, particularly in the context of the COVID-19 pandemic.

Accounting estimates requiring the use of assumptions are used primarily for measuring the following:

- fair value of financial instruments not quoted on an active market and measured at fair value,
- impairment of financial assets and guarantee and financing commitments subject to impairment,
- impairment tests of intangible assets,
- deferred tax assets,
- provisions.

The conditions for using any judgments or estimates are specified in the accounting policies described below.

Property, plant and equipment, intangible assets and investment real estate

- **Non-current assets owned by the group**

Pursuant to IAS 16, IAS 38 and IAS 40, property, plant and equipment or investment property is recognized as an asset if:

- it is likely that the future economic benefits from this asset will accrue to the company, and
- the cost of said asset can be measured reliably.

Pursuant to IAS 40, the group's property is classified as "investment property" (banking scope or insurance scope) when it is held primarily to generate rental income or capital appreciation. Property held primarily to be occupied by the group for administrative or sales uses is classified as "property, plant and equipment."

Property, plant and equipment and investment property are recorded on the balance sheet at cost plus expenses that can be directly attributable to the purchase of the property (e.g. transfer duties, fees, commissions, legal fees).

After the initial recognition, property, plant and equipment and investment property are valued at cost minus accumulated depreciation and any impairment losses.

The fair value of investment properties, disclosed in the notes, is subject to an expert valuation.

The method used to account for internally developed software is as follows:

- all software-related expenses that do not satisfy the conditions for capitalization (notably preliminary research and functional analysis expenses) are recognized as expenses in accordance with IAS 38;
- all software expenses incurred after the start of the production process (detailed analysis, development, validation, documentation) are capitalized if they meet the criteria of a self-created asset established by IAS 38.

In cases where the software is used in connection with a commercial contract, the amortization period may exceed five years; it is defined on the basis of the contract term.

If one or more components of property, plant and equipment or investment property have a different use or earn economic rewards at a different pace than that of the property, plant and equipment or investment property as a whole, said components are depreciated according to their own useful life. The group applied this accounting method for its operating and investment properties. The following components and depreciation periods have been adopted by the group:

Component	Depreciation periods
Land	Not depreciable
Building shell	Corporate buildings and investment properties: 50 years
	Branches: 25 years
Roof and siding	25 years
Technical work packages	20 years
Fixtures	3 to 10 years

The other tangible and intangible assets are depreciated and amortized according to their own useful lives:

	Depreciation periods
Movable goods	10 years
Electronic equipment	3 to 5 years
Created or acquired software	2 to 5 years
Portfolio of acquired customer contracts	6 to 13 years

Amortization is calculated using the straight-line method. For property, plant and equipment and intangible assets, amortization is recorded on the income statement under "Depreciation, amortization and impairment of property, plant and equipment and intangible assets". For investment property, it is recorded under "Expense from other activities."

Indefinite-life assets are not depreciated but are tested for impairment at least once a year.

Capital gains or losses on the disposal of operating property, plant and equipment are recorded in the income statement under "Gains or losses on other assets". Capital gains or losses on the disposal of investment property are recorded under "Income or expense from other activities."

With respect to goodwill, if the recoverable amount of the related cash-generating unit (CGU) is less than its carrying amount, an irreversible provision for goodwill impairment loss is recognized. Impairment is equal to the difference between the carrying amount and the recoverable amount. The recoverable amount is calculated by applying the most appropriate valuation method at the level of the CGU.

Most valuations are performed using the discounted cash flow (DCF) method. This method uses assumptions about projected revenue streams and expenses on the basis of medium-term plans, extrapolated to infinity using discounted growth rates.

The cash flows used are determined on the basis of each cash generating unit's business plans made over a specific horizon of between three and five years. The discount rates used correspond to the cost of capital determined using the capital asset pricing model. This method is based on a risk-free interest rate, to which a risk premium is added that depends on the underlying activity of the corresponding CGU. The discount rates used in 2020 ranged between 8.18% and 11.97% while the growth rates to infinity were between 1% and 2.5%.

In addition, sensitivity tests are performed to measure the impact on the recoverable amount of changes in certain assumptions such as the discount rate or the growth rate to infinity. These measures led to the following results:

- a 50 basis point increase in the discount rate would result in a 7% overall reduction in the recoverable amounts without precipitating any impairment of a CGU;
- a 50 basis point decrease in the growth rate to infinity would result in a 4.8% overall reduction in the recoverable amounts without precipitating any impairment of a CGU.

When evidence of impairment was identified, particularly as a result of the COVID-19 crisis, the group conducted impairment tests on the cash-generating units (CGU). At June 30, 2020, the group did not impair goodwill.

- **Fixed assets leased by the Group**

For all leases, the lessee must recognize in its balance sheet an asset representing the right to use the leased asset and a liability representing the obligation to pay the lease payments; in the income statement, the depreciation expense is shown separately from the interest expense on the liability. This treatment,

currently applied to finance leases in lessee financial statements, is thus extended to include operating leases.

➤ Scope

IFRS 16 applies to all lease contracts except:

- contracts for the prospecting or exploitation of non-renewable natural resources, or for biological assets,
- service concession agreements,
- intellectual property licenses,
- the rights held by the lessee under license agreements on cinematographic films, video recordings, plays, manuscripts, patents and copyrights.

➤ Exemption measures

Lessees may choose not to apply the new lease treatment to contracts with a term of less than one year (including renewal options) or to contracts for goods with a low unit value. This latter simplification is aimed in particular at small equipment such as computers, telephones and small office furniture. The IASB mentioned an indicative threshold of USD 5,000 in the basis for conclusions of the standard (threshold to be assessed with regard to the new unit value of the leased asset).

The Group has decided to apply this exemption threshold of USD 5,000 and has also considered the possibility of excluding certain contracts the effect of which would be immaterial to its financial statements. The majority of vehicle lease agreements are entered into with the group's consolidated entities. Vehicle leases entered into with external lessors are marginal and have been excluded due to their low materiality.

Real estate leases were reclassified under IFRS 16. The scope of the IT, automotive and other leases is not material.

➤ Accounting treatment of leases by lessees

On the date the leased property is made available, the lessee recognizes a rental debt under liabilities. The initial amount of the liability is equal to the present value of the lease payments payable over the lease term.

This rental debt is then measured at amortized cost using the effective interest rate method: each lease payment is thus recognized partly as interest expense in the income statement and partly as a gradual reduction of the rental debt under liabilities in the balance sheet.

The amount of the rental debt may be subsequently adjusted in the event of a change to the lease agreement, a re-estimate of the lease term, and to take account of contractual changes in rents relating to the application of indices or rates.

➤ Lease term

The lease term to be used to calculate the rentals to be discounted corresponds to the non-cancellable lease term adjusted to take into account:

- options to extend the contract that the lessee is reasonably certain to exercise,
- early termination options that the lessee is reasonably certain not to exercise.

The assessment of whether any extension options and early termination options are reasonably certain must take into account all facts and circumstances that may create an economic incentive to exercise those options or not, notably:

- the conditions for exercising these options (including an assessment of the level of rents in the event of an extension or of the amount of any penalties in the event of early termination),

- major improvements made to the leased premises (specific fittings, such as a safe-deposit room for example),
- the costs associated with the termination of the contract (negotiating costs, moving costs, cost of searching for a new asset suited to the lessee, etc.),
- the importance of the leased property to the lessee in view of its specific nature, its location or the availability of replacement assets (in particular for agencies located in strategic sites from a commercial point of view, for example in view of their accessibility, the expected influx or the prestige of the location),
- a history of similar contract renewals as well as the strategy concerning the future use of the assets (depending on the prospects for the redeployment or redevelopment of a commercial network of points of sale, for example).

If the lessee and the lessor each have the right to terminate the lease without the other party's prior agreement and without a non-negligible penalty, the lease is no longer enforceable and therefore no longer generates any rental debt.

At present, the group is analyzing the impacts of the December 2019 IFRIC decision on the current assumptions used for 3/6/9 commercial leases and for leases with automatic renewal. This decision could result in a revision of the enforceable period of the above-mentioned leases and therefore a change in the amount of the lease liability and the associated right-of-use asset. At this stage, various assumptions are being examined, as these analyses are not conclusive and no data has been provided.

➤ Rent discount rate

The implied rates on contracts are generally not known or readily determinable, particularly for real estate leases. The group therefore decided to use its refinancing rate to discount rents and thus calculate the amount of rental debt.

➤ Rent amount

The payments to be taken into account for the valuation of the rental debt include fixed and variable rents based on an index (e.g. consumer price index or construction cost index) or a reference interest rate (Euribor, etc.), as well as, if applicable, the sums that the lessee expects to pay to the lessor under residual value guarantees, purchase options or early termination penalties.

However, variable rents that are indexed based on the use of the leased property are excluded from the assessment of rental debt (indexation to actual revenues or the mileage covered, for example). This variable portion of rental payments is recognized in profit or loss over time in accordance with changes in the contractual indexation.

In France, rents are recorded on the basis of their amount excluding value added tax. Furthermore, in the case of real estate leases, real estate taxes rebilled by lessors and the local residence tax are excluded from rental debts insofar as their amounts, as determined by the competent public authorities, may vary.

➤ Recognizing a right of use by lessees

On the date the leased property is made available, the lessee must recognize as an asset a right to use the leased property in an amount equal to the initial value of the rental debt plus, if applicable, initial direct costs, advance payments and rehabilitation costs.

This asset is then amortized on a straight-line basis over the lease term used to value the rental debt.

The asset value may be subsequently adjusted in the event of a change in the lease agreement, a re-estimate of the lease term, and to take into account contractual variations in rents linked to the application of indices or rates.

The rights of use are shown in the lessee's balance sheet in the fixed asset lines where assets of the same kind held in full ownership are recorded. Where the lease agreements provide for the initial payment of a lease right to the former tenant of the premises, the amount of such right is treated as a separate component of the right of use and is presented in the same heading as the latter.

In the income statement, depreciation charges on rights of use are presented together with depreciation charges on fully-owned fixed assets.

➤ Income tax

A deferred tax is recognized based on the net amount of taxable and deductible temporary differences.

Non-current assets held for sale

A non-current asset (or group of assets) satisfies the criteria for assets held for sale if it is available for sale and if the sale is highly likely to occur within 12 months.

The related assets and liabilities are shown separately in the statement of financial position, on the lines “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”. Items in this category are recorded at the lower of their carrying amount and fair value less costs to sell and are no longer amortized.

When non-current assets held for sale or associated liabilities become impaired, an impairment loss is recognized in the income statement.

Discontinued operations include operations which are held for sale or have been shut down, and subsidiaries acquired exclusively with a view to resale. They are shown separately in the income statement, on the line “After-tax income (loss) from discontinued operations.”

Provisions

Provisions are established for the group's commitments when it is likely that an outflow of resources will be needed for their settlement and when their amount or due date is uncertain but may be estimated reliably. In particular, such provisions cover employee-related commitments, home savings product risks and disputes.

Provisions for pension obligations

Pension plans include defined contribution plans and defined benefit plans. Defined contribution plans do not give rise to an obligation for the group and consequently do not require a provision. The amount of employer's contributions payable during the period is recognized as an expense and recognized under "Personnel expenses." Defined benefit plans are those for which the group has agreed to provide a benefit amount or level. This commitment constitutes a medium- or long-term risk. Obligations related to plans that are not defined contribution plans are fully provisioned under "Provisions." End-of-service benefits, supplementary retirement plans, time savings accounts and length-of-service benefits are recorded in this item.

The group's pension obligation is calculated using the projected unit credit method based on demographic and financial assumptions. Specifically, the June 2020 calculations used a discount rate of 0.86%, which was determined by reference to the iBoxx corporate AA 10+ euro zone index for corporate bonds. The calculations also include an employee turnover rate of between 0.15% and 7.11% and a salary increase rate of between 2.55% and 3.88%⁹. Commitments are calculated using the TH00-02 and TF00-02 life expectancy tables for the obligation accrual phase and the TGH05 and TGF05 life expectancy tables for the pay-out phase.

Actuarial gains and losses represent the differences arising from changes in assumptions or differences between earlier assumptions and actual results.

For the category of other long-term benefits, differences are recognized immediately through profit or loss.

As for post-employment benefits, actuarial differences are recognized under "Gains and losses recognized directly in equity".

Provisions for home savings accounts and plans

The purpose of the home savings provision is to cover the risks related to:

- the commitment to extend home loans to account holders and subscribers of home savings plans at a regulated interest rate that may be lower than the prevailing market rate.
- the obligation to pay interest for an indeterminate period of time on the savings in home savings plans at a rate set when the contract is signed (this rate can be higher than future market rates).

This provision is computed by generation of home savings plans (plans at the same rate at opening are considered a generation) and for all the home savings accounts (which are a single generation). The commitments between different generations are not offset. The commitments are computed based on a model that factors in:

- historical data on subscriber behavior,
- the yield curve and a stochastic modeling of changes thereto.

⁹ Rates of UES Arkade and Arkéa SCD, representing 96% of the obligation.

Provision allocations and reversals are recognized in the income statement under “Interest and similar income” and “Interest and similar expense” (banking activity).

CONSOLIDATION PRINCIPLES AND METHODS

CONSOLIDATION SCOPE AND METHOD

Consolidating entity

The consolidating entity of the Crédit Mutuel Arkéa group is Crédit Mutuel Arkéa as defined in the collective license issued by the French Prudential Supervisory and Resolution Authority. This credit institution consists of:

- the Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest federations,
- the Crédit Mutuel savings banks that are members of said federations,
- Crédit Mutuel Arkéa.

Entities included in the consolidation scope are those over which the group exercises exclusive or joint control or significant influence and whose financial statements have a material impact on the group's consolidated financial statements, in particular with respect to total assets and net income contribution.

Investments held by private equity companies and over which joint control or significant influence is exercised are excluded from the consolidation scope. These investments are recognized at fair value through profit or loss.

Controlled entities

Control exists when the group (i) has power over an entity, (ii) is exposed or has a claim on variable returns through its ties to the entity, and (iii) has the ability to exercise its power over the entity in such a way as to influence the amount of the return it obtains.

The consolidation of a subsidiary in the group's consolidated financial statements begins on the date when the group obtains control and ceases on the date the group relinquishes control over this entity.

Companies under exclusive control are fully consolidated. Full consolidation consists in substituting the value of the shares with the assets and liabilities of each subsidiary. The share of non-controlling interests in shareholders' equity and net income is recorded separately in the consolidated balance sheet and consolidated income statement, respectively.

Investments in associates and joint ventures

An associate is an entity in which the group exercises significant influence. Such influence is characterized by the ability to participate in the entity's financial and operating decisions without necessarily controlling or jointly controlling these policies.

Significant influence is presumed if the group holds, directly or indirectly, 20% or more of the voting rights in an entity. If more than 20% of the voting rights are held, the absence of significant influence may be shown through the absence of representation in the governance bodies or the lack of participation in the process for setting policies.

A joint venture is a partnership in which the parties who exercise joint control over the entity have rights to the entity's net assets.

Joint control involves the contractually agreed-upon sharing of control exercised over an entity, which exists only in the event that decisions regarding the relevant activities require unanimous consent of the parties sharing control.

The earnings, assets and liabilities of associates or joint ventures are recognized in the group's consolidated financial statements using the equity method.

Under this method, an investment in an associate or joint venture is initially recognized at its acquisition cost and subsequently adjusted to reflect the group's share of the earnings and other comprehensive income of the associate or joint venture.

An investment is recognized under the equity method starting on the date the entity becomes an associate or joint venture. At the time of acquisition of an associate or joint venture, the difference between the cost of the investment and the group's share of the fair value of the entity's identifiable net assets and liabilities is recognized as goodwill. If the net fair value of the entity's identifiable assets and liabilities exceeds the cost of the investment, the difference is shown through profit.

Gains or losses obtained through the dilution or the sale of investments in associates are accounted for in the profit and loss account, within the "Gains (losses) on disposal – dilution in investments in associates".

Investment in joint ventures

A joint venture is a partnership in which the parties exercising control over the entity have direct rights over the assets and obligations with respect to the liabilities involving this entity.

Main changes in the scope of consolidation

Linxo Group was sold in June 2020. Younited was deconsolidated following the loss of significant influence.

The companies included in the Crédit Mutuel Arkéa group's consolidation scope are presented in note 32.

CONSOLIDATION RULES

Closing date

The closing date for all consolidated companies is December 31.

Inter-company transactions

Reciprocal receivables, payables and commitments and significant reciprocal expenses and income are completely eliminated among fully consolidated companies.

Accounting for acquisitions and goodwill

The group applies IFRS 3 (revised) for business combinations. The acquisition cost is the sum of the fair values, at the business combination date, of the assets contributed, liabilities incurred or assumed and equity instruments issued.

IFRS 3 (revised) allows the recognition of total or partial goodwill, as selected for each business combination. In the first case, non-controlling interests are measured at fair value (the so-called total goodwill method); in the second, they are based on their proportional share of the values assigned to the assets and liabilities of the acquired company (partial goodwill).

If goodwill is positive, it is recorded on the balance sheet under "Goodwill"; if negative, it is recorded immediately in the income statement through "Goodwill variations".

Goodwill is subject to an impairment test at least once a year and whenever evidence of impairment exists.

Each goodwill item is allocated to a cash generating unit or group of cash generating units that stands to benefit from the acquisition. Any goodwill impairment is determined based on the recoverable amount of the cash generating unit to which it was allocated. Cash generating units are defined based on the group's organizational and management methods and take into account the independent nature of these units.

When the group increases its ownership interest in a company that is already controlled, the difference between the purchase price of the shares and the additional share of the consolidated shareholders' equity that these securities represent on the acquisition date is recognized in shareholders' equity.

If the group reduces its ownership interest without giving up control, the impact of the change in ownership interest is also recognized in shareholders' equity.

Leases, leases with a buy-out clause and financial leases

Lease transactions, leases with a buy-out clause and financial leases are restated in such a way as to take financial accounting into consideration.

Translation of foreign currency denominated financial statements

The balance sheets of entities whose financial statements are denominated in a foreign currency are translated using the official foreign exchange rate as of the closing date. Exchange differences on share capital, reserves and retained earnings are recorded in other comprehensive income in the "Translation reserves" account. Income statement items are translated using the average exchange rate during the fiscal year. Translation differences are recorded directly in the "Translation reserves" account.

Taxes

IFRIC interpretation 21 “Levies” sets out the conditions for recognizing a tax-related liability. An entity must recognize this liability only when the obligating event occurs in accordance with the relevant legislation. If the obligating event occurs over a period of time, the liability is recognized progressively over the same period. Lastly, if the obligating event is triggered on reaching a threshold, the liability is recognized when the minimum threshold is reached.

Deferred taxes

Deferred taxes are recognized on the temporary differences between the carrying amount of an asset or liability and its tax base. They are calculated using the liability method at the corporate tax rate known at the closing date for the period and applicable when the temporary difference is used.

Deferred tax assets are recognized only if there is a probability that the tax entity in question will recover these assets within a given time period, particularly by deducting these differences and carry-over losses from future taxable income.

Deferred taxes are recognized as income or expense, except for those related to unrealized or deferred gains or losses, for which the deferred tax is booked directly to other comprehensive income. Deferred taxes are also recorded in respect of tax losses from prior years when there is convincing evidence of the likelihood that such taxes will be collected.

Deferred taxes are not discounted.

The regional economic contribution (CET) and the companies' value-added contribution (CVAE) are treated as operating expenses and do not entail the recognition of deferred taxes in the consolidated financial statements.

Uncertainty over income tax treatments

In accordance with IFRIC 23, the group assesses the likelihood that the tax authorities will accept/not accept the position taken. It then estimates the impacts on taxable income, tax bases, losses carried forward, unused tax credits and taxation rates. In case of an uncertain tax position, the amounts to be paid are assessed on the basis of the most likely amount or the expected value based on the method that best predicts the amounts that will be paid or received.

Note 1. Cash, due from central banks**Loans and receivables - credit institutions**

	06.30.2020	12.31.2019
Cash, due from central banks		
Due from central banks	14,385,872	9,942,206
Cash	125,651	141,679
Accrued interest	0	0
TOTAL	14,511,523	10,083,885
Loans and receivables - credit institutions		
Current accounts	7,864,461	6,906,487
Loans	1,322,040	757,235
Guarantee deposits paid	708,811	669,857
Repurchase agreements	1,837,025	1,397,909
Individually impaired receivables (B3)	0	0
Accrued interest	25,752	56,090
Impairment on performing loans (B1/B2)	(2,266)	(2,191)
Other impairment (B3)	0	0
TOTAL	11,755,823	9,785,387
of which deposits and demand loans with credit institutions	575,522	452,241

Note 2. Financial assets at fair value through profit or loss

	06.30.2020	12.31.2019
Assets held for trading purposes	609,005	565,109
Assets classified at fair value option	7,757	9,074
Other assets classified at fair value	866,163	906,505
TOTAL	1,482,925	1,480,688

Note 2a. Financial assets held for trading purposes

	06.30.2020	12.31.2019
Securities	0	0
- Treasury bills, notes and government bonds	0	0
- Bonds and other fixed-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Including UCI	0	0
- Stocks and other variable-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Derivatives held for trading purposes	609,005	565,109
Loans and receivables	0	0
of which repurchase agreements	0	0
TOTAL	609,005	565,109

Trading derivatives are held for the purpose of hedging customer transactions.

Note 2b. Assets classified at fair value option

	06.30.2020	12.31.2019
Securities	0	0
- Treasury bills, notes and government bonds	0	0
- Bonds and other fixed-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Accrued interest	0	0
Including UCI	0	0
- Stocks and other variable-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Loans and receivables	7,757	9,074
of which guarantee deposits paid	0	0
of which repurchase agreements	0	0
TOTAL	7,757	9,074

The maximum non-recoverable amount of loans classified at fair value through profit or loss by option is €7,733,000. This amount was not hedged through the use of credit derivatives.

Note 2c. Other financial assets at fair value through profit or loss

	06.30.2020	12.31.2019
Securities	813,131	855,646
- Treasury bills, notes and government bonds	0	0
- Bonds and other fixed-income securities	381,043	381,066
. Listed	0	0
. Unlisted	365,981	369,200
Accrued interest	15,062	11,866
Including UCI	162,610	173,483
- Stocks and other variable-income securities	432,088	474,580
. Listed	1,233	1,455
. Unlisted	430,855	473,125
Loans and receivables	53,032	50,859
of which repurchase agreements	0	0
Guarantee deposits paid	0	0
TOTAL	866,163	906,505

Note 3. Information relating to hedging

Derivatives used for hedging purposes

06.30.2020				
	Fair value hedging		Cash flow hedging	
	Book value	Nominal value	Book value	Nominal value
Interest-rate risks:				
Hedging derivatives				
Hedging derivatives - assets	1,111,095	38,482,459	80	0
Hedging derivatives - liabilities	1,183,357	23,903,933	2,371	60,000
Change in the fair value of the hedging instrument	120,768		888	
Currency risk				
Hedging derivatives				
Hedging derivatives - assets				
Hedging derivatives - liabilities				
Change in the fair value of the hedging instrument				

12.31.2019				
	Fair value hedging		Cash flow hedging	
	Book value	Nominal value	Book value	Nominal value
Interest-rate risks:				
Hedging derivatives				
Hedging derivatives - assets	1,081,882	31,807,362	239	0
Hedging derivatives - liabilities	1,040,237	21,330,480	3,426	63,000
Change in the fair value of the hedging instrument	46,679		585	
Currency risk				
Hedging derivatives				
Hedging derivatives - assets				
Hedging derivatives - liabilities				
Change in the fair value of the hedging instrument				

Note 4. Financial assets at fair value through equity

	06.30.2020	12.31.2019
Treasury bills, notes and government bonds	4,460,281	3,846,612
Bonds and other fixed-income securities	7,997,101	5,304,676
- Listed	6,395,807	4,673,995
- Unlisted	1,579,906	610,773
Accrued interest	21,388	19,908
Subtotal gross value of debt instruments	12,457,382	9,151,288
Impairment on performing loans (B1/B2)	(8,562)	(6,195)
Other impairment (B3)	0	0
Subtotal net value of debt instruments	12,448,820	9,145,093
Loans and receivables	0	0
- Loans and receivables due from credit institutions	0	0
- Loans and receivables due from customers	0	0
Accrued interest	0	0
Subtotal gross value of Loans	0	0
Impairment on performing loans (B1/B2)	0	0
Other impairment (B3)	0	0
Subtotal net value of Loans	0	0
Stocks and other variable-income securities	69,233	99,482
- Listed	54,691	84,988
- Unlisted	14,542	14,494
Accrued interest	0	0
Equity securities held for long-term investment	520,834	410,400
- Long-term investments	456,880	347,309
- Other long-term investments	63,664	62,783
- Shares in associates	290	308
- Translation adjustments	0	0
- Loaned securities	0	0
Accrued interest	0	0
Subtotal equity instruments	590,067	509,882
TOTAL	13,038,887	9,654,975
Of which unrealized capital gains/losses recognized in equity	122,323	135,470
Of which securities sold under repurchase agreements	0	0
Of which listed long-term investments	124,249	113,894

Equity instruments at fair value through equity mainly include investments in associates and the group's other long-term investments.

The accumulated gain at the time of disposal is €200,000.

Note 5. Securities at amortized cost

	06.30.2020	12.31.2019
Treasury bills, notes and government bonds	396,742	379,329
Bonds and other fixed-income securities	271,656	263,561
- Listed	234,437	224,525
- Unlisted	33,988	37,331
Accrued interest	3,231	1,705
GROSS TOTAL	668,398	642,890
of which impaired assets (B3)	5,822	6,059
Impairment on performing loans (B1/B2)	(749)	(1,431)
Other impairment (B3)	(5,633)	(5,970)
NET TOTAL	662,016	635,489

Note 6. Loans and receivables due from customers

	06.30.2020	12.31.2019
Performing receivables (B1/B2)	62,258,392	60,289,153
. Commercial receivables	131,056	130,755
. Other loans to customers	62,005,742	60,036,416
- Housing loans	33,783,079	33,418,261
- Other loans and various receivables, including repurchase agreements	28,127,257	26,524,867
- Guarantee deposits paid	95,406	93,288
. Accrued interest	121,594	121,982
Individually impaired receivables (B3)	1,483,819	1,393,251
Gross receivables	63,742,211	61,682,404
Impairment on performing loans (B1/B2)	(273,492)	(249,415)
Other impairment (B3)	(827,753)	(809,439)
Subtotal I	62,640,966	60,623,550
Finance leases (net investment)	1,841,840	1,790,927
. Movable goods	1,037,856	1,025,516
. Real property	803,984	765,411
Individually impaired receivables (B3)	72,697	68,811
Gross receivables	1,914,537	1,859,738
Impairment on performing loans (B1/B2)	(25,986)	(18,923)
Other impairment (B3)	(27,452)	(19,752)
Subtotal II	1,861,099	1,821,063
TOTAL	64,502,065	62,444,613
Of which equity loans with no voting rights	9,606	9,606
Of which subordinated loans	0	0

Note 7. Placement of insurance activities and reinsurers' shares in technical provisions

	06.30.2020	12.31.2019
Financial assets at fair value through profit or loss	26,178,903	30,486,386
Available-for-sale financial assets	25,857,425	26,384,069
Loans and receivables - credit institutions	2,939	458
Loans and receivables linked to insurance activities	479,349	481,087
Held-to-maturity financial assets	0	0
Investment property	368,881	377,727
Share of reinsurers in technical provisions and other insurance assets	484,623	442,721
TOTAL	53,372,120	58,172,448

Note 7a. Financial assets at fair value through profit or loss

	06.30.2020	12.31.2019
Financial assets held for trading purposes	0	152
Derivatives held for trading purposes	0	152
Subtotal I	0	152
Assets classified at fair value option	26,178,903	30,486,234
Securities	26,178,903	30,486,234
- Bonds and other fixed-income securities	7,436,844	7,564,659
. Listed	6,320,440	6,735,465
. Unlisted	1,046,040	767,367
. Accrued interest	70,364	61,827
- Stocks and other variable-income securities	18,742,059	22,921,575
. Listed	12,094,325	13,448,737
. Unlisted	6,596,997	9,447,950
. Accrued interest	50,737	24,888
Subtotal II	26,178,903	30,486,234
TOTAL	26,178,903	30,486,386

Note 7b. Available-for-sale financial assets

	06.30.2020	12.31.2019
Treasury bills, notes and government bonds	8,318,468	8,680,139
Bonds and other fixed-income securities	16,205,621	16,354,854
- Listed	13,727,819	13,372,903
- Unlisted	2,341,540	2,822,274
Accrued interest	136,262	159,677
Subtotal gross value of debt instruments	24,524,089	25,034,993
Impairment	(1,609)	(651)
Subtotal net value of debt instruments	24,522,480	25,034,342
Shares and other variable-income securities	750,861	782,182
- Listed	272,274	314,735
- Unlisted	472,780	462,373
Accrued interest	5,807	5,074
Equity securities held for long-term investment	586,618	569,604
- Long-term investments	282,078	281,528
- Other long-term investments	304,540	288,076
- Shares in associates	0	0
Subtotal gross value of equity instruments	1,337,479	1,351,786
Impairment	(2,534)	(2,059)
Subtotal net value of equity instruments	1,334,945	1,349,727
TOTAL	25,857,425	26,384,069
Of which unrealized capital gains/losses recognized in equity	200,611	260,433
Of which listed long-term investments	66,470	60,931

Note 7c. Securities at amortized cost

	06.30.2020	12.31.2019
Treasury bills, notes and government bonds	0	0
Bonds and other fixed-income securities	0	0
- Listed	0	0
- Unlisted		
Accrued interest	0	0
GROSS TOTAL	0	0
of which impaired assets		
Impairment		
NET TOTAL	0	0

Note 7d. Loans and receivables - credit institutions

	06.30.2020	12.31.2019
Loans and receivables - credit institutions		
Other regular accounts	694	197
Loans	1,467	0
Guarantee deposits paid	0	0
Repurchase agreements	0	0
Accrued interest	778	261
TOTAL	2,939	458
of which deposits and demand loans with credit institutions	2,161	197

Note 7e. Loans and receivables linked to insurance activities

	06.30.2020	12.31.2019
Performing receivables	479,349	481,087
Loans to customers	476,912	477,764
- Housing loans	0	0
- Other loans and various receivables, including repurchase agreements	476,912	477,764
Accrued interest	2,437	3,323
Individually impaired receivables	165	4
Gross receivables	479,514	481,091
Impairment	(165)	(4)
TOTAL	479,349	481,087

Note 7f. Investment property

	12.31.2019	Increase	Decrease	Other	06.30.2020
Historical cost	582,185	2,749	(5,108)	0	579,826
Amortization and impairment	(204,458)	(8,443)	1,956	0	(210,945)
NET AMOUNT	377,727	(5,694)	(3,152)	0	368,881

The fair value of investment real estate recognized at cost amounted to €779 million at June 30, 2020 compared with €783 million at December 31, 2019.

Note 7g. Share of reinsurers in technical provisions and other insurance assets

	06.30.2020	12.31.2019
Technical provisions - Reinsurers' share	119,549	116,190
Other insurance assets	365,074	326,531
TOTAL	484,623	442,721

Note 8. Goodwill

	12.31.2019	Increase	Decrease	Other	06.30.2020
Gross goodwill	566,776	0	0	0	566,776
Impairment	0	0	0	0	0
Net goodwill	566,776	0	0	0	566,776

Allocation by Division

Division	Entity	06.30.2020	12.31.2019
Retail customers	Arkéa Direct Bank	259,757	259,757
Retail customers	Budget Insight*	28,315	28,315
B2B and Specialized Services	CFCAL Banque	38,216	38,216
B2B and Specialized Services	Monext	100,250	100,250
B2B and Specialized Services	Procapital	63,000	63,000
B2B and Specialized Services - Fintech	Leetchi SA Mangopay	25,682	25,682
B2B and Specialized Services - Fintech	Pumpkin	10,974	10,974
Products	Izimmio	17,964	17,964
Products	Schelcher Prince Gestion	11,649	11,649
Products	Suravenir Assurances	10,969	10,969
Net goodwill		566,776	566,776

* The allocation of Budget Insight's goodwill is provisional.

Note 9. Central banks - Due to credit institutions

	06.30.2020	12.31.2019
Due from central banks	0	0
Liabilities to credit institutions	13,602,485	7,767,767
Current accounts	745,347	719,617
Loans	1,586,073	1,833,290
Guarantee deposits received	257,591	295,245
Other liabilities	74,183	64,385
Repurchase agreements	10,936,066	4,883,045
Accrued interest	3,225	(27,815)
TOTAL	13,602,485	7,767,767
of which deposits and demand loans with credit institutions	819,216	1,333,693

Note 10. Financial liabilities at fair value through profit or loss

	06.30.2020	12.31.2019
Financial liabilities held for trading purposes	659,194	561,824
.Short selling of securities	0	0
- Treasury bills, notes and government bonds	0	0
- Bonds and other fixed-income securities	0	0
- Stocks and other variable-income securities	0	0
.Payables on securities sold under repurchase agreements	0	0
.Derivatives	659,194	561,824
.Other financial liabilities held for trading purposes	0	0
Fair value option financial liabilities through profit or loss	525,947	611,326
Liabilities to credit institutions	17	2,115
Liabilities to customers	4,363	5,076
Debt securities	521,567	604,135
Subordinated debt	0	0
TOTAL	1,185,141	1,173,150

The settlement value of financial liabilities at fair value through profit or loss was €1,216 million at June 30, 2020 versus €1,162 million at December 31, 2019.

Note 11. Financial assets and liabilities subject to netting, an enforceable master netting agreement or a similar agreement

	06.30.2020						
	Gross amount of financial assets / liabilities recognized	Gross amount of financial assets / liabilities recognized and netted on the balance sheet	Net amount of financial assets / liabilities shown on the balance sheet	Related amounts not netted on the balance sheet			Net amount
				Impact of master netting agreements	Financial instruments received/given as guarantees	Cash collateral	
Assets							
Derivatives	1,720,180	0	1,720,180	(1,077,575)	38	(217,507)	425,136
Reverse repurchase agreements of securities, securities	1,979,408	0	1,979,408	0	(1,884,147)	0	95,261
Other financial instruments	0	0	0	0	0	0	0
Total assets	3,699,588	0	3,699,588	(1,077,575)	(1,884,109)	(217,507)	520,397
Liabilities							
Derivatives	1,955,039	0	1,955,039	(1,077,575)	37	(760,419)	117,082
Repurchase agreements of securities, securities	11,832,853	0	11,832,853	0	(11,821,731)	(11,035)	87
Other financial instruments	0	0	0	0	0	0	0
Total liabilities	13,787,892	0	13,787,892	(1,077,575)	(11,821,694)	(771,454)	117,169

12.31.2019

	Gross amount of financial assets / liabilities recognized	Gross amount of financial assets / liabilities recognized and netted on the balance sheet	Net amount of financial assets / liabilities shown on the balance sheet	Related amounts not netted on the balance sheet			Net amount
				Impact of master netting agreements	Financial instruments received/given as guarantees	Cash collateral	
Assets							
Derivatives	1,647,382	0	1,647,382	(942,563)	0	(293,940)	410,879
Reverse repurchase agreements of securities, securities	1,548,810	0	1,548,810	0	(1,447,294)	0	101,516
Other financial instruments	0	0	0	0	0	0	0
Total assets	3,196,192	0	3,196,192	(942,563)	(1,447,294)	(293,940)	512,395
Liabilities							
Derivatives	1,719,888	0	1,719,888	(942,563)	0	(694,895)	82,430
Repurchase agreements of securities, securities	5,939,352	0	5,939,352	0	(5,929,413)	(7,554)	2,385
Other financial instruments	0	0	0	0	0	0	0
Total liabilities	7,659,240	0	7,659,240	(942,563)	(5,929,413)	(702,449)	84,815

Note 12. Debt securities

	06.30.2020	12.31.2019
Certificates of deposit	11,332	9,262
Interbank market securities and negotiable debt securities	3,071,816	2,941,083
Bond issues	14,095,993	12,372,019
Non-preferred senior debt	1,838,974	1,066,808
Accrued interest	110,888	144,716
TOTAL	19,129,003	16,533,888

Note 13. Liabilities to customers

	06.30.2020	12.31.2019
Savings accounts governed by special regulations	29,853,596	29,690,093
Sight accounts	24,388,166	24,182,471
Term accounts	5,465,430	5,507,622
Accrued interest on savings accounts	112,792	212,467
Subtotal	29,966,388	29,902,560
Current accounts	28,065,751	23,721,618
Term accounts and term loans	6,764,613	7,920,139
Repurchase agreements	151,046	52,039
Accrued interest	45,401	50,887
Guarantee deposits received	3,232	53,017
Subtotal	35,030,043	31,797,700
TOTAL	64,996,431	61,700,260

Note 14. Liabilities - insurance activity

	06.30.2020	12.31.2019
Financial liabilities at fair value through profit or loss	110,117	114,401
Liabilities to credit institutions	750,200	1,047,554
Debt securities	0	0
Insurance companies' technical reserves	47,591,898	48,563,719
Other insurance liabilities	2,469,923	5,982,276
Subordinated debt	0	452
TOTAL	50,922,138	55,708,402

Note 14a. Financial liabilities at fair value through profit or loss

	06.30.2020	12.31.2019
Financial liabilities held for trading purposes	110,117	114,401
Derivatives	110,117	114,401
Other financial liabilities held for trading purposes	0	0
Fair value option financial liabilities through profit or loss	0	0
Liabilities to credit institutions	0	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	110,117	114,401

Note 14b. Liabilities to credit institutions

	06.30.2020	12.31.2019
Liabilities to credit institutions		
Current accounts	0	7,256
Loans	0	0
Guarantee deposits received from credit institutions	0	0
Other liabilities	0	0
Repurchase agreements	750,200	1,040,298
Accrued interest	0	0
TOTAL	750,200	1,047,554
of which deposits and demand loans with credit institutions	0	7,256

Note 14c. Insurance companies' technical reserves

	06.30.2020	12.31.2019
Life insurance, excluding unit-linked contracts	33,676,251	34,511,368
of which profit-sharing	2,521,276	3,122,321
Non-life insurance	499,124	505,554
Unit-linked contracts	13,223,663	13,380,524
Other	192,860	166,273
TOTAL	47,591,898	48,563,719
Active deferred profit-sharing	0	0
Reinsurers' share	(119,549)	(116,190)
Net technical provisions	47,472,349	48,447,529

Note 14d. Other insurance liabilities

	06.30.2020	12.31.2019
Security deposits and guarantees received	29,587	28,737
Insurance and reinsurance liabilities	55,760	65,079
Other	2,384,576	5,888,460
TOTAL	2,469,923	5,982,276

Note 15. Provisions

	12.31.2019	Allocations	Write-backs (used)	Write-backs (unused)	Other	06.30.2020
Provisions for pension obligations	389,826	6,351	(17,439)	0	(89,191)	289,547
Provisions for home savings accounts and plans	59,409	0	0	(11,785)	0	47,624
Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope	45,497	13,394	0	(15,235)	(282)	43,374
Provisions for taxes	407	0	0	0	(7)	400
Provisions for lawsuits	9,189	1,475	(127)	(1,276)	16	9,277
Provisions for contingencies	2,757	199	(209)	0	98	2,845
Other	24,201	9,071	(1,347)	(2,138)	(439)	29,348
TOTAL	531,286	30,490	(19,122)	(30,434)	(89,805)	422,415

Note 15a. Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope

	12.31.2019	Allocations	Write-backs	Other	06.30.2020
Commitments given					
12-month expected losses	13,297	8,203	(7,230)	(68)	14,202
Lifetime expected losses for non-impaired assets	3,927	2,000	(3,146)	(22)	2,759
Lifetime expected losses for impaired assets (instruments impaired or not at acquisition/creation)	28,273	3,191	(4,859)	(192)	26,413
TOTAL	45,497	13,394	(15,235)	(282)	43,374

Note 16a. Fair value ranking – banking activity

06.30.2020

Financial assets	Level 1	Level 2	Level 3	Total
FVOCI	9,262,086	3,368,142	408,659	13,038,887
- Treasury bills and similar securities - FVOCI (1) (2)	3,373,999	1,082,565	0	4,456,564
- Bonds and other fixed-income securities - FVOCI (3)	5,709,148	2,283,108	0	7,992,256
- Stocks and other variable-income securities - FVOCI	54,691	2,469	12,073	69,233
- Equity investments and other long-term investments - FVOCI	124,248	0	396,296	520,544
- Shares in associates - FVOCI	0	0	290	290
- Loans and receivables due from credit institutions - FVOCI	0	0	0	0
- Loans and receivables due from customers - FVOCI	0	0	0	0
Trading/FVO/Other FVTPL	10,027	788,824	684,074	1,482,925
- Treasury bills and similar securities - Trading	0	0	0	0
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Treasury bills and similar securities - Other FVTPL	0	0	0	0
- Bonds and other fixed-income securities - Trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Other FVTPL	8,794	119,030	253,219	381,043
- Stocks and other variable-income securities - Trading	0	0	0	0
- Stocks and other variable-income securities - Other FVTPL	1,233	0	430,855	432,088
- Loans and receivables due from credit institutions - Fair value option	0	17	0	17
- Loans and receivables due from credit institutions - Other FVTPL	0	50,006	0	50,006
- Loans and receivables due from customers - Fair value option	0	7,740	0	7,740
- Loans and receivables due from customers - Other FVTPL	0	3,026	0	3,026
- Derivatives and other financial assets - Trading	0	609,005	0	609,005
Derivatives used for hedging purposes	0	1,111,175	0	1,111,175
Total	9,272,113	5,268,141	1,092,733	15,632,987
Financial liabilities				
Trading/FVO	0	1,185,141	0	1,185,141
- Amounts due to credit institutions - Fair value option	0	17	0	17
- Amounts due to customers - Fair value option	0	4,363	0	4,363
- Debt securities - Fair value option	0	521,567	0	521,567
- Derivatives and other financial liabilities - Trading	0	659,194	0	659,194
Derivatives used for hedging purposes	0	1,185,728	0	1,185,728
Total	0	2,370,869	0	2,370,869

(1) Transfers from level 1 to level 2 were made in the amount of €33 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

(2) Transfers from level 2 to level 1 were made in the amount of €11 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

(3) Transfers from level 1 to level 2 were made in the amount of €132 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

Financial assets	Level 1	Level 2	Level 3	Total
FVOCI	7,904,691	1,441,704	308,580	9,654,975
- Treasury bills and similar securities - FVOCI (1)	3,174,059	670,297	0	3,844,356
- Bonds and other fixed-income securities - FVOCI (2) (3)	4,531,750	768,987	0	5,300,737
- Stocks and other variable-income securities - FVOCI	84,988	2,420	12,074	99,482
- Equity investments and other long-term investments - FVOCI	113,894	0	296,198	410,092
- Shares in associates - FVOCI	0	0	308	308
- Loans and receivables due from credit institutions - FVOCI	0	0	0	0
- Loans and receivables due from customers - FVOCI	0	0	0	0
Trading/FVO/Other FVTPL	11,639	781,462	687,587	1,480,688
- Treasury bills and similar securities - Trading	0	0	0	0
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Treasury bills and similar securities - Other FVTPL	0	0	0	0
- Bonds and other fixed-income securities - Trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Other FVTPL	10,184	156,420	214,462	381,066
- Stocks and other variable-income securities - Trading	0	0	0	0
- Stocks and other variable-income securities - Other FVTPL	1,455	0	473,125	474,580
- Loans and receivables due from credit institutions - Fair value option	0	2,115	0	2,115
- Loans and receivables due from credit institutions - Other FVTPL	0	50,158	0	50,158
- Loans and receivables due from customers - Fair value option	0	6,959	0	6,959
- Loans and receivables due from customers - Other FVTPL	0	701	0	701
- Derivatives and other financial assets - Trading	0	565,109	0	565,109
Derivatives used for hedging purposes	0	1,082,121	0	1,082,121
Total	7,916,330	3,305,287	996,167	12,217,784
Financial liabilities				
Trading/FVO	0	1,173,150	0	1,173,150
- Amounts due to credit institutions - Fair value option	0	2,115	0	2,115
- Amounts due to customers - Fair value option	0	5,076	0	5,076
- Debt securities - Fair value option	0	604,135	0	604,135
- Derivatives and other financial liabilities - Trading	0	561,824	0	561,824
Derivatives used for hedging purposes	0	1,043,663	0	1,043,663
Total	0	2,216,813	0	2,216,813

(1) Transfers from level 2 to level 1 were made in the amount of €59 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

(2) Transfers from level 1 to level 2 were made in the amount of €2 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

(3) Transfers from level 2 to level 1 were made in the amount of €211 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

Note 16b. Fair value ranking – insurance activity

06.30.2020

Financial assets	Level 1	Level 2	Level 3	Total
Available-for-sale assets	21,815,493	1,631,657	2,410,275	25,857,425
- Treasury bills and similar securities - AFS	8,318,468	0	0	8,318,468
- Bonds and other fixed-income securities - AFS (1) (2)	13,222,879	1,168,464	1,812,669	16,204,012
- Stocks and other variable-income securities - AFS	207,676	463,193	77,458	748,327
- Equity investments and other long-term investments - AFS	66,470	0	520,148	586,618
- Shares in associates - AFS	0	0	0	0
Trading/FVO	12,211,458	9,726,819	4,240,626	26,178,903
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	117,133	6,267,040	1,052,671	7,436,844
- Stocks and other variable-income securities - Fair value option (3)	12,094,325	3,459,779	3,187,955	18,742,059
- Loans and receivables due from credit institutions - Fair value option	0	0	0	0
- Derivatives and other financial assets - Trading	0	0	0	0
Derivatives used for hedging purposes	0	0	0	0
Total	34,026,951	11,358,476	6,650,901	52,036,328
Financial liabilities				
Trading/FVO	0	110,117	0	110,117
- Amounts due to credit institutions - Fair value option	0	0	0	0
- Debt securities - Fair value option	0	0	0	0
- Derivatives and other financial liabilities - Trading	0	110,117	0	110,117
Derivatives used for hedging purposes	0	0	0	0
Total	0	110,117	0	110,117

(1) Transfers from level 1 to level 2 were made in the amount of €37 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

(2) Transfers from level 2 to level 1 were made in the amount of €23 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

(3) Transfers from level 2 to level 1 were made in the amount of €10 million. They consisted mainly of equities whose characteristics correspond to level 1 criteria.

Financial assets	Level 1	Level 2	Level 3	Total
Available-for-sale assets	21,976,518	2,022,064	2,385,487	26,384,069
- Treasury bills and similar securities - AFS	8,680,139	0	0	8,680,139
- Bonds and other fixed-income securities -AFS (1) (2)	12,981,859	1,568,813	1,803,531	16,354,203
- Stocks and other variable-income securities - AFS	253,589	453,251	73,283	780,123
- Equity investments and other long-term investments - AFS	60,931	0	508,673	569,604
- Shares in associates - AFS	0	0	0	0
Trading/FVO	13,624,456	11,017,827	5,844,103	30,486,386
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	175,719	6,614,420	774,520	7,564,659
- Stocks and other variable-income securities - Fair value option (3) (4)	13,448,737	4,403,255	5,069,583	22,921,575
- Loans and receivables due from credit institutions - Fair value option	0	0	0	0
- Derivatives and other financial assets - Trading	0	152	0	152
Derivatives used for hedging purposes	0	0	0	0
Total	35,600,974	13,039,891	8,229,590	56,870,455
Financial liabilities				
Trading/FVO	0	114,401	0	114,401
- Amounts due to credit institutions - Fair value option	0	0	0	0
- Debt securities - Fair value option	0	0	0	0
- Derivatives and other financial liabilities - Trading	0	114,401	0	114,401
Derivatives used for hedging purposes	0	0	0	0
Total	0	114,401	0	114,401

(1) Transfers from level 1 to level 2 were made in the amount of €15 million. They consisted mainly of bonds whose characteristics correspond to level2 criteria.

(2) Transfers from level 2 to level 1 were made in the amount of €310 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

(3) Transfers from level 2 to level 3 were made in the amount of €10 million. They consisted mainly of equities whose characteristics correspond to level 3 criteria.

(4) Transfers from level 3 to level 2 were made in the amount of €1,057million. They consisted mainly of equities whose characteristics correspond to level 2 criteria.

Note 17a. Fair value ranking of financial assets and liabilities recognized at amortized cost - banking activity

06.30.2020

	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	79,082,979	76,919,904	2,163,075	522,531	11,916,671	66,643,777
Financial assets at amortized cost						
Loans and receivables due from credit institutions	11,757,752	11,755,823	1,929	0	11,757,752	0
Loans and receivables due from customers	66,622,058	64,502,065	2,119,993	0	0	66,622,058
Securities	703,169	662,016	41,153	522,531	158,919	21,719
Liabilities	101,064,051	100,246,763	817,288	0	36,051,769	65,012,282
Liabilities to credit institutions	13,387,206	13,602,485	(215,279)	0	13,387,206	0
Liabilities to customers	65,012,282	64,996,431	15,851	0	0	65,012,282
Debt securities	19,947,518	19,129,003	818,515	0	19,947,518	0
Subordinated debt	2,717,045	2,518,844	198,201	0	2,717,045	0

12.31.2019

	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	75,283,026	72,865,489	2,417,537	470,080	9,967,719	64,845,227
Financial assets at amortized cost						
Loans and receivables due from credit institutions	9,788,104	9,785,387	2,717	0	9,788,104	0
Loans and receivables due from customers	64,820,956	62,444,613	2,376,343	0	0	64,820,956
Securities	673,966	635,489	38,477	470,080	179,615	24,271
Liabilities	89,632,630	88,499,974	1,132,656	0	27,912,217	61,720,413
Liabilities to credit institutions	7,802,927	7,767,767	35,160	0	7,802,927	0
Liabilities to customers	61,720,413	61,700,260	20,153	0	0	61,720,413
Debt securities	17,326,335	16,533,888	792,447	0	17,326,335	0
Subordinated debt	2,782,955	2,498,059	284,896	0	2,782,955	0

Note 17b. Fair value ranking of financial assets and liabilities recognized at amortized cost - insurance activity

06.30.2020

	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	482,288	482,288	0	0	2,939	479,349
Loans and receivables due from credit institutions	2,939	2,939	0	0	2,939	0
Other loans and receivables linked to insurance	479,349	479,349	0	0	0	479,349
Held-to-maturity financial assets	0	0	0	0	0	0
Liabilities	750,200	750,200	0	0	750,200	0
Liabilities to credit institutions	750,200	750,200	0	0	750,200	0
Debt securities	0	0	0	0	0	0
Subordinated debt	0	0	0	0	0	0

12.31.2019

	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	481,545	481,545	0	0	458	481,087
Loans and receivables due from credit institutions	458	458	0	0	458	0
Other loans and receivables linked to insurance activities	481,087	481,087	0	0	0	481,087
Held-to-maturity financial assets	0	0	0	0	0	0
Liabilities	1,048,006	1,048,006	0	0	1,048,006	0
Liabilities to credit institutions	1,047,554	1,047,554	0	0	1,047,554	0
Debt securities	0	0	0	0	0	0
Subordinated debt	452	452	0	0	452	0

NOTES TO THE INCOME STATEMENT

(in thousands of euros)

Note 18. Interest and similar income/expense

	06.30.2020		06.30.2019	
	Income	Expense	Income	Expense
Credit institutions and central banks	46,982	(77,376)	60,484	(94,087)
Customers	631,183	(187,404)	674,672	(257,409)
- of which leasing	81,897	(54,544)	80,088	(55,358)
- of which rental debts		(239)		(354)
Securities at amortized cost	1,534	0	1,332	0
Financial assets at fair value through profit or loss	7,561	(221)	4,400	(491)
Derivatives used for hedging purposes	174,133	(148,910)	159,917	(142,277)
Financial assets at fair value through equity	3,604	0	4,002	0
Debt securities	0	(117,638)	0	(102,509)
TOTAL	864,997	(531,549)	904,807	(596,773)

Note 19. Fee and commission income/expense

	06.30.2020		06.30.2019	
	Income	Expense	Income	Expense
Credit institutions	6,084	(9,245)	6,018	(8,026)
Customers	45,627	(92)	47,680	(132)
Derivatives	8,040	(352)	5,230	(463)
Foreign exchange	4,725	(85)	2,259	0
Financing and guarantee commitments	325	(1,768)	349	(1,246)
Securities and services	246,782	(62,760)	238,624	(58,907)
TOTAL	311,583	(74,302)	300,160	(68,774)

Note 20. Net gain (loss) on financial instruments at fair value through profit or loss

	06.30.2020	06.30.2019
Instruments held for trading	(35,458)	44,798
Fair value option instruments	32,816	(38,654)
Change in fair value attributable to credit risk presented in net income for the liabilities	0	0
Other instruments at fair value through profit or loss	(17,250)	52,391
Including UCI	13,704	7,964
Hedging ineffectiveness	1,114	1,325
cash flow hedges	0	0
fair value hedges	1,114	1,325
. change in fair value of hedged items	(149,996)	(246,001)
. change in fair value of hedges	151,110	247,326
Foreign exchange gains (losses)	(1,269)	(1,457)
TOTAL OF CHANGES IN FAIR VALUE	(20,047)	58,403

Note 21. Net gain (loss) on financial instruments at fair value through equity

06.30.2020

	Dividends	Realized gains/losses	Total
Treasury bills, notes and government bonds		(537)	(537)
Bonds and other fixed-income securities		1,218	1,218
Loans - Credit institutions		0	0
Customer loans		0	0
Stocks and other variable-income securities	3,851		3,851
Equity securities held for long-term investment	6,955		6,955
TOTAL	10,806	681	11,487

06.30.2019

	Dividends	Realized gains/losses	Total
Treasury bills, notes and government bonds		23,738	23,738
Bonds and other fixed-income securities		2,222	2,222
Loans - Credit institutions			0
Customer loans			0
Stocks and other variable-income securities	4,797		4,797
Equity securities held for long-term investment	4,879		4,879
TOTAL	9,676	25,960	35,636

Note 22. Net gain (loss) on financial instruments at amortized cost

Financial assets	Profit or loss recognized on the derecognition of assets as at June 30, 2020	Profit or loss recognized on the derecognition of assets as at June 30, 2019
Treasury bills, notes and government bonds	0	0
Bonds and other fixed-income securities	320	0
Loans - Credit institutions	0	0
Customer loans	0	0
Financial liabilities		
Liabilities to credit institutions	0	0
Liabilities to customers	0	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	320	0

Note 23. Net income from insurance activities

	06.30.2020	06.30.2019
Interest and similar income/expense	22,336	21,957
Fee and commission income/expense	(50,620)	(40,295)
Net gain (loss) on financial instruments at fair value through profit or loss	386	1,890
Net gain (loss) on available-for-sale financial instruments	2,105	18,317
Net gain (loss) on financial assets/liabilities at amortized cost	0	0
Other income/expense from insurance activities	360,270	394,012
TOTAL	334,477	395,881

Note 23a. Interest and similar income/expense

	06.30.2020		06.30.2019	
	Income	Expense	Income	Expense
Credit institutions and central banks	1,969	(350)	2,180	(1,504)
Customers	0	0	0	0
Held-to-maturity financial assets	0	0	80	0
Financial assets/liabilities at fair value through profit or loss	0	0	0	0
Available-for-sale financial assets	20,717	0	21,201	0
Debt securities	0	0	0	0
Subordinated debt	0	0	0	0
TOTAL	22,686	(350)	23,461	(1,504)

Note 23b. Fee and commission income/expense

	06.30.2020		06.30.2019	
	Income	Expense	Income	Expense
Credit institutions	0	(16)	0	(16)
Customers	0	0	0	0
Derivatives	0	0	0	0
Foreign exchange	0	0	0	0
Financing and guarantee commitments	0	0	0	0
Securities and services	35,332	(85,936)	32,668	(72,947)
TOTAL	35,332	(85,952)	32,668	(72,963)

Note 23c. Net gain (loss) on financial instruments at fair value through profit or loss

	06.30.2020	06.30.2019
Instruments held for trading	(85)	(554)
Fair value option instruments	444	2,534
Other instruments at fair value through profit or loss	0	0
Foreign exchange gains (losses)	27	(90)
TOTAL OF CHANGES IN FAIR VALUE	386	1,890

Note 23d. Net gain (loss) on available-for-sale financial instruments

	06.30.2020			06.30.2019		
	Dividends	Realized gains/losses	Total	Dividends	Realized gains/losses	Total
Treasury bills, notes, government bonds, bonds and other fixed-income securities	0	(93)	(93)	0	324	324
Stocks and other variable-income securities	813	0	813	17,301	0	17,301
Equity securities held for long-term investment	1,385	0	1,385	692	0	692
Other	0	0	0	0	0	0
TOTAL	2,198	(93)	2,105	17,993	324	18,317

Note 23e. Other income/expense from insurance activities

	06.30.2020		06.30.2019	
	Income	Expense	Income	Expense
Insurance business	3,315,892	(2,942,092)	9,092,956	(8,692,644)
Investment property	1,865	(8,443)	0	(7,849)
Other income and expense	5,026	(11,978)	6,531	(4,982)
TOTAL	3,322,783	(2,962,513)	9,099,487	(8,705,475)

Note 23f. Gross margin on insurance activities

	06.30.2020	06.30.2019
Premiums earned	2,121,988	2,809,020
Cost of claims and benefits	(102,966)	(103,925)
Change in provisions	16,518	9,569
Other technical and non-technical income and expenses	(1,768,939)	(3,181,231)
Net investment income	107,199	866,879
TOTAL	373,800	400,312

Note 24. Income/expense from other activities

	06.30.2020		06.30.2019	
	Income	Expense	Income	Expense
Investment property	21,067	(2,511)	933	(3,006)
Other income and expense	122,675	(28,909)	119,177	(30,606)
TOTAL	143,742	(31,420)	120,110	(33,612)

Note 25. Gains (losses) on disposal - dilution in investments in associates

	06.30.2020	06.30.2019
Gains or losses on disposal/dilution on joint ventures	0	0
Gains or losses on disposal/dilution on associates	87,139	(19)
TOTAL	87,139	(19)

The amount of gains (losses) on disposal - dilution in investments of associates includes capital gain on the sale of Younited for €86 million.

Note 26. Operating expense

	06.30.2020	06.30.2019
Personnel expenses	(319,388)	(422,920)
Other expense	(280,912)	(285,519)
TOTAL	(600,300)	(708,439)

Note 26a. Personnel expenses

	06.30.2020	06.30.2019
Salaries and wages	(238,211)	(229,502)
Payroll taxes	(104,808)	(107,949)
Mandatory and optional employee profit-sharing	(24,010)	(39,940)
Taxes, levies and similar payments on compensation	(34,642)	(33,698)
Other*	82,283	(11,831)
TOTAL	(319,388)	(422,920)

*The order of July 3, 2019, part of the Pacte Act, put an end to supplementary retirement schemes with conditional rights. The rights acquired by employees under the old scheme became definitive under the agreements signed in March 2020.

To do this, the group applied the method recommended by the CNCC, i.e. the DBO method. Under this method, definitive rights vested up to the date of retirement are spread out and service costs will be recognized in the future.

Note 26b. Other expenses

	06.30.2020	06.30.2019
Taxes other than on income	(70,908)	(63,525)
Rentals	(28,881)	(29,537)
- short term rentals of assets or low / substantial values	(26,963)	(26,703)
- other rentals	(1,918)	(2,834)
External services	(181,117)	(192,431)
Other miscellaneous expenses	(6)	(26)
TOTAL	(280,912)	(285,519)

Note 27. Cost of risk

Note 27a. Cost of risk - banking activity

	Allocations	Write-backs	Recoverable debts		Collection of receivables written off	06.30.2020
			Provisioned bad debt	Unprovisioned bad debt		
12-month expected losses	(68,982)	49,220				(19,762)
- Loans and receivables due from credit institutions	(554)	436				(118)
- Loans and receivables due from customers	(54,276)	37,415				(16,861)
- of which finance leases	(3,430)	1,042				(2,388)
- Financial assets at amortized cost - Fixed income securities	(437)	893				456
- Financial assets at FVOCI - Fixed income securities	(5,597)	3,247				(2,350)
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	(8,118)	7,229				(889)
- Other assets	0	0				0
Lifetime expected loss	(76,661)	59,815				(16,846)
- Loans and receivables due from credit institutions	0	0				0
- Loans and receivables due from customers	(74,443)	56,217				(18,226)
- of which finance leases	(5,593)	811				(4,782)
- Financial assets at amortized cost - Fixed income securities	(312)	538				226
- Financial assets at FVOCI - Fixed income securities	(45)	30				(15)
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	(1,861)	3,030				1,169
- Other assets	0	0				0
Impaired assets	(108,591)	79,589	(16,611)	(3,077)	1,078	(47,612)
- Loans and receivables due from credit institutions	0	0	0	0	0	0
- Loans and receivables due from customers	(105,100)	75,231	(16,602)	(3,077)	1,078	(48,470)
- of which finance leases	(5,116)	2,916	(552)	0	19	(2,733)
- Financial assets at amortized cost - Fixed income securities	0	0	0	0	0	0
- Financial assets at FVOCI - Fixed income securities	0	0	0	0	0	0
- Financial assets at FVOCI - Loans	0	0	0	0	0	0
- Off-balance sheet	(3,071)	4,029	0	0	0	958
- Other assets	(420)	329	(9)	0	0	(100)
Total	(254,234)	188,624	(16,611)	(3,077)	1,078	(84,220)

	Allocations	Write-backs	Recoverable debts		Collection of receivables written off	06.30.2019
			Provisioned bad debt	Unprovisioned bad debt		
12-month expected losses	(62,836)	56,189				(6,647)
- Loans and receivables due from credit institutions	(443)	748				305
- Loans and receivables due from customers	(52,316)	44,441				(7,875)
- of which finance leases	(2,323)	921				(1,402)
- Financial assets at amortized cost - Fixed income securities	(125)	49				(76)
- Financial assets at FVOCI - Fixed income securities	(3,387)	4,260				873
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	(6,565)	6,691				126
- Other assets	0	0				0
Lifetime expected loss	(61,840)	59,669				(2,171)
- Loans and receivables due from credit institutions	0	0				0
- Loans and receivables due from customers	(60,334)	57,484				(2,850)
- of which finance leases	(2,004)	688				(1,316)
- Financial assets at amortized cost - Fixed income securities	0	36				36
- Financial assets at FVOCI - Fixed income securities	(27)	55				28
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	(1,479)	2,094				615
- Other assets	0	0				0
Impaired assets	(122,032)	124,292	(25,484)	(3,000)	1,262	(24,962)
- Loans and receivables due from credit institutions	0	0	0	0	0	0
- Loans and receivables due from customers	(117,299)	119,913	(25,377)	(3,000)	1,249	(24,514)
- of which finance leases	(5,606)	4,281	(635)	(460)	0	(2,420)
- Financial assets at amortized cost - Fixed income securities	(300)	0	0	0	0	(300)
- Financial assets at FVOCI - Fixed income securities	0	0	0	0	0	0
- Financial assets at FVOCI - Loans	0	0	0	0	0	0
- Off-balance sheet	(2,786)	3,424	0	0	0	638
- Other assets	(1,647)	955	(107)	0	13	(786)
Total	(246,708)	240,150	(25,484)	(3,000)	1,262	(33,780)

Note 27b. Cost of risk - insurance activity

	Allocations	Write-backs	Recoverable debts		Collection of receivables written off	06.30.2020
			Provisioned bad debt	Unprovisioned bad debt		
- Credit institutions	0	0	0	0	0	0
- Insurance business	0	0	0	0	0	0
- Available-for-sale assets	0	0	0	0	0	0
- Held-to-maturity assets	0	0	0	0	0	0
- Other	0	0	0	0	0	0
Total	0	0	0	0	0	0

	Allocations	Write-backs	Recoverable debts		Collection of receivables written off	06.30.2019
			Provisioned bad debt	Unprovisioned bad debt		
- Credit institutions	0	0	0	0	0	0
- Insurance business	0	0	0	0	0	0
- Available-for-sale assets	0	0	0	0	0	0
- Held-to-maturity assets	0	0	0	0	0	0
- Other	0	50	0	0	0	50
Total	0	50	0	0	0	50

Note 27c. Banking activities - Information regarding changes in outstanding loans subject to provisions for expected losses for credit risk

	12.31.2019	Acquisition / production	Sale/repayment	Transfers between buckets	Other	06.30.2020
Financial assets at amortized costs - loans and receivables due from credit institutions	9,787,578	2,731,255	(648,315)	0	(112,429)	11,758,089
- 12-month expected losses	9,787,578	2,731,255	(648,315)	0	(112,429)	11,758,089
- Lifetime expected losses - non-impaired assets	0	0	0	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0
Financial assets at amortized costs - loans and receivables due from customers	63,542,142	7,559,608	(3,968,208)	0	(1,476,794)	65,656,748
- 12-month expected losses	59,337,677	7,324,842	(3,508,146)	(444,435)	(1,391,806)	61,318,132
- Lifetime expected losses - non-impaired assets	2,742,403	128,363	(318,792)	290,654	(60,528)	2,782,100
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	1,258,254	60,780	(99,404)	153,079	(24,460)	1,348,249
Lifetime expected losses - assets impaired as from acquisition/creation	203,808	45,623	(41,866)	702	0	208,267
Financial assets at amortized cost - Securities	642,890	37,425	(11,897)	0	(20)	668,398
- 12-month expected losses	610,220	36,627	(983)	0	(20)	645,844
- Lifetime expected losses - non-impaired assets	26,611	532	(10,411)	0	0	16,732
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	6,059	266	(503)	0	0	5,822
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0
- Financial assets at FVOCI - Fixed income securities	9,151,288	3,456,456	(150,362)	0	0	12,457,382
- 12-month expected losses	9,123,112	3,456,456	(122,194)	(14,010)	0	12,443,364
- Lifetime expected losses - non-impaired assets	28,176	0	(28,168)	14,010	0	14,018
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0
- Financial assets at FVOCI - Loans	0	0	0	0	0	0
- 12-month expected losses	0	0	0	0	0	0
- Lifetime expected losses - non-impaired assets	0	0	0	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0
Total	83,123,898	13,784,744	(4,778,782)	0	(1,589,243)	90,540,617

Note 27d. Banking activities - Information regarding changes in provisions for expected losses for credit risk

	12.31.2019	Allocations	Reversals	Transfers	Change of method	Other	06.30.2020
Financial assets at amortized costs - loans and receivables due from credit institutions	(2,191)	(554)	436	0	0	43	(2,266)
- 12-month expected losses	(2,191)	(554)	436	0	0	43	(2,266)
- Lifetime expected losses - non-impaired assets	0	0	0	0	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0	0
Financial assets at amortized costs - loans and receivables due from customers	(1,097,529)	(259,713)	184,211	0	0	18,348	(1,154,683)
- 12-month expected losses	(128,560)	(54,192)	54,568	(17,153)	0	1,264	(144,073)
- Lifetime expected losses - non-impaired assets	(139,778)	(74,426)	47,519	8,699	0	2,581	(155,405)
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	(703,255)	(127,742)	78,650	8,454	0	14,503	(729,390)
Lifetime expected losses - assets impaired as from acquisition/creation	(125,936)	(3,353)	3,474	0	0	0	(125,815)
Financial assets at amortized cost - Securities	(7,401)	(917)	1,936	0	0	0	(6,382)
- 12-month expected losses	(893)	(437)	893	0	0	0	(437)
- Lifetime expected losses - non-impaired assets	(538)	(312)	538	0	0	0	(312)
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	(5,970)	(168)	505	0	0	0	(5,633)
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0	0
- Financial assets at FVOCI - Fixed income securities	(6,195)	(5,642)	3,275	0	0	0	(8,562)
- 12-month expected losses	(6,165)	(5,597)	3,245	0	0	0	(8,517)
- Lifetime expected losses - non-impaired assets	(30)	(45)	30	0	0	0	(45)
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0	0
- Financial assets at FVOCI - Loans	0	0	0	0	0	0	0
- 12-month expected losses	0	0	0	0	0	0	0
- Lifetime expected losses - non-impaired assets	0	0	0	0	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0	0
Commitments given	(45,497)	(12,452)	14,477	0	0	98	(43,374)
- 12-month expected losses	(13,297)	(8,207)	7,241	0	0	61	(14,202)
- Lifetime expected losses - non-impaired assets	(3,927)	(1,885)	3,035	0	0	18	(2,759)
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	(28,273)	(2,360)	4,201	0	0	19	(26,413)
Other assets	0	0	0	0	0	0	0
- 12-month expected losses		0	0	0	0	0	0
- Lifetime expected losses - non-impaired assets		0	0	0	0	0	0
- of which expected losses measured according to the simplified method		0	0	0	0	0	0
Lifetime expected losses for impaired assets (whether impaired or not at acquisition/creation)		0	0	0	0	0	0
- of which expected losses measured according to the simplified method		0	0	0	0	0	0
Total	(1,158,813)	(279,278)	204,335	0	0	18,489	(1,215,267)

Note 28. Gains (losses) on other assets

	06.30.2020	06.30.2019
Property, plant and equipment and intangible assets	751	1,613
Capital losses on disposals	(2,152)	(902)
Capital gains on disposals	2,903	2,515
Expenses related to business combinations	(373)	(1,274)
More or less transfer values on consolidated securities	(2,400)	23,450
TOTAL	(2,022)	23,789

Note 29. Income tax

	06.30.2020	06.30.2019
BREAKDOWN OF TAX EXPENSE		
Current tax expense	(81,333)	(78,295)
Net deferred tax expense or revenue	(13,262)	(11,175)
NET INCOME TAX EXPENSE	(94,595)	(89,470)
Income before taxes, goodwill and income contribution from associates	342,287	331,926
EFFECTIVE TAX RATE	27.64%	26.95%

	06.30.2020	06.30.2019
ANALYSIS OF EFFECTIVE TAX RATE		
Statutory tax rate	32.02%	32.02%
Permanent differences	2.53%	(0.46%)
Income taxed at a reduced rate or exempt	(6.58%)	(4.71%)
Impact of fiscal losses	2.06%	-0.38%
Tax credits	(0.06%)	(0.03%)
Special	0.00%	0.40%
Other	(2.33%)	0.10%
EFFECTIVE TAX RATE	27.64%	26.95%

Régulation n° 2019-759, published on July 24, 2019, as well as the 2020 finance act, provide modifications in the gradual reduction of the corporate tax rate initially planned by the 2018 finance act. The tax rate for the fiscal year 2020 is therefore 32.02%; this rate will decrease gradually from 34.43% to 25.83% from 2019 to 2022.

Taxes must be measured based on the rates in effect at the closing date.

In case of a change in rates, deferred taxes must be adjusted, based on the symmetry principle, through profit or loss, unless they relate to items recognized outside profit or loss (other comprehensive income (OCI) or directly in equity). The impact of this change in the tax rate has been taken into account in the calculation of deferred taxes for Crédit Mutuel Arkéa.

OTHER NOTES

(in thousands of euros)

Note 30a. Commitments given and received - banking activity

	06.30.2020	12.31.2019
Commitments given	14,063,429	14,669,854
Financing commitments	9,510,667	9,805,932
to credit and similar institutions	13,350	9,350
to customers	9,497,317	9,796,582
Guarantee commitments	4,283,207	4,217,217
to credit and similar institutions	515	515
to customers	4,282,692	4,216,702
Securities commitments	269,555	646,705
repurchase agreements	0	0
other commitments given	269,555	646,705
Commitments received	55,163,180	49,021,969
Financing commitments	15,167,255	10,497,553
from credit and similar institutions	15,132,711	10,490,432
from customers	34,544	7,121
Guarantee commitments	39,591,929	38,181,778
from credit and similar institutions	234,838	224,711
from customers	39,357,091	37,957,067
Securities commitments	403,996	342,638
Reverse repurchase agreements	0	0
Other commitments received	403,996	342,638

Financing commitments given include the €13,350,000 cash advance made to Caisse de Refinancement de l'Habitat.

	06.30.2020	12.31.2019
Receivables pledged as collateral	17,779,462	13,606,632
Banque de France	15,760,157	11,694,485
European Investment Bank	679,086	648,276
Caisse de Refinancement de l'Habitat	372,034	260,602
Caisse des Dépôts et Consignations	966,185	1,001,270
Other	2,000	2,000
Loaned securities	0	0
Deposits on market transactions	745,367	708,950
Securities sold under repurchase agreements	10,936,066	4,883,045

For its refinancing activity, the group entered into repurchase agreements of debt and/or equity securities. This results in the transfer of ownership of securities which the recipient may in turn lend. The coupons or dividends benefit the borrower. These transactions are subject to margin calls.

Note 30b. Commitments given and received - insurance activity

	06.30.2020	12.31.2019
Commitments given	-	-
Commitments received	1,355,906	1,378,515

Note 31. Segment information

	Banking		Insurance and asset management		Group	
	06.30.2020	06.30.2019	06.30.2020	06.30.2019	06.30.2020	06.30.2019
Internal income (1)	128,858	135,283	(128,858)	(135,283)	0	0
External income (2)	619,725	668,565	389,563	447,273	922,149	1,115,857
Net banking income	748,583	803,848	260,705	311,990	1,009,288	1,115,838
Gains (losses) on disposal - dilution	87,139	(19)	0	0	87,139	(19)
Net banking income including gains (losses) on disposal - dilution	835,722	803,829	260,705	311,990	1,096,427	1,115,819
General operating expenses and depreciation and amortization	(565,405)	(677,849)	(101,897)	(94,778)	(667,302)	(772,627)
Gross operating income	270,317	125,980	158,808	217,212	429,125	343,192
Cost of risk	(83,921)	(34,356)	(299)	626	(84,220)	(33,730)
Operating income	186,396	91,624	158,509	217,838	344,905	309,462
Share of income of companies carried under equity method	1,578	620	(413)	(185)	1,165	434
Other	(2,022)	23,789	0	0	(2,022)	23,789
Recurring income before tax	185,952	116,033	158,096	217,653	344,048	333,685
Income tax	(49,657)	(21,182)	(44,938)	(68,288)	(94,595)	(89,470)
Net income	136,295	94,851	113,158	149,365	249,453	244,215
O/w non-controlling interests	(10)	(141)	3	(2)	(7)	(143)
Net income, group share	136,305	94,992	113,155	149,367	249,460	244,359
	06.30.2020	12.31.2019	06.30.2020	12.31.2019	06.30.2020	12.31.2019
Segment Assets and Liabilities	109,668,584	97,318,252	55,070,364	59,823,672	164,738,948	157,141,924

(1) Segment income from transactions with other segments.

(2) Segment income from sales to external customers.

Segment reporting is based on two business lines:

- Retail banking includes primarily the branch networks of CMB and CMSO, the subsidiaries that finance businesses and the real estate division of the group,
- The other business line comprises subsidiaries specialized in asset management and insurance.

Segment reporting by geographic region is not relevant for the group as nearly all of its business is carried out in France.

Note 32. Scope of consolidation

Last name	Country	Sector / Activity	% control		% equity interest	
			06.30.2020	12.31.2019	06.30.2020	12.31.2019
Crédit Mutuel Arkéa + Fédérations et Caisses du Crédit Mutuel de Bretagne et du Sud-Ouest	France	Banking / Mutual banking	consolidating entity			
Fully consolidated companies						
ARKEA BANKING SERVICES	France	Banking / Banking services	100.0	100.0	100.0	100.0
ARKEA BANQUE ENTREPRISES ET INSTITUTIONNELS	France	Banking / Corporate banking	100.0	100.0	100.0	100.0
ARKEA BOURSE RETAIL	France	Banking / Holding	100.0	100.0	100.0	100.0
ARKEA CAPITAL	France	Insurance and asset management / Asset management	100.0	100.0	100.0	100.0
ARKEA CAPITAL INVESTISSEMENT	France	Banking / Private equity	100.0	100.0	100.0	100.0
ARKEA CAPITAL MANAGERS HOLDING SLP	France	Banking / Private equity	100.0	100.0	100.0	100.0
ARKEA CAPITAL PARTENAIRE	France	Banking / Private equity	100.0	100.0	100.0	100.0
ARKEA CREDIT BAIL	France	Banking / Finance leasing	100.0	100.0	100.0	100.0
ARKEA DIRECT BANK	France	Banking / Financial and stock market intermediation	100.0	100.0	100.0	100.0
ARKEA FONCIERE	France	Banking / Real estate	100.0	100.0	100.0	100.0
ARKEA HOME LOANS SFH	France	Banking / Refinancing entity	100.0	100.0	100.0	100.0
ARKEA PUBLIC SECTOR SCF	France	Banking / Refinancing entity	100.0	100.0	100.0	100.0
ARKEA SCD	France	Banking / Services	100.0	100.0	100.0	100.0
BUDGET INSIGHT	France	Banking / Banking services	100.0	100.0	100.0	100.0
CAISSE DE BRETAGNE DE CREDIT MUTUEL AGRICOLE	France	Banking / Mutual banking	93.4	93.3	93.4	93.3
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANK (succursale)	Belgium	Banking / Asset holding company	100.0	100.0	100.0	100.0
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANQUE	France	Banking / Specialized networks banking	100.0	100.0	100.0	100.0
FCT COLLECTIVITES	France	Banking / Securitization fund	57.8	57.8	57.8	57.8
FEDERAL EQUIPEMENTS	France	Banking / Services	100.0	100.0	100.0	100.0
FEDERAL FINANCE	France	Insurance and asset management / Private banking and asset management	100.0	100.0	100.0	100.0
FEDERAL FINANCE GESTION	France	Insurance and asset management / Asset management	100.0	100.0	100.0	100.0
FEDERAL SERVICE	France	Banking / Services	97.9	97.8	97.8	97.8
FINANCO	France	Banking / Specialized networks banking	100.0	100.0	100.0	100.0
GICM	France	Banking / Services	100.0	100.0	97.8	97.8
IZIMMO	France	Banking / Real estate	100.0	100.0	100.0	100.0
IZIMMO HOLDING	France	Banking / Holding	100.0	100.0	100.0	100.0
KEYTRADE BANK (succursale)	Belgium	Banking / Financial and stock market intermediation	100.0	100.0	100.0	100.0
KEYTRADE BANK Luxembourg SA	Luxembourg	Banking / Financial and stock market intermediation	100.0	100.0	100.0	100.0
LEETCHI SA	France	Banking / Services	100.0	100.0	100.0	100.0
MANGOPAY SA	Luxembourg / France	Banking / Services	100.0	100.0	100.0	100.0
MONEXT	France	Banking / Services	100.0	100.0	100.0	100.0
NEXTALK	France	Banking / Services	100.0	100.0	100.0	100.0
NOUVELLE VAGUE	France	Banking / Services	100.0	100.0	100.0	100.0
NOVELIA	France	Insurance and asset management / Insurance brokerage	100.0	100.0	100.0	100.0
PROCAPITAL	France / Belgium	Banking / Financial and stock market intermediation	100.0	100.0	100.0	100.0
PUMPKIN	France	Banking / Services	100.0	100.0	100.0	100.0
SCHELCHER PRINCE GESTION	France	Insurance and asset management / Asset management	100.0	100.0	100.0	100.0
SOCIETE CIVILE IMMOBILIERE INTERFEDERALE	France	Banking / Real estate	100.0	100.0	100.0	100.0
SMSPG	France	Insurance and asset management / Holding	100.0	100.0	100.0	100.0
STRATEO (succursale)	Swiss	Banking / Financial and stock market intermediation	100.0	100.0	100.0	100.0
SURAVENIR	France	Insurance and asset management / Life insurance	100.0	100.0	100.0	100.0
SURAVENIR ASSURANCES	France	Insurance and asset management / Non-life insurance	100.0	100.0	100.0	100.0

Last name	Country	Sector / Activity	% control		% equity interest	
			06.30.2020	12.31.2019	06.30.2020	12.31.2019
Companies consolidated using the equity method						
CAISSE CENTRALE DU CREDIT MUTUEL	France	Banking / Mutual banking	20.1	20.6	20.1	20.6
FINANSEMBLE	France	Insurance and asset management / Asset management	30.4	30.4	30.4	30.4
LA COMPAGNIE FRANCAISE DES SUCCESSIONS	France	Insurance and asset management / Asset management	32.6	32.6	32.6	32.6
LINXO GROUP (2)	France	Banking / Services	/	29.8	/	29.8
NEW PORT	France	Banking / Holding	29.9	29.9	29.9	29.9
VIVienne INVESTISSEMENT	France	Insurance and asset management / Asset management	34.4	34.4	34.4	34.4
YOMONI	France	Insurance and asset management / Asset management	34.0	34.0	34.0	34.0
YOUNITED CREDIT (5)	France / Italie / Espagne / Allemagne	Banking / Services	/	22.3	/	22.3

Last name	Country	Sector / Activity	% control		% equity interest	
			06.30.2020	12.31.2019	06.30.2020	12.31.2019
Companies consolidated using the shortcut method						
AIS MANDARINE ACTIVE	France	Insurance and asset management / mutual funds	78.6	78.2	78.6	78.2
AIS MANDARINE ENTREPRENEURS	France	Insurance and asset management / mutual funds	80.3	80.1	80.3	80.1
AIS MANDARINE MULTI-ASSETS	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
ARKEA CAPITAL 1	France	Banking / mutual funds	100.0	100.0	100.0	100.0
AUTOFOCUS CROISSANCE JUILLET 2019 (1)	France	Insurance and asset management / mutual funds	99.2	/	99.2	/
AUTOFOCUS CROISSANCE JUIN 2015	France	Insurance and asset management / mutual funds	94.0	94.0	94.0	94.0
AUTOFOCUS CROISSANCE MAI 2017	France	Insurance and asset management / mutual funds	97.2	97.2	97.2	97.2
AUTOFOCUS CROISSANCE MARS 2015	France	Insurance and asset management / mutual funds	85.1	84.8	85.1	84.8
AUTOFOCUS CROISSANCE NOVEMBRE 2018	France	Insurance and asset management / mutual funds	80.4	80.0	80.4	80.0
AUTOFOCUS RENDEMENT JANVIER 2018	France	Insurance and asset management / mutual funds	99.3	99.3	99.3	99.3
AUTOFOCUS RENDEMENT JANVIER 2019 (1)	France	Insurance and asset management / mutual funds	99.4	/	99.4	/
AUTOFOCUS RENDEMENT JUIN 2018	France	Insurance and asset management / mutual funds	98.4	98.4	98.4	98.4
AUTOFOCUS RENDEMENT DECEMBRE 2014	France	Insurance and asset management / mutual funds	93.5	93.4	93.5	93.4
AUTOFOCUS RENDEMENT MARS 2015	France	Insurance and asset management / mutual funds	93.0	93.0	93.0	93.0
AUTOFOCUS RENDEMENT MARS 2017	France	Insurance and asset management / mutual funds	97.1	97.1	97.1	97.1
AUTOFOCUS RENDEMENT MARS 2019 (1)	France	Insurance and asset management / mutual funds	98.8	/	98.8	/
BREHAT	France	Insurance and asset management / mutual funds	99.8	98.6	99.8	98.6
BREIZH ARMOR CAPITAL	France	Banking / mutual funds	50.0	50.0	50.0	50.0
DIAPAZEN CLIMAT SEPTEMBRE 2016	France	Insurance and asset management / mutual funds	97.6	97.7	97.6	97.7
FCT MERIUS SURAVENIR	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FCT OBLIGATION BAUX AC 2019	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FCT RESIDENTIAL DUTCH MORTGAGE FUND LARGO D	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FCT SCOR SURAVENIR EURO LOANS	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FCT SP EUROCREANCES	France	Insurance and asset management / mutual funds	43.4	43.4	43.4	43.4
FCT SPG DETTE PRIVEE	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FCT SUR PRIV DEBT II	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FCT SURAVENIR CONSO FUND	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FCT SURAVENIR PRIVAT	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FEDERAL AMBITION CLIMAT	France	Insurance and asset management / mutual funds	99.3	99.3	99.3	99.3
FEDERAL CAPITAL INVESTISSEMENT	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FEDERAL CONVICTION GRANDE ASIE	France	Insurance and asset management / mutual funds	82.0	81.8	82.0	81.8
FEDERAL ESSOR INTERNATIONAL (4)	France	Insurance and asset management / mutual funds	/	42.9	/	42.9
FEDERAL GLOBAL GREEN BONDS (1)	France	Insurance and asset management / mutual funds	41.3	/	41.3	/
FEDERAL IMPACT TERRITOIRES (EX FEDERAL MULTI PME)	France	Insurance and asset management / mutual funds	54.9	57.0	54.9	57.0
FEDERAL INDICIEL APAL (EX FEDERAL APAL)	France	Insurance and asset management / mutual funds	73.8	71.6	73.8	71.6
FEDERAL INDICIEL JAPON	France	Insurance and asset management / mutual funds	68.4	64.4	68.4	64.4
FEDERAL INDICIEL US	France	Insurance and asset management / mutual funds	58.3	53.5	58.3	53.5
FEDERAL MULTI ACTIONS EUROPE	France	Insurance and asset management / mutual funds	74.3	73.8	74.3	73.8
FEDERAL MULTI L/S	France	Insurance and asset management / mutual funds	65.6	56.4	65.6	56.4
FEDERAL MULTI OR ET MATIERES 1ERES	France	Insurance and asset management / mutual funds	90.2	89.5	90.2	89.5
FEDERAL MULTI PATRIMOINE	France	Insurance and asset management / mutual funds	99.5	90.5	99.5	90.5
FEDERAL OPPORTUNITE EQUILIBRE ESG	France	Insurance and asset management / mutual funds	85.8	99.8	85.8	99.8
FEDERAL OPPORTUNITE MODERE ESG	France	Insurance and asset management / mutual funds	64.1	98.5	64.1	98.5

Last name	Country	Sector / Activity	% control		% equity interest	
			06.30.2020	12.31.2019	06.30.2020	12.31.2019
Companies consolidated using the shortcut method						
FEDERAL OPPORTUNITE TONIQUE ESG	France	Insurance and asset management / mutual funds	99.0	99.1	99.0	99.1
FEDERAL OXYGENE (4)	France	Insurance and asset management / mutual funds	94.4	94.2	94.4	94.2
FEDERAL SUPPORT COURT TERME ESG	France	Insurance and asset management / mutual funds	/	38.3	/	38.3
FEDERAL SUPPORT MONETAIRE ESG	France	Insurance and asset management / mutual funds	34.4	46.0	34.4	46.0
FLEXPERTISE (1)	France	Insurance and asset management / mutual funds	68.2	/	68.2	/
FPS SURAVENIR ACTIONS INTERNATIONALES PROTECT	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS LOW VOL	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS MID CAPS	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS PROTECT	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS PROTECT II (3)	France	Insurance and asset management / mutual funds	/	100.0	/	100.0
FPS SURAVENIR OVERLAY LOW VOL ACTIONS	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FPS UBS ARCHM PLATF2 (1)	France	Insurance and asset management / mutual funds	100.0	/	100.0	/
OPCI CLUB FRANCE RET	France	Insurance and asset management / mutual funds	46.3	46.3	46.3	46.3
OPCI PREIM DEFENSE 2	France	Insurance and asset management / mutual funds	37.5	37.5	37.5	37.5
OPCI PREIM EUROS	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
OPCI PREIM EUROS 2	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
OPCI PREMIUM	France	Insurance and asset management / mutual funds	73.3	75.5	73.3	75.5
OPCI TIKEHAU RET PRO	France	Insurance and asset management / mutual funds	43.7	39.3	43.7	39.3
OUESSANT	France	Insurance and asset management / mutual funds	38.3	37.0	38.3	37.0
PRIMO ELITE	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
S.C.I PROGRES PIERRE	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
S.C.I SURAV PIERRE	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
SCHELCHER IVO GLOBAL YIELD 2024 (1)	France	Insurance and asset management / mutual funds	48.2	/	48.2	/
SCI CLOVERHOME	France	Insurance and asset management / mutual funds	50.0	50.0	50.0	50.0
SCI LE VINCI HOLDING	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
SCI PR2 PREIM RET 2	France	Insurance and asset management / mutual funds	38.0	38.0	38.0	38.0
SCI SILVER AVENIR (1)	France	Insurance and asset management / mutual funds	100.0	/	100.0	/
SCI USUFRUIMMO	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
SCPI PIERRE EXPANSION	France	Insurance and asset management / mutual funds	/	57.0	/	57.0
SCPI PRIMOFAMILY	France	Insurance and asset management / mutual funds	35.3	41.3	35.3	41.3
SCPI PRIMONIA CAP IMMO	France	Insurance and asset management / mutual funds	/	35.8	/	35.8
SP CONVERTIBLES	France	Insurance and asset management / mutual funds	20.7	20.8	20.7	20.8
SP CONVERTIBLES MID CAP ESG EURO (1)	France	Insurance and asset management / mutual funds	26.5	/	26.5	/
SP CROISSANCE (EX FEDERAL CROISSANCE)	France	Insurance and asset management / mutual funds	91.5	91.4	91.5	91.4
SP HAUT RENDEMENT	France	Insurance and asset management / mutual funds	39.9	41.1	39.9	41.1
SP NS FAMILLE	France	Insurance and asset management / mutual funds	47.8	45.3	47.8	45.3
SP OPPORTUNITES EUROPEENNES	France	Insurance and asset management / mutual funds	39.0	35.7	39.0	35.7
SURAVENIR INITIATIVE ACTIONS	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
SYNERGIE FINANCE INVESTISSEMENT	France	Banking / mutual funds	100.0	100.0	100.0	100.0
WE POSITIVE INVEST	France	Banking / mutual funds	100.0	100.0	100.0	100.0
WEST WEB VALLEY	France	Banking / mutual funds	35.4	35.4	35.4	35.4
YOMONI ALLOCATION	France	Insurance and asset management / mutual funds	46.7	47.5	46.7	47.5
YOMONI MONDE	France	Insurance and asset management / mutual funds	41.8	44.0	41.8	44.0

(1) Companies first-time consolidated in 2020

(2) Property

(3) Liquidation

(4) Merger of assets and liabilities

(5) Company deconsolidated in 2020

The simplified method of accounting (called shortcut method) is based on using the fair value option for all assets held under the mutual fund to be consolidated.

The shortcut method entails:

- recognizing the fund shares in assets at fair value on the basis of 100%
- establishing a corresponding liability (financial liability) for the amount of the share not held by the group (non-controlling interests).

ANC Regulation No. 2016-09 (ANC, the French Accounting standard setter) requires companies that prepare their consolidated financial statements in accordance with international standards to publish additional information relating to companies not included in their scope of consolidation as well as significant equity interests. This information is available on the Group website, within the regulatory information section.

Note 33. Events after the reporting period

No significant events occurred after the June 30, 2020 closing date.

4. Statutory auditors' report on the interim financial information 2020

Period from 1 January 2020 to 30 June 2020

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on the performance of the assignment entrusted to us:

- the review of the accompanying condensed interim consolidated financial statements of Crédit Mutuel Arkéa for the period from 1 January 2020 to 30 June 2020;
- the verification of the information given in the interim management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Board of Directors on 27 August 2020 on the basis of the information available at that date in the evolving context of the crisis related to COVID-19 and the difficulties in assessing its impact and future prospects. Our responsibility is to express a conclusion on these financial statements based on our review.

I- Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists principally of making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France. Consequently, the assurance that the financial statements, taken as a whole, are free from material misstatement obtained from a limited review is a moderate assurance, lower than that obtained from an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the standard of the IFRSs as adopted by the European Union applicable to interim financial reporting.

II- Specific verification

We have also verified the information given in the interim management report prepared on 27 August 2020 commenting on the condensed interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris-La Défense, August 28, 2020

The Statutory Auditors

Mazars

Deloitte & Associés

Franck Boyer

Anne-Elisabeth Pannier

Jean-Marc Mickeler

5. Risk Factors

This Part 5 updates pages 198 to 211 of Arkéa's 2019 Universal Registration Document.

The Arkéa group is exposed to three main categories of risk, which are detailed in the following¹⁰ pages:

- **Macroeconomic and regulatory context risks:** these risks are likely to affect all banking institutions.
- **Risks related to the Arkéa group's business profile:** these include credit, market, interest rate, liquidity and operational risks. These risks could materialize in an isolated manner at Arkéa within the banking or insurance business, or result from systemic causes as listed in the previous point.
- **Strategic risks:** these correspond to the risk of failure to implement the Group's major orientations in terms of business model, human resources management and competitive positioning. They also include the Arkéa group's plan to disaffiliate from the Crédit Mutuel.

Information relating to Pillar 3 of Basel III is available on the Arkéa group's website, under the heading "Pillar 3 Report", in the "Investors" section, under the heading "Financial Information".

5.1. Risks related to the macroeconomic and regulatory context of the Arkéa group

5.1.1.1. Macroeconomic risks

The level of public and private indebtedness is likely to constitute a systemic risk

The market environment is marked by the action taken by central banks in response to the 2009 crisis.

¹⁰ The proposed description of the risk factors complies with the Prospectus 3 regulation, applicable as of 21 July 2019, and the European Securities and Markets Authority's Guidance on Risk Factors under the said regulation. The objective of this regulation is to simplify the presentation of information for issuers while improving the usefulness of the document for investors.

The combined balance sheets of the main central banks have more than tripled since 2008¹¹, as a result of accommodative monetary policies (lowering of key rates) and unconventional policies (notably the repurchase of securities by the US Federal Reserve and then the ECB). The fall in short and long-term rates has been accompanied by an increase in the indebtedness of public and private players. 2,415 billion at the end of September 2019, i.e. 100% of GDP, compared with less than 70% in 2008¹². The private debt of non-financial companies increased by 15 points over the same period, and household debt by 11 points¹³.

To date, the increase in debt has had limited effects on the solvency of public and private players. French banks have very low risk-related costs and a downward trend in doubtful-loan rates¹⁴ thanks to low interest rates, which help to contain the cost of debt¹⁵, and to progress in risk management. The average CET1 rose by two points between December 2014 and September 2019¹⁶ in response to the supervisor's increased requirements.

However, various authorities are calling for vigilance with regard to the risk associated with debt. The IMF warns against the rise in global public and private debt, which increased by 14.6% between April and November 2019¹⁷. In France, the HCSF¹⁸ points out that the share of loans with an effort rate of more than 33% of income has increased by 5 percentage points since 2015.

The level of indebtedness could constitute a systemic risk under the following assumptions :

- in the event of an increase in inflation and/or investors' perception of risk, leading to an increase in interest rates, under the action of central banks or the law of supply and demand.
- in the event of a downgrade of corporate or sovereign securities by rating agencies, leading to an increase in the cost of financing, particularly for companies moving into the speculative (*high-yield*) category.
- in the event of a fall in income available to cover interest, affecting households that would face rising unemployment or businesses that would suffer a fall in operating surpluses.

Interest rates are a risk if they rise rapidly or remain at a persistently low level.

¹¹ Source Yardeni Research, 4 February 2020, statistics on FED, ECB, BOJ, PBOC, increasing from USD 6 trillion to USD 9.9 trillion.

¹² Source: according to INSEE, measurement of the Maastricht debt at the end of September 2019.

¹³ Source: INSEE, Household debt rose from 48.0% in 2008 to 59.2% in 2018, debt of non-financial companies rose from 73.8% in 2008 to 88.9% in 2018.

¹⁴ Source: According to ACPR: "The aggregate cost of risk is expected to fall again in 2018 (-6.4%). In relation to the balance sheet total, it remains at 0.11%. This decline is accompanied by a historically low rate of doubtful loans at 2.8% compared with 3.1% a year earlier. »

¹⁵ The burden of French public debt fell between 2008 and 2018 (from 2.5% of GDP to 1.8% of GDP).

¹⁶ Source: EBA Risk dashboard, quarterly data from CET1

¹⁷ Source: IMF, Financial Stability Report, October 2019

¹⁸ HCSF: High Level Financial Stability Board, press release of 12 December 2019

Interest rates reflect the actions of central banks in pursuit of the objective of financial system stability¹⁹ and market equilibrium. In the major advanced economies, rates are at historically low levels. The yield on French 10-year Treasury bills is negative, as is the deposit rate offered to banks by the ECB, which stands at -0.5%. The guidelines communicated by the central banks do not suggest a key rate increase. In a context of weak growth in the euro zone, the ECB plans to maintain an accommodating policy in 2020. Rates will remain at their current level "or lower" ²⁰until the institution sees a sustained return of inflation to its mandate target of just under 2%. The U.S. Federal Reserve also does not plan to raise policy rates in the absence of "persistent" inflation²¹.

In the event that interest rates remain persistently low, the risks involved would be :

- A decrease in the net interest margin of banking institutions. The cost of refinancing and deposits could fall to a lesser extent than the rates on new lending, notably because of the weight of regulated savings on the liabilities side. In addition, banks could experience an increase in early repayments and requests to renegotiate loans. The loss of profits would be amplified in the event of a flattening or even a lasting inversion of the yield curve. Given the weight of real estate loans on their balance sheets, banks are less profitable if long-term rates are less remunerative than the cost of refinancing over short or medium-term maturities.
- Lower returns on assets on the life insurance balance sheet. Life insurers would then have to offer lower rates on their euro funds, at the risk of causing customer attrition.
- An incentive to excessive indebtedness of private and public players, likely to worsen their solvency.

A rise in interest rates linked to a perception of increased risk or rising inflation could also lead to systemic effects :

- A downward effect on fixed-income investments (especially bonds) and most equities, linked to the use of higher discount rates in valuation models, and the rise in corporate debt.
- A gradual decline in the creditworthiness of borrowers as they mature for refinancing.
- A redemption of old life insurance policies by clients attracted by newly issued, more profitable vehicles.

The impact of a change in interest rates would depend on its magnitude and pace. A rapid change would be an aggravating factor as it would leave institutions less time to adapt their asset/liability management.

¹⁹ Source: European Central Bank missions: "the Eurosystem contributes to the smooth conduct of policies pursued by the competent authorities with regard to the prudential supervision of credit institutions and the stability of the financial system. »

²⁰ Press release accompanying the ECB Conference on 12 December 2019.

²¹ Press release accompanying the Fed conference on 11 December 2019.

The growth observed in Europe in 2020 will be lower than expected due to the health crisis and external events.

The rate of growth of Gross Domestic Product has been positive for a full year since 2014 in the Euro zone, i.e. 6 consecutive years at a moderate rate of 1.9%²². The growth forecast for 2020 has been revised to -8.7% only due to the Coronavirus epidemic before a strong rebound expected in 2021 of 5.2%²³. Growth could weaken if the following risks materialize:

- Renewed US-China tensions over international trade could lead to a decline in trade. These tensions could arise in the event of non-compliance with Phase 1 agreements²⁴, on the purchase of American products and foodstuffs by China, or in the event of failure of the negotiations of the Phase 2 agreement, on Chinese subsidies in strategic sectors²⁵.
- Geopolitical areas of tension could become more acute, particularly in the Middle East. A possible conflict would be accompanied by a decline in trade and oil price inflation.
- A decline in Chinese economic growth, estimated at 6.1% in 2019, to a 27-year low, could spread to trading partners. China's economic growth is currently suffering from the transition to a domestic consumption model, over-indebtedness, and trade tensions with the United States.
- A worsening of the social climate in Europe, following on from the "Yellow Vests" protest movement that appeared in France in October 2018, could harm consumption and weaken public policy.
- Unforeseen consequences of Brexit could lead to reduced trade, adaptation costs and malfunctions within the European Union.
- Renewed market volatility could affect the countries of Southern Europe, putting the debt and banking system at risk, particularly in Italy. These tensions could result from differences between the Italian government and the European Commission on compliance with the budget deficit rules.
- The risk of terrorism could increase, undermining household confidence.
- Natural disasters could result in significant damage to a geographical area and create a burden on certain sectors, particularly property and casualty insurance.

²² Geometric average based on IMF data, including a forecast of 1.2% in 2019, updated in November.

²³ Source ECB, publication of economic projections on 4 June 2020.

²⁴ Agreements of 15 January 2020.

²⁵ The phase 2 agreements relate in particular to heavy industries, new technologies, etc.

It should be noted that GDP in France, after contracting in the first half of 2020, would begin to recover in the second half of the year, an improvement that would continue in 2021 and 2022. On annual average in 2020, GDP would remain very strongly affected, with a decline of more than 10%, before rebounding by 7% in 2021 and 4% in 2022²⁶.

The resilience of growth in Europe in the event of a shock would depend on the following elements :

- The monetary policy of the European Central Bank, in the context of its new presidency. The ECB's intervention in the past has included lowering the key interest rate in negative territory and unconventional actions²⁷. The ECB has announced a EUR 750 billion asset purchase plan (APPP) until 2021 to combat the financial effects of the Covid²⁸ crisis.
- The fiscal room for manoeuvre of European countries²⁹, constrained by their debt ratio and by the application of the Stability and Growth Pact³⁰. Faced with this limit, the European states agreed on a common recovery plan of 750 billion euros financed by a loan subscribed at the supra-national level by the European Commission³¹.
- Europe's ability to position itself in growth sectors, like the American giants known by the acronym GAFAM³².
- Efforts made since 2009 to improve the regulation, solvency and transparency of the banking sector

An increase in risk premiums could cause the valuation of listed and unlisted assets to fall

The risk premium represents the excess return required by an investor to hold a risky asset. An increase in risk premiums could lead to a decline in bond and equity assets, affecting in particular the assets of financial institutions and household wealth. The triggers for such a decline would be :

- Increased market volatility, leading investors to be more demanding in terms of profitability.
- A feeling of mistrust on the part of investors, judging the valuation levels of certain asset classes to be excessive in relation to expected results.

²⁶ Source Banque de France, June 2020.

²⁷ Non-conventional shares include share buybacks and money creation.

²⁸ Source : ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP), BCE, 18 mars 2020

²⁹ Fiscal stimulus includes boosting activity through public investment and tax cuts.

³⁰ The SGP is the instrument that euro area countries have adopted to coordinate their national budgetary policies and avoid the emergence of excessive budget deficits. It requires euro area countries to have budgets close to balance or in surplus over time (3% deficit rule).

³¹ Source: European Commission / European Recovery Plan, 21 July 2020

³² GAFAM refers to Google, Apple, Facebook, Amazon, Microsoft. These five companies have a total market capitalisation of around USD 4,600 billion in December 2019.

The current Coronavirus epidemic could have a lasting impact on the Group's financial situation.

A Coronavirus epidemic began in December 2019 in China and gradually spread to other parts of the world, with very significant health impacts for all the countries concerned. This health situation has very significant economic consequences, resulting in shocks to both the supply and demand for goods and services, both for the regions affected as a matter of priority, but also at the global level. These economic consequences could in turn have a negative impact on the level of financial markets, international trade, the value of raw materials and the profitability of companies.

Description of the specific risks related to the development of the epidemic and the expected or observed impacts on the various components of the Group's activity

From the very beginning of the epidemic in France, the Group has endeavored to identify the specific risks associated with its development and to identify the consequences as it evolves. These specific risks are summarized below:

- Business model risk: the Group's business model consists of supporting and financing the real economy. The implementation of this business model is based on a certain number of projective hypotheses whose validity could be called into question by the socio-economic consequences of the epidemic and in particular by the anticipated sharp contraction of activity in France and Europe. Similarly, the competitive landscape could be negatively impacted by the consequences of the epidemic, with players pursuing an aggressive policy of winning or retaining clients in an unfavorable economic climate.
- Liquidity risk :
 - o Against a backdrop of market tensions and economic uncertainty, CM Arkéa set up a daily monitoring of market operations and customer activity from the beginning of the crisis. Customer activity shows no alert at this stage, outstanding deposits are increasing compared to the anticipated trajectory, and the drawdown rates of revolving credit agreements granted to companies are stable after an increase observed in March. After a decline linked in particular to the system put in place by the French authorities to support money market funds, outstanding short-term refinancing support has returned to expected levels.
 - o Uncertainty about the course of the epidemic did not lead to a lack of confidence on the markets, with more than 90% of the medium-to-long-term refinancing programme being carried out between April and June, benefiting from the easing in refinancing spreads observed from mid-April onwards. Liquidity indicators are not alarming at this stage, with the LCR ratio standing at 178% at 06/30/2020, and liquidity reserves representing more than twice the LCR ratio requirements.

- Operational Risk :
 - o The confinement at home of almost all of the group's employees, as part of the measures decided by the government to curb the spread of the epidemic, has not led to difficulties in continuing business. The increased risk of processing errors or delays was limited thanks to the close attention paid to maintaining surveillance and control of the most critical operations.
 - o The current health crisis has led to an increase in exposure to cyber risk and the risk of external fraud. In this context, particular attention has been paid to keeping the monitoring systems operational and a strengthening of the monitoring of external access to the information system, taking into account the significant expansion of remote working has been implemented.
 - o Measures, such as strong authentication of employees, remote access, equipment and the constitution of a stock of protective equipment, implemented at the height of the crisis, have been maintained so that they can be quickly activated in the event of partial or total reconfinement.
- Legal risk: The legal risk on suppliers has been increased due to the suspension of external service contracts. In the vast majority of cases, this risk was contained by analysing each contractual situation at the time of the suspension (most often the basis of force majeure).
- Credit risk: the socio-economic impacts of the epidemic could lead to a large number of defaults by the counterparties with which the Group is in contact, particularly in certain sectors of activity that are particularly affected by the development of the epidemic and the associated restrictions on movement (tourism, air transport, etc.). The unfavourable impact of these defaults has already been taken into account through a significant increase in IFRS9 provisions. Depending on the evolution of the crisis, the cost of risk, the results and the financial situation of the group could be more widely impacted. Government measures have been put in place since the beginning of the crisis to respond to a significant number of requests from clients. At the end of June 2020, 56,000 maturity extensions had been accepted for €5.2 billion and more than 8,600 PGEs (government-guaranteed loans) had been granted for an outstanding amount of €1.3 billion.
- Market risk: the market risks of the banking scope mentioned below result from the portfolios of financial instruments managed by the Financial Markets Department of the Arkéa group and, to a lesser extent, from the portfolio of Arkéa Direct Bank.

Within this scope and during the first half of 2020, Crédit Mutuel Arkéa's exposure to market risk continued to be mainly related to the risk of changes in credit spreads.

Crédit Mutuel Arkéa's trading portfolio remained at zero in the first half of 2020, as did the amount of VaR on this portfolio.

Despite the high volatility of the financial markets resulting from the Covid crisis¹⁹, the amount of unrealised capital gains on investments exposed to market risks at Crédit Mutuel Arkéa, although down in the first half of the year, remained positive.

In addition, the total amount of value adjustments (CVA, DVA and FVA) recorded at June 30, 2020 increased to €28.9m in total, mainly due to the increase in credit spreads, representing a net charge of €10.5m over the half-year.

- Risks related to life insurance: a deterioration in the market situation related to the impacts of the epidemic, in particular a fall in interest rates, an increase in bond defaults or a fall in equity and real estate assets could have a significant adverse impact on the results and/or solvency of the Group's life insurance business. A significant increase in mortality or morbidity could also have an impact on Suravenir's results on its life insurance business.
- Risks related to the shareholdings : The socio-economic impacts of the epidemic could have consequences on the Group's holdings, whether unlisted holdings or holdings relating to the Group's private equity activity. The Arkéa group's financial margin in the first half of 2020 is impacted by €17 million as a result of the unfavorable change in the valuation of other instruments at fair value through profit or loss. Beyond this, the valuation of investments could change in the future due to the consequences of the epidemic on the business, cash flow and credit quality of these investments".

Description of the specific measures implemented by the group to manage the specific risks induced by the development of the epidemic

The health situation in France and Belgium, the Group's main markets, and its impact on the economic and social situation, led the Group to take specific measures as soon as possible.

- Triggering of the emergency and business continuity plan, identifying essential services and implementing business continuity mechanisms in a general context of population containment
- Triggering of reinforced monitoring systems for the main risks identified :
 - o On credit risk, implementation of reinforced monitoring of business sectors identified

as being particularly impacted and implementation of reporting to the supervisor, both for banking clients and for clients in the private equity portfolio

- With regard to liquidity, increased vigilance in relation to requests for repayment of short-term refinancing instruments.
- On market risk, updating of stress scenarios (equities, spreads, etc.) with the latest market assumptions.

At the time of writing, the impact of this epidemic on the group's results remains difficult to quantify.

5.1.2. Regulatory risks

The Arkéa group is subject to significant regulation in the countries in which it operates. The regulatory risk relates to the effects on the Arkéa group of standards that are currently being implemented or will be implemented in the future. The main outlook is described in the outlook section of this document. Regulatory measures could affect the Arkéa group in the following ways:

A regulatory change could reduce the Group's excess capital.

The capital surplus (or capital requirement, if negative) is the difference between the capital ratio observed in the institution and the capital requirement defined by the supervisor. At June 30, 2020, the Arkéa group had a CET1 ratio more than 5 points above the regulatory requirement.

The applicable capital requirement could potentially be increased by the supervisor. To date, there are no plans to change the Pillar 1 requirement, which is common to all banks. However, the institution could possibly be subject to an increase in the requirement under Pillar 2, which is specific to the institution and defined within the framework of an annual dialogue with the European Central Bank,³³ depending on governance, business model, solvency and liquidity criteria. In addition, the regulator could raise the level of the cushions required to be met outside periods of stress³⁴. On April 3, 2019, the HCSF published its decision to raise the counter-cyclical capital cushion rate to 0.5%, effective April 2, 2020.

³³ Review conducted as part of the SREP exercise: Supervisory Review and Evaluation Process

³⁴ As defined in ssm lcaap, November 2018

In addition, the measurement of the capital ratio may change if there is a change in the method of calculating available capital or if there is a change in the asset weighting method.

Regulatory developments could lead to a deterioration in the cost structure and threaten the profitability of the institution.

Provision charges on sound or doubtful loans could increase in the event of an imposed change in the methods for calculating risk parameters. An increase in the corporate tax rate or other tax constraints (transaction tax) could reduce net income. An increase in the cost of refinancing and deposits, in particular through the remuneration of regulated savings, could reduce the net interest margin.

5.2. Risks related to operations

5.2.1. Credit risk

Credit risk is the risk incurred in the event of default by a counterparty or counterparties considered as the same group of customers, as defined by regulation.

An increase in customer credit risk would be reflected in a deterioration in the credit quality of counterparties across the entire portfolio (systemic risk), a sector, a type of financing (e.g. real estate) or a category of borrowers (e.g. individuals, businesses).

The new provisions introduced by the EBA's guidance on credit risk management practices and the recognition of expected credit losses, which came into force on 1 January 2018 (IFRS 9, International Financial Reporting Standards), have led to an adaptation of the internal methods for assessing credit risk, in order to comply with Articles 114 and 115 of the Decree of 3 November 2014. Thus, credit risk, and therefore provisions, are taken into account as soon as they are granted, with loans being allocated to one of the three risk categories (Bucket) defined by IFRS9 regulations :

- a contract (credit and securities) on a sound counterparty enters at the time of granting into Bucket 1 regardless of its level of risk), unless it is a credit identified as restructured. Such a credit will be systematically allocated in Bucket 2.
- a contract (credit and securities) granted on a defaulting counterparty is allocated to Bucket 3.

At each balance sheet date, changes in the quality of risk are analysed. The probability of default for each loan, estimated at the initial recognition date, is compared to its estimated probability of default at the balance sheet date.

Thus, each quarter and for each financial instrument, the allocation rule is as follows:

- in the event that the counterparty is in default, all of the counterparty's contracts are allocated to Bucket 3 (defaulted claims) ;

- if the counterparty is sound, absolute criteria (past due payments, contract in default the previous month, restructured credit, etc.) and relative criteria (change in the probability of default) are examined.

The examination of these criteria determines whether the claim should be maintained in its original Bucket or transferred to another Bucket (e.g. transfer from Bucket 1 to Bucket 2 in case of risk deterioration and conversely transfer from Bucket 2 to Bucket 1 in case of risk improvement).

The methods used to calculate the provisions are differentiated according to Bucket membership, with the expected loss being assessed over a maximum period of one year for Bucket 1, whereas it is calculated over the remaining life of the contract for Bucket 2.

A deterioration in credit quality would therefore result in :

- a new breakdown of outstandings by bucket ;
- possibly an increase in the provision rate within each bucket.

In order to take into account the current unprecedented economic context, the calculation of IFRS9 provisions has evolved. Indeed, the Forward Looking component of the IFRS9 provisioning calculation has been revised according to a more pessimistic scenario. In addition to this measure, a calculation of sectoral provisions, based on NACE codes, defined by experts according to their exposure and sensitivity to the current crisis, has been added.

5.2.2. Operational Risk

Operational risk is³⁵ the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes, in particular, risks related to events with a low probability of occurrence but with a high impact: internal and external fraud risks, information technology risks, legal risk, compliance risk, including money laundering and terrorist financing risk, and model risks.

The main Basel categories represented, in terms of amount, are external fraud (34%), process management (29%) and business practices (18%).

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5.2.2.1. Fraud risk (including information and communication technology risks)

The risk of fraud can be broken down into internal and external fraud. As the Arkéa group does not include proprietary trading activities, it limits the risk of internal fraud linked to rogue trading. Over the past year, the increase in the financial impact of operational risk mainly concerned the "external fraud" category, following in particular an increase in phishing e-mail attacks and the rise in electronic payment fraud.

³⁵ Definition of the Basel III regulations and the decree of 3 November 2014

Given the digitalisation of banking services, exposure to the risk of external fraud is strongly linked to the exposure to cyber risk. The development of information and communication technologies is characterised by an increase in electronic transactions, recourse to external service providers, an increase in the number of applications, software and interconnections. The risk of cyber security is a growing concern³⁶. The main risks to which the Arkéa group is exposed relate to a breakdown or failure of its systems that could lead to a business interruption (in particular by blocking payment or securities functions), a failure of its service providers, or a cyber attack that could take various forms.

As examples, the main cyber risks identified could lead to the following impacts:

- The carrying out of fraudulent operations following an intrusion into the IS, such as Swift access usurpation.
- A theft or a data leak.
- A breach of data integrity may lead to a business interruption, while reconstruction takes place.
- An attack leading to a major unavailability of the IS such as a DDoS attack, an attack targeting one or more data centers.

5.2.2.2. Non-compliance risk (including money laundering)

The risk of non-compliance is defined as the risk of judicial, administrative or disciplinary sanctions, significant financial loss or damage to reputation arising from failure to comply with provisions specific to banking and financial activities, whether they be legislative or regulatory, national or European directly applicable, or whether they be professional and ethical standards, or instructions from the actual managers taken in particular in application of the guidelines of the supervisory body.

The ever-increasing regulatory pressure means that banks face a growing risk of sanctions or damage to their reputation, requiring increased vigilance.

Through its distribution networks and subsidiaries, the Arkéa group covers all businesses in the banking and financial sector. As a manufacturer and distributor, the Arkéa group is thus able to offer its customers, whether individuals, professionals, businesses or public authorities, a complete range of banking, financial, wealth management and insurance products and services.

³⁶ Excerpt from ACPR's IT Risk Supervision Strategy (October 2019): *"IT risk in financial sector institutions is becoming a major concern for supervisory authorities, in particular because of the increasing complexity of technical environments, but also because of the rise in cyber threats. The ACPR is structuring its action by developing its action strategy in this area. »*

Given the multiplicity of activities carried out, the range of compliance risks to be taken into consideration is even wider.

Within the Group, non-compliance risks can arise in 4 main areas:

- financial security,
- professional ethics and deontology,
- the protection of clients' interests,
- fiscal transparency.

In addition to these major areas, the protection of personal data should be added.

5.2.2.3. Legal risk

Legal risk is the risk of any dispute with a counterparty resulting from any imprecision, deficiency or insufficiency that may be attributable to the reporting company in respect of its operations. Legal risk is integrated into operational risks and would materialize, among other things, in the event of exposure to fines, penalties and damages for events that could result in the Arkéa group being held liable in connection with its operations.

Provisions have been set aside to cover current legal risks that could have a negative impact on the Arkéa group's assets and liabilities, corresponding to the best estimate made by senior management on the basis of the information available to it.

5.2.3. Interest rate and liquidity risks (bank)

5.2.3.1. Interest rate risk

Interest rate risk is the risk, present or future, to which the bank's equity and profits are exposed as a result of unfavourable movements in interest rates. It may result from a difference in maturity between fixed-rate assets and liabilities, a difference in the reference index (base risk) or the exercise of options (such as caps and floors).

Approximately one-third of the revenue generated by the Arkéa group consists of a net interest margin, equal to the difference between the revenue generated by receivables granted to customers (recorded as an asset on the balance sheet) and the cost of refinancing (recorded as a liability).

In the event of an increase in interest rates, the institution could experience an increase in its refinancing costs, which would not be fully covered by its assets, which are partly made up of long-term assets, notably housing loans. In the event of a fall in interest rates, the institution could experience a deterioration in its net interest margin.

Interest rate risk could materialize:

- in the event of a change in key interest rates through central bank action
- in the event of a change in long-term rates resulting from market equilibrium.

5.2.3.2. Liquidity risk

Liquidity risk is the risk that the reporting company will not be able to meet its commitments or will not be able to unwind or offset a position due to market conditions or idiosyncratic factors within a specified period of time and at a reasonable cost. Liquidity risk may materialize:

- For external causes such as the closure of refinancing markets, changes in key interest rates.
- For reasons specific to the Arkéa group, in the event of a deterioration in the real or perceived quality of the group, in particular if the rating was downgraded by a rating agency, or if the remuneration of the securities issued by the group was not deemed attractive by the market.

5.2.4. Interest rate and liquidity risks (insurance)

5.2.4.1. Interest rate risk

A change in interest rates has a direct impact on the valuation and profitability of the bond portfolio, whether it concerns capital managed for own account or euro-denominated funds. Fixed-rate bonds expose Suravenir to a risk of changes in asset value; variable-rate bonds expose it to a risk of fluctuations in income.

A sustained low interest rate environment could exert downward pressure on the level of margin taken by Suravenir, affecting its profitability and ultimately its solvency. Life insurance contracts in euros commit the company to serve a minimum rate. When market rates fall, the return on the portfolio may become insufficient to meet this commitment. In this case, French regulations require insurance companies to set aside a specific provision (provision for financial contingencies). Suravenir did not make any provision for this in the first half of 2020.

A rise in interest rates would result in a decrease in the value of fixed-rate bonds held in the portfolio. Depending on the IFRS accounting classification of these securities, this devaluation would impact shareholders' equity or income. A significant and lasting rise in interest rates could lead to an increase in surrenders by policyholders on euro-denominated funds, due to a loss of competitiveness of the contracts in relation to other investments. In this case, in order to adjust the assets under management, the Company could be forced to sell assets. In the event that it has to dispose of fixed-rate assets, it may have to bear capital losses.

5.2.4.2. Liquidity risk

Liquidity risk would arise in the life insurance business in the following cases :

- In the event of large cash outflows which may be linked to massive redemptions from euro funds (linked to a sharp rise in interest rates or reputational risk).
- In the event of massive outflows from unit-linked contracts with an illiquid underlying in the event of a major crisis.

5.2.5. Risks specific to the life insurance business

An underwriting risk covers all the risks inherent in the distribution business. It includes the risks of mass surrender, mortality, disability/disability, longevity and catastrophe.

A market risk includes in particular the interest rate risk linked to asset/liability management (see dedicated paragraph) and the equity risk linked to the investments included in the assets.

5.2.6. Risks specific to the non-life insurance business

Underwriting risk is the main risk carried in non-life insurance. It materialises in the event of underpricing of contracts and/or the occurrence of extreme or exceptional events (e.g. natural disasters, etc.). The non-life insurance activity is also exposed to the risk of underfunding, which is closely linked to the underwriting risk.

The risk of a rise in interest rates is likely to impact the value of assets.

The risk of default by one (or more) counterparty(ies) results from financial investments and the assignment of technical commitments to reinsurers.

5.2.7. Market risks

Market risk results from unfavorable variations in market parameters (spread, interest rates, exchange rates, commodities, etc.), which adversely affect the value of financial instruments recorded on the balance sheet, particularly bonds and shares.

Proprietary exposure to optional risks is not material. The Group's exposure to foreign exchange risk and commodity risk is low. Interest rate risk is a market risk that is dealt with separately in this document.

The market risk could affect Arkéa:

- In the event of rising inflation.
- In the event of investor mistrust of the valuation levels observed in the market.
- In the event of increased market volatility.

The Group has very limited direct exposure to foreign exchange and commodity price risk.

5.2.8. Climate risks

Climate risks are of two kinds:

- The physical risks, described as :
 - o severe, when they are caused by extreme meteorological phenomena (storms, cold or heat waves, floods, etc.);
 - o chronic, when they have an impact on the climate system (sea level rise, changes in weather patterns, rise in average temperatures, etc.).
- Transition risks: these are the risks associated with a transition to a decarbonised and climate-resilient economy. This category includes regulatory and legal, technological, market and reputational risks.

As part of its strategic plan launched in 2016, the Arkéa group has placed CSR at the heart of its approach and increasingly integrates extra-financial data known as ESG (Environment, Social and Governance) into its businesses. To that end, a reflection on climate risks has been launched, based on the recommendations of the TCFD for the implementation of³⁷ its climate strategy.

In order to detect the climatic risks to which the group is exposed, the TCFD reference framework and definitions were used.

Climate change risk is a direct source of risk for the Arkéa group. Indeed, it is exposed to physical risk for its real estate assets and for its property and casualty insurance business. The two categories of climate risk (physical risk and transition risk, including regulatory and legal risks, technological, market and reputation risks) apply indirectly via the activities supported (including insurance) or financed.

In terms of mapping, the first stage consisted of an inventory of risk exposures. To this end, the preliminary work focused on mapping the climate risks of the loan portfolios. In order to be integrated in a more global manner into each risk family as a vulnerability or mitigation factor, development axes were defined for each department concerned. The aim is to integrate climate risk management into

³⁷ TCFD: Task force on Climate-related Financial disclosures: the TCFD is a working group that emerged from the G20 stability council and issued recommendations on climate-related financial disclosures. These recommendations, although non-binding, now constitute a market standard.

existing processes. Crédit Mutuel Arkéa's Risk Management Department has taken on this task in 2019, in conjunction with dedicated CSR teams and the risk industry.

In addition, the Risk Oversight Committee, which is an offshoot of the Executive Committee, is regularly informed of the progress of the mission. Members have been made aware of the challenges of climate change. Monitoring indicators and associated objectives are submitted to them.

5.3. Risks related to the bank's strategy

5.3.1. Business model risk

The strategic plan, entitled Arkéa 2020, aims to reinforce the Group's original vocation, namely to support and finance the real economy, while enhancing the Group's openness and agility in the face of changes in its environment.

The Arkéa group's business model has historically been based on mutual and cooperative retail banking in France. The group also has a life insurance business under the Suravenir brand, and a non-life insurance business under the Suravenir Assurances brand, providing revenue diversification. In 2019, the revenues generated are³⁸ divided between retail and online banking activities (44%), insurance and asset management activities (25%), corporate/institutional and real estate banking activities (16%) and BtoB & Specialised Services activities (15%). This model has successfully weathered the last economic crises (subprime crisis in 2009, eurozone crisis in 2011). The Arkéa group conducts most of its business in France. It would therefore be impacted in the event of a crisis specifically affecting this geography, particularly in the event of a drop in solvency, a decline in credit activity or changes in the legal framework. Outstanding housing loans represent 47% of the portfolio. The Group would be affected in the event of a deterioration in solvency and a loss in value of mortgage assets. In addition, the insurance business could be made less profitable by persistently low interest rates.

5.3.2. Competition Risk

The Arkéa group is subject to competition from established players in the banking and insurance sectors, given the mature and concentrated nature of the financial industry. The group is likely to face competition from larger players on a national scale, and claims to be able to respond to them by the quality of its service, which is recognized in its area of presence. The group is also subject to competition from new entrants, operating in a potentially less highly regulated environment. These players are likely to propose a targeted offer by taking advantage of innovative technology. Innovations in the financial sector, including new technologies and the development of online banking, are likely to represent a threat, but also represent a growth driver for the group.

A strengthening of the competitive environment would be likely to affect the group with the following two consequences:

- An impact on volumes: a strategy of conquest by competitors could reduce the Arkéa group's market share and thus affect the level of revenues generated.

³⁸ Net Banking Income, including gains or losses on disposal/dilution of associates and joint ventures accounted for under the equity method.

- An impact on prices: competitors could lead to lower pricing levels and margins, thanks to a more advantageous cost structure.

5.3.3. Human Resources Management Risk

The financial services sector relies primarily on the quality of its teams. Human capital is therefore an integral part of Arkéa's culture, from product design to customer service. The risk related to human resources management could relate to the level of attrition and the availability of resources to meet recruitment needs.

5.3.4. Risk relating to the disaffiliation of the Arkéa group from the Crédit Mutuel

A cooperative banking group independent from the Crédit Mutuel

Crédit Mutuel Arkéa's Board of Directors, held on 17 January 2018, mandated its managers to take any action that would enable Crédit Mutuel Arkéa to become a cooperative banking group independent from the rest of Crédit Mutuel, in order to pursue its original development strategy based on three strengths: its territorial anchoring, its culture of innovation and its intermediate size.

The directors of the local banks and Federations of CM de Bretagne, Sud-Ouest and the Massif Central were invited to vote during the first half of 2018 in an orientation vote. At the end of the consultation process initiated by the local banks of the Arkéa group and the holding of the Federations' Boards of Directors, the Arkéa group has officialized the results of the votes of the 307 local banks that were cast. 94.5% of these local banks voted in favour of the proposed independence of the Arkéa group, which will thus become a cooperative and territorial group, independent from the rest of Crédit Mutuel. This vote acknowledges the Arkéa group's desire to withdraw from the Crédit Mutuel group and makes it possible to initiate the project aimed at defining the terms and conditions of its disaffiliation in the context of the General Decision (DCG) No 1-2019, relating to the disaffiliation of the Crédit Mutuel branches at their request.

This project aims to preserve the fundamental characteristics of the cooperative model and the "Raison d'être" of the Arkéa group. It is also a development driver and will enable the Arkéa group to continue to serve its members, customers and partners.

Operational implementation of disaffiliation

The Arkéa group has begun the operational implementation of its disaffiliation. The Board of Directors of Crédit Mutuel Arkéa, on 29 June 2018, approved the target organisation plan for the future independent group and called on the local banks to give their opinion on the implementation of this plan. Work to define the detailed technical details of the project has been under way for several months and discussions are underway with the supervisory authorities.

The disaffiliation operations will then be initiated in conjunction with the CNCM, within the limits of the powers attributed to it by law.

On 18 February 2019, CNCM's Board of Directors recognised the possibility of leaving the Crédit Mutuel group by adopting DCG n°1-2019, relating to the disaffiliation of the Crédit Mutuel branches at their request. In this context, the Arkéa group wishes to withdraw from the Crédit Mutuel group.

In accordance with the DCG I, the main stages of disaffiliation are as follows:

- The Boards of Directors of the local banks of the Arkéa group wishing to disaffiliate from the Crédit Mutuel group will have to adopt a notification file of the planned disaffiliation. The Boards of Directors of the local banks will be consulted following the conclusion of ongoing discussions with the ECB and the ACPR on the basis of a consultation file;
- Each Federation must then notify the CNCM of the planned disaffiliation of each local banks;
- Once authorised by the CNCM Board of Directors within two months of receiving the proposed disaffiliation, each Federation may organise a consultation of the members of each local banks meeting in an Extraordinary General Meeting. The disaffiliation project must be adopted by a two-thirds majority of the members present or represented;
- In the event of approval of the proposed disaffiliation by the members, the CNCM Board of Directors shall rule on the request for disaffiliation within two months of receipt of the complete file transmitted by the federations. In particular, a memorandum of understanding between the outgoing local banks and the CNCM setting out the commitments of the mutuals and the practical procedures for their disaffiliation must be concluded.

The Arkéa group's target scheme

Under the draft target scheme, the Arkéa group will be formed around Arkéa (currently Crédit Mutuel Arkéa), a cooperative limited company with variable capital and a union of cooperatives, which will remain individually licensed as a cooperative bank.

Arkéa will in particular be governed by Act 47-1775 of 10 September 1947 on the status of cooperation (the "**1947 Act**") and Article L. 512-1 of the CMF.

The local banks would take the form of Local Cooperatives (the "**LCs**") and would no longer be credit institutions. The local banks will retain their status as cooperative companies with variable capital, and will continue to constitute among themselves the union of Arkéa cooperatives, pursuant to the 1947 Law. The purpose of the new LCs will be refocused on their primary *raison d'être*: to develop membership and facilitate access to banking, financial and insurance services. They will be in charge of supporting and promoting membership as part of their regional outreach.

To this end, all the regulated financial activities of the local banks will be transferred to Arkéa, which will accordingly open local branches within the LCs. In addition, as part of this new organization, all banking and investment services will then be carried out by Arkéa's local branch, which will be opened on the same premises as those of LC.

Each LC will also be able to advise its local Arkéa branch to provide banking, financial and insurance services tailored to its members.

In accordance with the 1947 Law, each member will continue to participate in the social life of the LC according to the principle of "one person, one vote" and to stand as a candidate for the election of the members of the Board of Directors of his LC. LCs will continue to hold the A shares issued by Arkéa. In other words, Arkéa's governance will be based on the involvement and participation of each LC playing its role as shareholder.

In addition, a cooperation pact between all LCs and Arkéa will be concluded for a period of 99 years with a view to implementing solidarity, mutual aid and support mechanisms to help LCs fulfil their primary mission, i.e. to promote access to banking, financial and insurance services for all.

Regional federations will ensure the smooth running and good governance of the LCs.

A share issuance scheme is currently under discussion with the ACPR and the ECB. In this respect, it is specified that the work in progress favours a scheme in which Arkéa's shares would be issued by Arkéa itself. In any event, the proposed plan will be submitted to the authorities beforehand.

Risks relating to the complexity of the context and risks linked to the disaffiliation of the Arkéa group from the Crédit Mutuel group

Crédit Mutuel Arkéa considers that the factors described below could affect the implementation of the disaffiliation of the Arkéa group from the Crédit Mutuel group. They are linked to events that may or may not occur. Their probability of occurrence and their extent in the event of occurrence are assessed by Crédit Mutuel Arkéa for each risk factor.

The disaffiliation project as envisaged by Crédit Mutuel Arkéa is unprecedented and complex to carry out. Investors' attention is drawn to the complexity of the situation linked to the plan to disaffiliate the Arkéa group from the Crédit Mutuel group and to the uncertainties and risks involved. This complexity relates in particular, but not exclusively, to the accounting and prudential consolidation mechanisms which will have to be implemented and which are intended to determine the scope of

supervision of the Arkéa group by the supervisory authorities once it is no longer part of the Crédit Mutuel.

Because of its novel and complex nature, the disaffiliation project presupposes, for its implementation, that conditions are met, in particular with regard to the various stages described in the paragraph on the operational implementation of disaffiliation.

Prior to any investment decision, potential investors should conduct an in-depth analysis of the disaffiliation project, of the Arkéa group's target organizational structure as described above and of the related uncertainties and risks, as described below. In particular, investors should carefully review all the information included in this document and, in particular, when making their investment decision, should consider the risk factors related to the change in the organization of the main players in the shares and the risks related to the disaffiliation of the Arkéa group from the Crédit Mutuel listed in this document.

The implementation of the Arkéa group's disaffiliation will not alter its nature as a cooperative and territorial group. However, its disaffiliation from the Crédit Mutuel group has consequences which may be difficult for the investor to grasp but which must be understood and analysed before taking any investment decision. Because of its unprecedented nature, Crédit Mutuel Arkéa cannot guarantee that the project will be carried through to completion, that it will not have to be subject to major changes compared with what was initially planned or that new difficulties will not emerge during its implementation.

Risks related to the local banks

Uncertainties regarding the shares issued by the local banks before the Arkéa group's disaffiliation from the Crédit Mutuel group

The analysis carried out by Crédit Mutuel Arkéa of the implementation of the disaffiliation of the Arkéa group from the Crédit Mutuel has confirmed that, in the planned target scheme, the A, B and C shares issued by the local banks to date will not be affected.

Indeed, the cases of early redemption based on a legal basis applicable to A, B and C shares result from (i) the **1947 Law** and (ii) EU Regulation (EU) No 575/2013 of 26 June 2013, as amended in view of the capital quality of the shares. These texts do not include any case of early redemption relating to the loss of the local banks banking license or change of purpose as long as the cooperative status remains.

Similarly, the contractual terms and conditions of the A, B and C shares do not include any case of early redemption relating to the loss of the local banks approval.

The risk is therefore low, in the planned target scheme, that the shares issued by the local banks before the Arkéa group's disaffiliation from the Crédit Mutuel will be affected.

Uncertainties regarding the implementation of a new share issue scheme following the disaffiliation of the Arkéa group from the Crédit Mutuel

The disaffiliation of the local banks from Crédit Mutuel will entail the loss of the benefit of the collective banking licence granted under the conditions of Article R.511-3 of the CMF, which will have an impact on their ability to issue, in the future, B shares by way of a public offer.

To date, these B shares are a key source of financing for Crédit Mutuel Arkéa. A share issue plan is currently being discussed with the ACPR and the ECB. In this respect, it is specified that the work in progress favours a scheme in which Arkéa's shares would be issued by Arkéa itself. In any event, the proposed plan will be submitted to the authorities beforehand.

It is therefore possible that the Arkéa group will not obtain the agreement of the authorities, which could prevent the disaffiliation project from being carried out in accordance with the planned target scheme.

Risks related to the fate of the local banks that voted against the disaffiliation project

In the context of the DCG, the operational implementation of the disaffiliation of the Arkéa group remains subject to the approval and vote of the Boards of Directors of the local banks, as the disaffiliation of Crédit Mutuel Arkéa (the Arkéa group's inter-federal bank) does not automatically result in the disaffiliation of the local banks that are shareholders of the Arkéa group.

The local banks that vote against the disaffiliation from the Crédit Mutuel, or do not wish to participate in the vote, may not be part of this new organisation.

Even if 94,5 % of the local banks that voted in 2018 did so in favour of independence, these results do not in any way prejudice the results of the future vote of the local banks on the operational implementation of this disaffiliation from the Crédit Mutuel group.

Each local bank will be called upon to decide on the implementation phase of the disaffiliation of the Arkéa group in order to approve the disaffiliation project, the terms and conditions of disaffiliation and the filing of a disaffiliation request by the Federation concerned, in accordance with the DCG.

Local banks that choose to vote against disaffiliation may join another federal or inter-federal fund in order to benefit from a new collective agreement. This new affiliation will not constitute a case of early redemption of the A, B and C shares held by the members. These local banks will be reimbursed for the A shares they hold in the share capital of Crédit Mutuel Arkéa.

It is possible that some local banks may ultimately choose to vote against the disaffiliation from the Crédit Mutuel. However, the financial consequences for the Arkéa group will depend on the number and characteristics (shares, reserves, loans, deposits) of the local banks that choose to vote against the disaffiliation. On the basis of the orientation vote in April 2018, the impact of this exit on the Arkéa group would be low.

Risks related to the final vote of the members

The local banks that vote for the disaffiliation of the Crédit Mutuel group will have to convene their extraordinary general meeting in order to adopt the disaffiliation project in accordance with the DCG and to approve the amendment of their articles of association relating thereto.

The vote of the members, which, in accordance with Article 2.3 of the DCG, may not take place less than two months after the CNCM's authorization to convene the Extraordinary General Meeting of the local banks concerned, shall relate to the express approval of the disaffiliation project, the terms of disaffiliation appearing in the notification file previously approved by the Boards of Directors of these local banks and its consequences, particularly financial, for these local banks and their members, in accordance with Appendix 2 of the DCG.

In accordance with Appendix 2 of the DCG, a presentation document summarising the main points of the notification file and the amendments to the Articles of Association shall be notified to the members at least fifteen (15) days before each Extraordinary General Meeting is held. The members will thus be able to decide on the basis of clear, precise and exhaustive information on the proposed disaffiliation and its consequences for their local banks, its members, its customers, its creditors, its employees and the entire Crédit Mutuel group, in accordance with the DCG.

The Extraordinary General Meeting of each local banks fund concerned must decide in favour of the request for disaffiliation by a two-thirds majority of the members present or represented, in accordance with Article 2.4 of the DCG.

In the event of disapproval by an Extraordinary General Meeting, the Federation concerned may not transmit a new request for disaffiliation from the local banks concerned before a period of three (3) years, in accordance with Article 2.3 of the DCG.

The results of the orientation vote on the Arkéa group's proposed independence in no way prejudices the results of the future vote of the local banks on the operational implementation of this disaffiliation from the Crédit Mutuel.

It is possible that the Extraordinary General Meetings of some local banks may not adopt the disaffiliation project and may not approve the amendment of their Articles of Association relating thereto. However, the financial consequences for the Arkéa group will depend on the number and characteristics (shares, reserves, loans, deposits) of the local banks that choose to vote against the proposed disaffiliation and the amendment of their articles of association. On the basis of the orientation vote in April 2018, the impact of this exit on the Arkéa group would be low.

Risks related to the Arkéa group

Following the disaffiliation of the Arkéa group from the Crédit Mutuel, of which CNCM is the central body, Arkéa (currently Crédit Mutuel Arkéa) will still be authorised as a cooperative bank and supervised directly by the ACPR and the ECB.

Risks related to the agreement of the supervisory authorities

In accordance with the provisions of the Monetary and Financial Code (the 'CMF'), in conjunction with the disaffiliation of Crédit Mutuel Arkéa from the Crédit Mutuel, CNCM, as the central body, must notify ACPR of the disaffiliation of Crédit Mutuel Arkéa.

The ACPR and the ECB will have to review the banking licence of Crédit Mutuel Arkéa and the local banks attached to it.

At this stage, detailed and documented work is underway with these authorities to obtain their agreement. No assurance can be given as to whether their agreement will be obtained or as to the timing and modalities of obtaining their agreement. The change in Crédit Mutuel Arkéa's corporate name will require the prior approval of these authorities.

It is therefore possible that the Arkéa group will not obtain the agreement of the ACPR and the ECB, which could prevent the disaffiliation project from going ahead as planned.

Risks related to prudential calculations

In addition, the disaffiliation of the Arkéa group from the Crédit Mutuel could lead to a change in the internal model for calculating weighted risks leading to an increase in capital requirements, or even a switch to a standard model.

At June 30, 2020, credit risk is determined for €116 billion of net risk exposures, of which :

- €72 bn of risk exposures are assessed using an internal ratings approach,
- €44bn of risk exposures are already assessed using a standard approach.

As a result, the disaffiliation of the Crédit Mutuel group could lead to a review of the weighted risk assessment method for the €72 billion of credit risk exposures currently assessed using an internal rating approach, without calling into question the financial strength of the Arkéa group.

Risks related to the practical arrangements for disaffiliation set by DCG

DCG stipulates that the notification file must mention 'the commitments proposed by *the bank to compensate all past and future costs borne by the Crédit Mutuel group entities as a result of the planned disaffiliation*'. In addition, the application file for disaffiliation which will be sent to CNCM by the Federations after the vote of the members of the local banks concerned who are affiliated to them must include the draft memorandum of understanding setting out the commitments of these local banks and the practical arrangements for disaffiliation.

Within this framework, the local banks will make a financial proposal to the CNCM Board of Directors based on objective and legally founded elements.

Lastly, the DCG provides that the Board of Directors of the CNCM must adopt the final terms of disaffiliation, *'taking into account, in particular, the effective date of disaffiliation of the fund concerned, the amount of the indemnity to be paid to the Caisse Centrale de Crédit Mutuel and the memorandum of understanding setting out the commitments of the local bank and the practical arrangements for disaffiliation'*. The DCG does not specify either the methods of calculation of this compensation or its amount, which may in fine be significant, which Crédit Mutuel Arkéa could then contest.

Furthermore, in accordance with Article 2.4 of the DCG, in the event of a change in the legal or factual circumstances between the authorization given to the Federations to organize the vote of the members and the vote of approval of each Extraordinary General Meeting, or after the latter vote, the CNCM Board of Directors may ask the local banks and Federations concerned for any useful additional information in order to *"assess at short notice whether the essential conditions for disaffiliation are still met and the consequences of such a change for the Crédit Mutuel group in the event of disaffiliation"* and *"decide whether to follow up on the request for disaffiliation"*.

It is therefore possible that Crédit Mutuel Arkéa does not agree with CNCM on the practical arrangements for disaffiliation set by DCG, which could prevent the disaffiliation project from being carried out.

Risks related to the commercial stakes of disaffiliation

The disaffiliation of the Arkéa group from the Crédit Mutuel has a number of consequences, in particular the commercial stakes involved in the adoption by Crédit Mutuel Arkéa of a name and trademarks that do not use the terms 'Crédit Mutuel'.

Furthermore, the possibility of opening up a large number of local banks in the territory of the Brittany and South-Western France Federations could increase competition with the Arkéa group in these two territories.

In any event, competition in the banking sector in France is strong. The Arkéa group considers that the intensification of competition in the context of its disaffiliation project will not affect its development capacities.

The preparatory work leading to the adoption of a new brand is being completed in order to initiate a new commercial and industrial dynamic.

It is therefore possible that the disaffiliation of Crédit Mutuel Arkéa from the Crédit Mutuel could have commercial impacts on the Arkéa group. However, the work in progress makes it possible to determine that the consequences of the occurrence of this risk are slight.

Risks related to the governance of Crédit Mutuel Arkéa

The CNCM thus amended its Articles of Association by an Extraordinary General Meeting on May 16, 2018 (the "**Articles of Association**").

A new Article 29 relating to the sanctions that may be pronounced by the CNCM has been incorporated into the Articles of Association. This new Article 29 is accompanied by a disciplinary regulation which would have the same legal force as the Statutes.

The regulatory measures referred to in the powers of the Board of Directors refer to the creation of a new Article 33 of the Articles of Association, entitled "Withdrawal of confidence or approval as a regulatory measure", allowing for the removal of the heads of the regional groups outside of any sanction procedure.

It is possible that these provisions of the Articles of Association will be implemented by the CNCM, as the potential negative impact on the Arkéa group can be assessed as significant.

Risks related to potential litigation

Following the implementation of the disaffiliation of the Arkéa group from the Crédit Mutuel group, there is a risk of a legal challenge to the disaffiliation of the Arkéa group, in particular in the context of the application of the DCG.

In addition, the operational implementation of the disaffiliation of the Arkéa group could give rise to various claims or give rise to litigation against the Arkéa group by members, customers or counterparties of the Crédit Mutuel group.

Any litigation or claims that might be potentially brought could have a potentially significant negative impact on the Arkéa group.

Risks related to the loss of inter-federal solidarity

As from the Effective Date of Disaffiliation, Crédit Mutuel Arkéa will no longer benefit from the national inter-federal solidarity mechanism in the event of the Arkéa group becoming independent from Crédit Mutuel.

However, it is specified that Crédit Mutuel Arkéa has its own solidarity mechanism which would intervene in the first instance.

A cooperation pact between all LC and Arkéa will thus be concluded for a period of 99 years with a view to implementing solidarity, mutual aid and support mechanisms to help LC fulfil its primary mission, i.e. to promote access to banking, financial and insurance services for all.

For more information on the solidarity mechanism, investors may refer to section 1.6 on solidarity relations of this Universal Registration Document.

The exit of Crédit Mutuel Arkéa from the national inter-federal solidarity mechanism could lead to the lowering of certain financial ratings of the Arkéa group. However, it should be noted that Fitch Ratings already assigns a rating to the Arkéa group independently of the Crédit Mutuel group, without taking account of this national inter-federal solidarity mechanism.

At this stage, there is no certainty as to how this situation could evolve and/or the timing of its outcome, or the impact it could have on the B Units.

5.3.5. Governance risks (related to the implementation of resolution measures)

The regulations confer on the resolution authority the power to initiate a resolution procedure with regard to the Crédit Mutuel group if, after application of the measures referred to in Article L. 511-31, the failure of CNCM, the central body of the group and all its affiliates, is proven or foreseeable with the aim of ensuring the continuity of critical functions, avoiding risks of contagion, recapitalising or restoring the viability of the Crédit Mutuel group. These powers must be implemented in such a way that losses, subject to certain exceptions, are borne first by the depreciation or conversion of equity instruments, then by holders of additional Tier 1 and Tier 2 equity instruments (such as subordinated bonds), then by holders of non-preferred senior bonds and finally by holders of preferred senior bonds in accordance with the order of priority of their claims.

The resolution authority has extensive powers to implement the resolution tools with respect to the Issuer, or the Crédit Mutuel Group, which may in particular include the total or partial sale of the activities to a third party or to a bridge institution, the separation of the assets of this institution, the substitution of the Issuer as debtor in respect of debt instruments, the total or partial depreciation of regulatory equity instruments, the dilution of regulatory capital instruments through the issuance of new equity securities, the total or partial depreciation or conversion into equity securities of debt instruments, the modification of the terms of debt instruments (including the modification of the maturity and/or the amount of interest payable and/or the temporary suspension of payments), the suspension of the listing and admission to trading of financial instruments, the dismissal of executives or the appointment of a special director.

The Issuers affiliated to the Arkéa Group are covered by the financial solidarity mechanism internal to the Crédit Mutuel group. Nevertheless, the attention of creditors is drawn to the fact that the full repayment of their claims remains subject to the risk of implementation of this financial solidarity mechanism.

If the contingency plan or the measures taken under the solidarity agreement are not sufficient to restore the members of the central body, including the Issuer, or if objective elements allow an early conclusion to be drawn that the implementation of the contingency plan or the measures that CNCM might take would prove insufficient to restore compliance with prudential requirements, the Crédit Mutuel group's resolution will be apprehended on a collective basis. In fact, the implementation of the solidarity plan is accompanied by the merger between the Crédit Mutuel group's affiliates.

In a phase of proven financial difficulty (i.e. when the European Central Bank alerts the Single Resolution Council of the risk of default (principle of "Failing Or Likely To Fail" or FOLTF), apprehended on a consolidated basis of the Crédit Mutuel group, or the Single Resolution Council declares FOLTF on a consolidated basis of the Crédit Mutuel group in accordance with Article 18.1 of Regulation (EU) 806/2014 known as "SRMR" or, as provided for in the national solidarity mechanism, when the contingency plan or the measures taken by the CNCM within the framework of this mechanism are not sufficient to restore a defaulting group or if objective elements lead to the early conclusion that the implementation of this contingency plan or the measures that could be taken by

the Confederation would prove insufficient to restore compliance with prudential requirements), the CNCM shall exercise, where appropriate at the request of the supervisory or resolution authorities, all its powers in matters of solidarity in order to meet the objectives and principles pursued by these authorities.

In a phase of proven financial difficulty or in a phase of resolution, the solidarity between CNCM affiliates is unlimited.

The implementation of these means and powers vis-à-vis the Issuer or the Crédit Mutuel group could give rise to significant structural changes.

If the CNCM were to merge all its affiliates, creditors could find themselves in competition with creditors ranking *pari passu* with the creditors of other CNCM affiliates. After the transfer of all or part of the business, creditors (even in the absence of any depreciation or conversion of their claims) would hold claims in an institution whose remaining activities or assets might be insufficient to honour those claims held by all or part.

If the CNCM has not merged all of the affiliates on entry into resolution, the resolution authority could consider other resolution strategies (divestment of activities, bridging establishment, implementation of an asset separation structure, or coordinated internal bailout of all CNCM affiliates). In the event that the resolution authority applies the coordinated internal bailout, the liquidity of the CNCM's affiliates and all capital instruments, eligible liabilities could be used to absorb losses and recapitalize the CNCM's affiliates. In this case, measures to reduce the value or convert eligible liabilities would follow the ranking of creditors in compulsory liquidation. The internal bail-out would be based on capital requirements at consolidated level but applied on a *pro rata* basis at entity level, i.e. the same rate of impairment or conversion would be applied to all shareholders and creditors of the same class notwithstanding the issuing legal entity in the network.

The exercise of the powers described above could result in losses to investors.

5.4. Risk summary

5.4.1. Risk Matrix

Risks are classified by broad categories. Within each category, risk factors are ranked in order of importance, including the risk related to the disaffiliation of the Arkéa group from the Crédit Mutuel.

- The probability of occurrence is considered "low" if the risk has not already occurred in the past and there is no presumption of occurrence.
- It is considered "medium" if the risk has already occurred in the past and there is no presumption of occurrence.
- It is considered "high" if the risk has already occurred in the past and there is a presumption of occurrence.

The magnitude in the event of an occurrence was assessed according to the impact of a stress scenario, based on risk history (e.g. credit risk) and on realistic scenarios for risk items that have not materialized significantly in the past. The magnitude in case of occurrence reflects the impact of the identified risk on liquidity and solvency indicators, should it materialize.

- The magnitude in case of occurrence is considered "low" if the risk does not have a significant impact on the liquidity and solvency ratios.
- The magnitude in case of occurrence is considered "medium" if the risk significantly affects the annual result and ratios, but does not compromise the announced remuneration of the various investment vehicles (shares, debt securities).
- It is considered "high" if the risk is such as to compromise the remuneration of the various investment vehicles.

The probability of occurrence and the estimated magnitude of the negative impact in the event of occurrence are described in the dedicated paragraphs.

Macroeconomic risks are not mentioned in this matrix because they are taken into account in other types of risk measured elsewhere in this matrix (credit, interest rate, market), for which they play an inducing role.

Arkéa group risk matrix

Risk categories and factors	Probability of occurrence	X	Scale in the event of occurrence	=	Materiality
Credit risk					
Customer credit risk	Medium		Medium		Medium
Credit risk on market counterparties	Low		Medium		Low
Operational risk					
Fraud risk (including information and communication technology)	Medium		Medium		Medium
Compliance risk (including money laundering)	Low		Medium		Low
Legal risk	Low		Low		Low
Interest-rate and liquidity risk					
Interest-rate risk	Medium		Low		Low
Liquidity risk	Low		Medium		Low
Insurance					
Life insurance	Medium		Medium		Medium
Non-life insurance	Low		Medium		Low
Market risk					
Risk on equities and other variable income securities	Medium		Low		Low
Currency risk	Medium		Low		Low
Strategic risk					
Risk related to the disaffiliation project	Medium		Low		Low
legend <div> <div>Low</div> <div>Medium</div> <div>High</div> </div> <div> <div>Low</div> <div>Medium</div> <div>High</div> </div>					

The risk factors identified within the Arkéa group do not deviate from the risk appetite framework defined by the group. Thus, their materiality does not exceed a stage deemed "Medium".

In addition to the risks related to the business, the orientation vote of the Arkéa group's local mutuals in the spring of 2018 confirmed the Arkéa group's desire to withdraw from the Crédit Mutuel group and made it possible to launch a project aimed at defining the terms and conditions of its disaffiliation. This point is included in the strategic risk.

5.4.2. Definition of risks

Risk typology	Definition of risk
Credit risk	<ul style="list-style-type: none"> ▪ Risk incurred in the event of default by a counterparty or counterparties considered as a single group of customers, as defined by regulation. The default of a counterparty results in its inability to honour its commitments in accordance with the agreed terms.
Customer credit risk	<ul style="list-style-type: none"> ▪ Risk relating to the repayment of loans granted by the Group to individual and SME counterparties, large groups, central and public administrations and credit institutions.
Credit risk on market counterparties	<ul style="list-style-type: none"> ▪ Risk relating to the repayment of debt securities (in particular bonds) or the payment of flows under performance swap contracts ("derivative" contracts)
Operational Risk	<ul style="list-style-type: none"> ▪ The risk of loss resulting from inadequate or failed internal processes, personnel and systems or from external events, including legal risk. Operational risk includes, but is not limited to, risks related to events with low probability of occurrence but high impact, internal and external fraud risks, and model risks.
Fraud risk (including information and communication technology risks)	<ul style="list-style-type: none"> ▪ Internal risk including <ul style="list-style-type: none"> ◦ <i>Rogue trading</i> (exercise of an activity that does not comply with the mission of the operators, and which is not sufficiently monitored in terms of limits, voluntary modifications of valuation parameters, concealment of position). ◦ Back-office fraud: fraud of the repetitive type or fraud of the big bang type. ▪ External risk including: intrusion into the IS, breach of data integrity, data theft
Risk of non-compliance	<ul style="list-style-type: none"> ▪ Risk of judicial, administrative or disciplinary sanctions, significant financial loss or damage to reputation resulting from failure to comply with provisions specific to banking and financial activities, whether of a legislative or regulatory nature, national or European, directly applicable, or relating to professional and ethical standards, or instructions from actual managers taken in particular in application of the guidelines of the supervisory body.
Legal risk	<ul style="list-style-type: none"> ▪ Risk of any dispute with a counterparty, resulting from any inaccuracy, deficiency or insufficiency that may be attributable to the reporting company in respect of its operations.
Interest rate and liquidity risk	<ul style="list-style-type: none"> ▪ See below
Interest rate risk	<ul style="list-style-type: none"> ▪ Actual or prospective risk to an institution's revenues and economic value resulting from adverse movements in interest rates affecting interest-sensitive instruments, including mismatch risk, basis risk and option risk³⁹.
Liquidity risk	<ul style="list-style-type: none"> ▪ Risk for the reporting company of not being able to meet its commitments or not being able to unwind or offset a position due to market conditions or idiosyncratic factors, within a given period of time and at a reasonable cost⁴⁰.
Insurance Risk	<ul style="list-style-type: none"> ▪ Risk relating to life and non-life insurance activities

³⁹ Source: Guidance on the Management of Interest Rate Risk in Non-trading Book Activities, EBA/GL/2018/02, 19 July 2018.

⁴⁰ Order of 3 November 2014 on the internal control of banking, payment services and investment services companies subject to the supervision of the Autorité de contrôle prudentiel et de résolution (Prudential Control and Resolution Authority)

Life insurance risk	<ul style="list-style-type: none"> ▪ Risk related to the exercise of a life insurance activity, including in particular : <ul style="list-style-type: none"> ◦ Underwriting risk, covering the risks inherent in the distribution business: mass surrender risk, mortality risk, incapacity/disability, longevity, catastrophe). ◦ Market risk, including in particular interest rate risk related to asset/liability management and equity risk related to investments on the assets side.
Non-life insurance risk	<ul style="list-style-type: none"> ▪ Risks likely to affect the capital, including underwriting risk and market risk (interest rate, share, real estate, spread).
Market risk	<ul style="list-style-type: none"> ▪ Risk corresponding to fluctuations in the price of financial instruments that make up a portfolio of assets or possibly a liability. The various risk factors related to the market are interest rates, exchange rates, share prices and commodity prices. (Interest rate risk is a market risk treated separately in this nomenclature).
Equity and other variable income securities risk	<ul style="list-style-type: none"> ▪ Risk of a decline in the value of securities held as assets on the balance sheet.
Currency risk	<ul style="list-style-type: none"> ▪ Risk related to the variation of the rate of a currency in relation to another reference currency.
Disaffiliation Project Risk	<ul style="list-style-type: none"> ▪ Idiosyncratic risk inherent in the plan to disaffiliate the Crédit Mutuel group.

6. Corporate Governance

6.1. The Board of Directors of Crédit Mutuel Arkéa

1/ Operating procedures of the supervisory bodies

Against the backdrop of the COVID-19 epidemic, the Board of Directors of Crédit Mutuel Arkéa met on 3 April, 27 May and 23 June 2020 via telecommunications in order to be informed of the activation of emergency and business continuity plans and to estimate and manage the impacts of this crisis for the group.

On 14 May 2020, the General Meeting of Crédit Mutuel Arkéa, convened by the Chairman of the Board of Directors on 14 April 2020, was held behind closed doors, in accordance with the provisions of article 4 of Order no. 2020-321 of 25 March 2020. In accordance with the applicable provisions, the shareholders were invited to vote by mail in a dematerialized manner.

The participation rate was 90.90%.

In particular, the Assembly formally approved the Group's *Raison d'être* by a very large majority.

2/ Composition of the supervisory body

On 12 February 2020, Crédit Mutuel Arkéa's Social and Economic Committee appointed Mr Guillaume Gloria and Ms Marie Vignal-Renault as employee representatives on the Board of Directors of Crédit Mutuel Arkéa for a three-year term.

At the Annual General Meeting of 14 May:

- the terms of office of Marta Crenn and Monique Huet as well as those of Thierry Bougeard and Patrick Le Provost were renewed;
- the terms of office of Anne-Sophie Grave and Marie-Thérèse Groussard, as well as those of Christian David, Christian Péron, Christian Touzalin and Lionel Dunet, which are coming to an end, were not renewed;
- Valérie Barlois-Leroux and Valérie Blanchet-Lecoq, Philippe Chupin and Dominique Trubert were appointed for a three-year term.

On 23 June 2020, the Board of Directors appointed Ms Sophie Violleau, newly elected Chairwoman of Fédération du Crédit Mutuel du Sud-Ouest, as Vice-Chairwoman of the Board of Directors of Crédit Mutuel Arkéa.

The Board of Directors is now composed of 19 directors. The percentage of women was 47% at June 30, 2020.

3/ Organization of the specialized committees of the Board of Directors

In view of the changes that have taken place, the Board of Directors has decided to reorganize its specialized committees as follows:

- **Financial Statements Committee :**
Chairman : BOUGEARD Thierry
Members : CHUPIN PHILIPPE, GLORIA Guillaume, LE BAIL Anne-Gaëlle, MAINGUET Yves, TRUBERT Dominique
- **Appointments Committee :**
Chairwoman : VIOLLEAU Sophie
Members : BOUGEARD Thierry, LE PROVOST Patrick, MOAL Luc, SENE Colette
- **Compensation Committee :**
Chairman : LE PROVOST Patrick
Members : BOUGEARD Thierry, MOAL Luc, VIGNAL-RENAULT Marie
- **Risk and Internal Control Committee :**
Chairman : CHATEL François
Members : BLANCHET-LECOQ Valérie, CRENN Marta, GOURTAY Michel, HUET Monique
- **Strategy and Corporate Social Responsibility Committee :**
Chairman : DENIS Jean-Pierre
Members : BARLOIS-LEROUX Valérie, CHATEL François, CHUPIN Philippe, LE PROVOST Patrick, Valérie MOREAU

6.2. The bodies and work of General Management

The Board of Directors of Crédit Mutuel Arkéa, meeting on 12 February 2020, appointed Hélène BERNICOT Chief Executive Officer of the group.

As Chief Executive Officer, she is vested with the broadest powers to act in all circumstances in the name of the company and to represent it in its dealings with third parties. She exercises her powers

In addition, on the proposal of H  l  ne BERNICOT, Anne LE GOFF was reappointed by the Board of Directors as Associate Chief Executive Officer.

On 23 June 2020, Frédéric LAURENT was appointed Head of the retail client division, replacing Sébastien MUSSET. At the same time, Laurent JURRIUS was appointed Head of the innovation and operations division and member of the Executive Committee.

The number of members of the Executive Committee has thus been reduced from 10 to 9 members, with a feminization rate of 33% as of June 30, 2020, rising to 44% as of July 1, 2020¹.

Hélène BERNICOT	Chief Executive Officer of Crédit Mutuel Arkéa
Anne LE GOFF	Associate Chief Executive Officer in charge of the development support division
Frédéric LAURENT	Deputy general Manager, Head of the retail customer division
Laurent JURRIUS	Head of Innovation and Operations
Christelle LE BERRE	Head of Arkéa Square
Tarak ACHICH	Head of the BtoB and specialized services division
Bertrand BLANPAIN	Head of the corporate and institutional division
Véronique CROUZIER	Head of Human Resources
Bernard LE BRAS	Head of the products division

Philippe ROUXEL	Chief Executive Officer of the Crédit Mutuel de Bretagne federation
Jean-Marc JAY	Chief Executive Officer of the Crédit Mutuel du Sud-Ouest federation
Anne-Laure NAVEOS	Head of External Growth and Partnerships

Jean-Marie ALFONSI	Chief Financial Officer
Didier ARDOUIN	Managing Director of the New Wave subsidiary
Antoine LEFEBVRE	Head of Compliance and Permanent Control
Alain TAROUILLY	Head of General Inspection and Periodic Inspection
Jean-Luc LE PACHE	Deputy Director in charge of the development support division
Elisabeth QUELLEC	Head of risk management
Cédric MALENGREAU	Head of the General Secretary and Corporate Communication

6.3. Compensation of corporate officers

This section 6.3 updates pages 49 to 59 of Arkéa's 2019 Universal Registration Document.

6.3.1. Compensation policies applicable to corporate officers for the financial year 2020

6.3.1.1. General principles

The compensation policy for corporate officers, i.e. the Chairman of the Board of Directors, the Chief Executive Officer, the Associate Chief Executive Officer and the members of the Board of Directors of Crédit Mutuel Arkéa, is defined by the Board of Directors on the basis of a proposal from the Compensation Committee in accordance with the Arkéa group's overall compensation policy.

Designed to promote sound and effective risk management, it is consistent with the Arkéa group's business strategy, objectives, values and long-term interests, does not encourage risk-taking that exceeds the level of risk defined by the Arkéa group, and includes measures to avoid conflicts of interest.

The compensation of Crédit Mutuel Arkéa's executive directors complies with :

- the regulatory framework set by the Monetary and Financial Code (Articles L. 511-71 et seq. and R. 511-18 et seq.) ;
- the prudential provisions applicable to credit institutions and investment companies (in particular the CRD IV Directive, Order 2014-158 of 20 February 2014 transposing it into French law, EU Delegated Regulation 604/2014 of 4 March 2014 supplementing the CRD IV Directive);

- the provisions of Act No. 47-1775 of 10 September 1947 on the status of cooperation; and
- the provisions on public limited companies whose securities (other than shares) are admitted to trading on a regulated market of the French Commercial Code applicable to remuneration.

The compensation of executive directors is set annually by the Board of Directors on the recommendation of the Compensation Committee.

The principles of the compensation policy for executive directors take into account the following objectives:

- alignment with the Arkéa group's *Raison d'Etre* as defined by the Board of Directors of Crédit Mutuel Arkéa and will be submitted to the General Meeting :
 - o in line with Arkéa's economic strategy and the objectives, values and interests of the Arkéa group;
 - o by including both financial and non-financial assessment elements, so that the compensation policy implemented is designed to maintain consistency between the total compensation of executive directors and the performance of the Arkéa group as well as the individual performance of the directors;
 - o taking into account the CSR (Corporate Social Responsibility) dimension in determining remuneration ;
- the need for the Arkéa group to attract, motivate and retain profiles recognized as performing and particularly competent in the Arkéa group's fields of activity;
- consistency with the terms and conditions of compensation and employment of employees of the Arkéa group (in particular the compensation structure, assessment criteria or changes in compensation) and market practices observed in companies in the same sector;
- while ensuring appropriate risk and compliance management and preventing conflicts of interest.

The compensation of the Chairman, the Chief Executive Officer and the Associate Chief Executive Officer was, in principle, composed of the following three elements: fixed compensation (FC), annual variable compensation (AVC) and long-term incentives (LTI).

In the context of the Covid-19 epidemic, the Chairman, the Chief Executive Officer and the Associate Chief Executive Officer decided to waive in advance the variable compensation that could have been awarded to them for the financial year 2020, i.e. the annual variable compensation (AVC) that could have been awarded to them for the financial year 2020, as well as the long-term incentive (LTI) that could have been awarded to them under the three-year plan for the financial years 2018, 2019 and 2020.

Furthermore, it is specified that the variable components of the compensation of the Chairman of the Board of Directors of Crédit Mutuel Arkéa (annual variable compensation (AVC) and long-term incentive (LTI)) will not be paid, either for the financial year 2019 or for previous financial years for which payment of part of this compensation remained due. In addition, as of 2020, the fixed compensation (FC) will be the only compensation received by the Chairman of the Board of Directors.

In past years, this remuneration was, for the record, structured as follows:

- fixed compensation (FC), which helps to retain and motivate executives and values the experience and responsibilities exercised. It represents a significant portion of total compensation and serves as the basis for determining the ceilings on variable compensation;
- annual variable compensation (AVC), which depends on the financial and non-financial performance of the year and the contributions of executive directors to the success of Arkéa's strategy. The AVC may be up to 100% of the fixed compensation of executive corporate officers;
- Long-term incentives (LTI), which is designed to involve Arkéa's senior executives in wealth creation as part of the successful implementation of strategic plans. Rolling over three fiscal years, LTI may reach a compensation level equal to the amount of the average annual variable compensation received during the three fiscal years of the plan. A "group bonus" system based on the same triggering criteria and indicators is also in place for all Arkéa group employees.

In accordance with the provisions of the French Monetary and Financial Code and following the authorization granted by the Shareholders' Meeting on April 21, 2016, the ceiling on variable compensation, including AVC and LTI, has been increased to twice the fixed compensation of executives until 2021 and is split between AVC and LTI, each of these items may give rise to the allocation of an amount at most equal to one time the fixed compensation of the executive concerned, paid partly deferred, over a period of at least 3 years, and subject to the satisfaction of financial performance conditions of Crédit Mutuel Arkéa and the Arkéa group, in accordance with applicable regulations. The payment of variable compensation is not guaranteed and may not, in any event, have the effect of limiting the capacity of Crédit Mutuel Arkéa or the Arkéa group to strengthen its equity.

As of the date of this update of the universal registration document, Jean-Pierre Denis is Chairman of the Board of Directors.

Following the resignation of Mr Ronan Le Moal on 12 February 2020 from his position as Chief Executive Officer of the Arkéa group, the Board of Directors appointed Mrs Hélène Bernicot as Chief Executive Officer, subject to ratification by the supervisor.

Consequently, the compensation policy described below will apply to Mr Ronan Le Moal for the period from January 1, 2020 to February 12, 2020 and to Ms Hélène Bernicot from February 13, 2020 to December 31, 2020.

Finally, as of the date of the present update of the universal registration document, the functions of Associate Chief Executive Officer are exercised by Mrs Anne Le Goff.

6.3.1.2. Fixed compensation

The Chairman of the Board of Directors, the Chief Executive Officer and the Associate Chief Executive Officer receive fixed compensation.

The amount of the fixed compensation, based on a study carried out by Willis Towers Watson, is determined by the Board of Directors on a proposal from the Compensation Committee, taking into account :

- the experience and scope of responsibility of the executive directors assessed in comparison with those of a panel of executives working in the banking and financial sector, as established by Willis Towers Watson ;
- market practices and remuneration observed for similar positions in comparable companies.

Fixed compensation represents at least one-third of the total compensation (fixed compensation, variable compensation and LTIs) of the Chief Executive Officer and Associate Chief Executive Officer.

Chairman of the Board of Directors of Crédit Mutuel Arkéa

For the Chairman of the Board of Directors, the amount of the fixed compensation for the financial year 2020 amounts to €530,000.

Chief Executive Officer of Crédit Mutuel Arkéa

For Ronan Le Moal, Chief Executive Officer of Crédit Mutuel Arkéa until 12 February 2020, the amount of the fixed annual compensation for the year 2020 is €425,000, prorated according to the length of his term of office.

For Hélène Bernicot, Chief Executive Officer of Crédit Mutuel Arkéa as of 13 February 2020, the amount of annual fixed compensation for the financial year 2020 is €425,000 prorated according to the length of her term of office, subject to ratification of her appointment by the supervisor.

Associate Chief Executive Officer of Crédit Mutuel Arkéa

For Anne Le Goff, Associate Chief Executive Officer of Crédit Mutuel Arkéa, the amount of the annual fixed compensation for the financial year 2020 is €270,000 for the period from 1 January 2020 to 12 February 2020 and €400,000 for the period following the date on which the employment contract was suspended, i.e. the period from 13 February 2020 to 31 December 2020.

6.3.1.3. Annual variable compensation

In the context of the Covid-19 epidemic, the Chairman, the Chief Executive Officer and the Associate Chief Executive Officer decided to waive in advance the AVC that could have been allocated to them for the 2020 financial year.

In addition, it is specified that the AVC due to the Chairman of the Board of Directors of Crédit Mutuel Arkéa will not be paid, either in respect of the financial year 2019 or in respect of previous financial years for which payment of part of this component of the variable compensation remained due.

In previous years, the Chairman of the Board of Directors, the Chief Executive Officer and the Associate Chief Executive Officer received variable compensation in accordance with the principles described below.

The Board of Directors, on the proposal of the Compensation Committee, sets the criteria for assessing the AVC for executive directors each year. The AVC is intended to reflect sustainable performance in line with the risk appetite policy and, where applicable, the exceptional performance achieved by executive officers or their very strong involvement in the performance of the missions entrusted to them in consideration of the scope of their responsibilities.

The AVC indicators, set by the Board of Directors in accordance with the Arkéa group's annual plan, are established in accordance with the Arkéa group's risk appetite policy, which seeks to situate them at a level compatible with its development objectives while ensuring that it can always control them through its know-how. Risk levels and risk management are criteria that are the subject of very close attention and are particularly selective in the Arkéa group's development orientation. The alignment with risk, carried out throughout the process of determining, allocating and paying the AVC of executive managers, takes into account, at each stage, the current and future risks taken.

The payment of the AVC is partly subject to deferral periods. The payment of the AVC is also accompanied by provisions allowing the reduction ("malus") or even the restitution ("claw-back") to Crédit Mutuel Arkéa of all or part of the annual variable compensation. Thus, in the event of an act or behaviour that does not comply with the regulations or rules laid down by Crédit Mutuel Arkéa or the Arkéa group with regard to risk-taking or that has contributed to significant losses to the detriment of Crédit Mutuel Arkéa or the Arkéa group (for example, in the event of active and proven involvement or liability, of the executive in the significant deterioration of the risk profile of the Arkéa group or failure to meet the obligations of good repute and competence), the Board of Directors may decide not to proceed with the payment of all or part of the amount of the AVC initially allocated ("malus") or demand the return of all or part of the sums already paid ("claw-back"), in accordance with article L. 511-84 of the French Monetary and Financial Code. The level of the penalty measure likely to be imposed in this way will be decided, if necessary, by the Board of Directors, on the recommendation of the Compensation Committee of the Arkéa group.

Annual variable compensation is subject to the achievement of financial criteria, set by the Board of Directors on the recommendation of the Compensation Committee, and measuring the Arkéa group's performance.

6.3.1.4. Long-term incentive

In the context of the Covid-19 epidemic, the Chairman, the Chief Executive Officer and the Associate Chief Executive Officer decided to waive in advance the LTI that could have been allocated to them under the three-year plan for the 2018, 2019 and 2020 financial years.

In addition, it is specified that the LTI due to the Chairman of the Board of Directors of Crédit Mutuel Arkéa will not be paid, whether under the three-year plan for the financial years 2017, 2018, 2019 or any other three-year plan relating to previous financial years for which payment of part of this component of variable compensation remained due.

For prior years, the LTI received in principle by the Chairman of the Board of Directors, the Chief Executive Officer and the Associate Chief Executive Officer complied with the principles described below.

In order to involve executive managers in the creation of wealth as part of the Arkéa group's strategic plans, the Board of Directors has instituted a long-term incentive plan (LTIP) to recognize the relevance of strategic choices and thus the achievement of objectives in terms of sales, profitability and risk control.

Given the cooperative form of Crédit Mutuel Arkéa, executive managers do not benefit from stock options, performance shares or other categories of securities. Consequently, the portion of their variable compensation awarded in the form of LTIs takes the form of a cash payment.

The LTI scheme, assessed over three years in order to take into account Crédit Mutuel Arkéa's nature as a credit institution and the risks to which it is exposed as a result of its activities, provides, subject to the presence and achievement of trigger criteria and performance indicators defined by the Board of Directors, for the payment of a compensation of a level at most equal to the amount of the average annual variable remuneration [received during the three financial years of the plan]. As in the case of the AVC, the alignment with risk is carried out throughout the implementation of the LTI, from the determination of the trigger criteria and financial targets to the actual payment of the portion of variable compensation awarded in this form, and takes into account at each stage the current and future risks taken.

Like the payment of the AVC, the payment of the LTI is also accompanied by provisions allowing the reduction ("malus") or even the restitution ("claw-back") to Crédit Mutuel Arkéa of all or part of the annual variable compensation. Thus, in the event of an act or behaviour that does not comply with the regulations or rules laid down by Crédit Mutuel Arkéa or the Arkéa group with regard to risk-taking or that has contributed to significant losses to the detriment of Crédit Mutuel Arkéa or the Arkéa group (for example, in the event of proven active involvement or liability, of the executive in the significant deterioration of the risk profile of the Arkéa group or failure to meet the obligations of good repute and competence), the Board of Directors may decide not to proceed with the payment of all or part of the amount of the LTI initially allocated ("malus") or demand the return of all or part of the sums already paid ("claw-back"), in accordance with article L. 511-84 of the French Monetary and Financial Code. The level of the penalty measure that may be imposed in this way will be determined, as the case may be, by the Board of Directors, on the recommendation of the Compensation Committee of the Arkéa group.

6.3.1.5. Exceptional bonuses

Exceptional bonuses may be awarded to executive corporate officers (Chairman of the Board of Directors, Chief Executive Officer and Associate Chief Executive Officer) in very special circumstances, in particular in the event of transactions that are important for the Arkéa group due to their size or nature, or changes in the Arkéa group's organization or activities, the involvement that they require or the difficulties that they present, or transactions that do not fall within the scope of the executive corporate officers' usual duties. Where applicable, the reason for the payment of such compensation and the event that led to it are specified. These bonuses are subject to approval by the Board of Directors on the recommendation of the Compensation Committee.

6.3.1.6. Benefits in kind

Benefits in kind for the Chairman of the Board of Directors, the Chief Executive Officer and Associate Chief Executive Officer consist of the provision of a company car.

6.3.1.7. Financial instruments

Executive managers do not benefit from the granting of options on equity or debt securities or the allocation of performance shares, as Crédit Mutuel Arkéa's Articles of Association do not allow the existence of such arrangements and the cooperative form of the company is opposed to them on principle.

6.3.1.8. Employment contract and corporate mandate

Chairman of the Board of Directors of Crédit Mutuel Arkéa

The employment contract of the Chairman of the Board of Directors of Crédit Mutuel Arkéa has been suspended since his appointment as Chairman *and for the* duration of his term of office, to be automatically resumed at the end of his term.

The period of suspension of the employment contract is taken into account for the calculation of the employee's rights under the law, the collective agreement and the employment contract.

Chief Executive Officer of Crédit Mutuel Arkéa

The employment contract of Ronan Le Moal, Chief Executive Officer of Crédit Mutuel Arkéa until February 12, 2020 has been suspended since his appointment and for the duration of his term of office, to be automatically resumed at its end.

The employment contract of Hélène Bernicot, Chief Executive Officer of Crédit Mutuel Arkéa since 13 February 2020, has been suspended since her appointment as Chief Executive Officer and for the duration of her term of office, to be automatically resumed at the end of her term.

The period of suspension of the employment contract is taken into account for the calculation of the employee's rights under the law, the collective agreement and the employment contract.

Associate Chief Executive Officer of Crédit Mutuel Arkéa

In view of the changes in the functions and responsibilities of Anne Le Goff, Associate Chief Executive Officer, her employment contract was suspended as of February 13, 2020 and for the duration of her term of office, to be automatically resumed at the end of her term.

The period of suspension of the employment contract is taken into account for the calculation of the employee's rights under the law, the collective bargaining provisions and the employment contract.

6.3.1.9. Termination benefits

Chairman of the Board of Directors of Crédit Mutuel Arkéa

In the event of termination of his employment contract for any reason whatsoever (excluding cases of dismissal for serious or gross misconduct), the Chairman of the Board of Directors of Crédit Mutuel Arkéa is liable to receive a termination indemnity, in addition to the legal or contractual provisions, an amount equal to two years' compensation (calculated on the basis of the gross reference salary at the date of termination, including benefits in kind, plus the last annual variable portion actually received, including, but not limited to, variable compensation including exceptional bonuses and LTI).

The Chairman of the Board of Directors may also receive the payment of this termination indemnity in the event of the conventional termination of his employment contract.

It is specified that any termination indemnity would be calculated within the framework of the employment contract of the Chairman of the Board of Directors, with regard to the duties and responsibilities exercised in this capacity.

Chief Executive Officer of Crédit Mutuel Arkéa

In the event of termination of his employment contract for any reason whatsoever (excluding cases of dismissal for serious or gross misconduct), Ronan Le Moal may receive a termination indemnity, in addition to the legal or contractual provisions, in an amount equal to two years' compensation (calculated on the basis of the gross reference salary at the date of termination, benefits in kind included, increased by the monthly average of the total variable compensation actually received by Ronan Le Moal during the three years preceding the date of termination, including but not limited to variable compensation including exceptional bonuses and LTI).

Ronan le Moal may also receive payment of this termination indemnity in the event of a conventional termination of his employment contract.

It is specified that any termination indemnity would be calculated within the framework of Ronan Le Moal's employment contract, with regard to the duties and responsibilities exercised in this capacity.

In the event of termination of her employment contract for any reason whatsoever (excluding cases of dismissal for serious or gross misconduct), Hélène Bernicot is liable to receive a termination indemnity, in addition to the legal or contractual provisions, in an amount equal to two years' compensation (calculated on the basis of the gross reference salary at the date of termination, benefits in kind included, increased by the monthly average of all variable compensation components actually received by Hélène Bernicot during the three years preceding the date of termination, including but not limited to variable compensation including exceptional bonuses and LTI).

Hélène Bernicot may also receive payment of this termination indemnity in the event of conventional termination of her employment contract.

It is specified that any termination indemnity would be calculated within the framework of Hélène Bernicot's employment contract, with regard to the duties and responsibilities exercised in this capacity.

Associate Chief Executive Officer of Crédit Mutuel Arkéa

In the event of termination of her employment contract for any reason whatsoever (excluding cases of dismissal for serious or gross misconduct), Anne Le Goff is likely to receive a termination indemnity, in addition to the legal or contractual provisions, in an amount equal to two years' compensation (calculated on the basis of the gross reference salary at the date of termination, benefits in kind included, increased by the monthly average of all variable compensation components actually received by Anne Le Goff during the three years preceding the date of termination, including, without this list being exhaustive, variable compensation including exceptional bonuses and LTI).

Anne Le Goff may also receive the payment of this termination indemnity in the event of the conventional termination of her employment contract.

It is specified that any termination indemnity would be calculated within the framework of Anne Le Goff's employment contract, with regard to the duties and responsibilities exercised in this respect.

6.3.1.10. Retirement

Chairman of the Board of Directors of Crédit Mutuel Arkéa

Upon retirement, and if he has at least five years' seniority, the Chairman of the Board of Directors of Crédit Mutuel Arkéa shall receive a termination benefit equal to seven twelfths of his annual compensation. In addition, he is entitled to a retirement leave calculated at twenty-three days per year spent in his capacity as Executive Officer.

The existing pension commitments in favour of the Chairman of the Board of Directors in the form of a supplementary defined-benefit pension plan (known as "Article 39") were, in accordance with regulations, crystallized at December 31, 2019 so that no additional rights can be acquired under this plan as of January 1, 2020.

Thus, subject to completing his professional career within the Arkéa group by liquidating his basic pension rights, the retirement pension of the Chairman of the Board of Directors will be equal to 5/37.5ths of his reference compensation, per year of seniority validated and ended on 31 December, after deduction of the rights acquired on 31 December 2019 under the defined contribution pension plan.

As of January 1, 2020, the Chairman of the Board of Directors only benefits from a defined contribution pension plan (PEROb).

Chief Executive Officer of Crédit Mutuel Arkéa

Upon retirement, and if he has at least five years' seniority, the Chief Executive Officer of Crédit Mutuel Arkéa shall receive a termination benefit equal to seven twelfths of his annual remuneration. In addition, the Chief Executive Officer is entitled to a retirement leave calculated at twenty-three days per year spent in his capacity as a senior executive of the Arkéa group.

The existing pension obligations in favour of the Director-General in the form of a supplementary defined benefit pension plan (known as "Article 39") have, in application of the regulations, been crystallized as at 31 December 2019 so that no additional rights can be acquired under this plan as from 1 January 2020.

Thus, subject to completing her professional career within the Arkéa group by liquidating her basic retirement rights, the retirement pension of the Chief Executive Officer will be calculated on one third of her gross compensation earned during the 36 months preceding the date of departure from the Company, including fixed and variable compensation, including benefits in kind within the meaning of article L242.1 of the Social Security Code multiplied by the number of years of seniority.

As of January 1, 2020, the Chief Executive Officer only benefits from a defined contribution pension plan (PEROb).

Associate Chief Executive Officer of Crédit Mutuel Arkéa

Upon retirement, and if he has at least five years' seniority, the Associate Chief Executive Officer of Crédit Mutuel Arkéa shall receive a termination benefit equal to seven twelfths of his annual remuneration. The Associate Chief Executive Officer shall also be entitled to end-of-career leave calculated on the basis of twenty-three days per year spent as a senior executive of the Arkéa group.

The existing pension commitments in favour of the Associate Director-General in the form of a supplementary defined-benefit pension plan (known as "Article 39") have, in application of the regulations, been crystallized as at 31 December 2019 so that no additional rights can be acquired under this plan as from 1 January 2020.

Thus, subject to the condition that she completes her professional career within the Arkéa group by liquidating her basic pension rights, the retirement pension of the Associate Chief Executive Officer will be calculated on one third of the gross compensation earned during the 36 months prior to the date of departure from the Company, including fixed and variable compensation, including benefits in kind within the meaning of article L. 242.1 of the French Social Security Code multiplied by the number of years of seniority.

As of 1 January 2020, the Associate Chief Executive Officer will only benefit from a defined contribution pension plan (PEROb).

6.3.1.11. Loans, advances and guarantees granted to executive officers

Chairman of the Board of Directors of Crédit Mutuel Arkéa

The Chairman of the Board of Directors of Crédit Mutuel Arkéa may be granted loans.

These loans, which constitute current operations, are granted at normal market conditions.

Chief Executive Officer of Crédit Mutuel Arkéa

The Chief Executive Officer of Crédit Mutuel Arkéa may be granted loans.

These loans, which constitute current operations, are granted at normal market conditions.

Associate Chief Executive Officer of Crédit Mutuel Arkéa

The Associate Chief Executive Officer of Crédit Mutuel Arkéa may be granted loans.

These loans, which constitute current operations, are granted at normal market conditions.

6.3.1.12. Leaving of the Chief Executive Officer

For the financial year 2020, Mr Ronan le Moal, in his capacity as Chief Executive Officer, will receive fixed compensation until the date of termination of his duties, i.e., February 12, 2020, in the amount of 48,494 euros.

Mr. Ronan Le Moal, in his capacity as Chief Executive Officer, will also benefit from a variable compensation, including the last third of the variable compensation due in respect of the financial year 2017 (i.e., an amount of 141,666 euros), the last two thirds of his variable compensation due in respect of the financial year 2018 (i.e., an amount of 282,333 euros) and, subject to the fulfillment of the financial and non-financial conditions concerned, the 2020 and 2021 maturities of the variable compensation due in respect of the financial year 2019.

Finally, Mr. Ronan Le Moal, in his capacity as Chief Executive Officer, will receive, subject to the achievement of the relevant trigger criteria and performance indicators, the LTI due for the period 2017-2019 (i.e. an amount of '425,000).

6.3.1.13. Compensation of the members of the Board of Directors

The rules for allocating the compensation paid in respect of the duties performed on the Board of Directors of Crédit Mutuel Arkéa were adopted by the Board of Directors on 22 May 2015 on the advice of the Compensation Committee and confirmed by the Board of Directors on 3 March 2020 and are as follows:

- a fixed annual compensation for each elected director of €7,150 gross;
- an additional fixed annual compensation for the Vice-Chairman of €7,150 gross;
- a variable attendance fee per meeting for each elected director present at a Board meeting of €715 gross ;
- a fixed annual compensation for each Committee Chairman of €3,580 gross; and
- a variable attendance fee per meeting for each elected director attending a specialized committee meeting of €715 gross.

In addition, the Board of Directors adopted, by deliberation of 2 June 2017, on the proposal of the Compensation Committee, the rules for allocating compensation paid to independent directors:

- a variable attendance fee per meeting for each independent director present at a Board meeting of €3,575 gross ;
- a variable attendance fee per meeting for each independent director attending a specialized committee meeting of €715 gross; and
- the absence of any fixed remuneration payment.

Crédit Mutuel Arkéa's directors also benefit from the following benefits in respect of their duties within Arkéa group subsidiaries:

- a fixed annual compensation for each subsidiary Chairman of €3,920 gross;
- a variable attendance fee per meeting for each Chairman present of €430 gross; and
- a variable attendance fee per meeting for each director present of €360 gross.

Lastly, in addition to the distribution rules set out above, it is specified that some Crédit Mutuel Arkéa directors may receive lump-sum compensation for their duties paid in respect of mandates held in federal bodies.

6.3.2. Fixed, variable and exceptional items making up the total compensation and benefits of any kind paid during fiscal year 2019 or granted in respect of fiscal year 2019

6.3.2.1. Chairman of the Board of Directors of Crédit Mutuel Arkéa

Fixed compensation

The fixed annual compensation of the Chairman of the Board of Directors of Crédit Mutuel Arkéa for 2019 has been set at €530,000.

Annual variable compensation

In addition to the fixed annual compensation, the Board of Directors of Crédit Mutuel Arkéa decided to grant a variable compensation to the Chairman of the Board of Directors for the financial year 2019, in his capacity as Chairman of the Supervisory Board. The Board of Directors justifies its decision by :

- (i) the very strong involvement of Mr. Jean-Pierre Denis, in his capacity as Chairman of the Management Board in his supervisory function, in defining, supervising, monitoring and controlling the implementation of the development strategy of the company and the Arkéa group in the service of the territories, in consideration of the *Raison d'être* of the Arkéa group and the Independence Project;
- (ii) its very strong involvement in the Arkéa group's exchanges with banking supervisors, particularly in connection with the implementation of the Independence Project;
- (iii) its key role in the permanent and open dialogue with the local banks affiliated to Crédit Mutuel Arkéa and their directors and in coordination with federal authorities, particularly in the context of the implementation of the Independence Project;
- (iv) the responsibilities assumed during that financial year in respect of the specific tasks entrusted to him as Chairman of the Supervisory Body and which go beyond the scope of the responsibilities of a routine nature within the framework of this function;
- (v) in compliance with the separation of powers, its active role in supporting the General Management in the search for and formalization of large-scale partnerships, as well as in the pursuit of the relationship of trust with major customers;
- (vi) its primary involvement in promoting the values and culture of the Arkéa group and especially in promoting its *Raison d'être*; and

(vii) more generally, the added value represented for the Arkéa group by its [35] years of experience, including 12 years within the Arkéa group.

In any event, the variable compensation awarded to Mr. Jean-Pierre Denis for the 2019 financial year - whether annual variable compensation or long-term incentives - is established in relation to the duties and responsibilities he effectively assumed during that financial year, and in consideration of his individual performance measured by reference to his involvement in the development of the company and the Arkéa group and in the implementation of the Independence Project.

However, the variable components of the compensation of the Chairman of the Board of Directors of Arkéa (annual variable compensation (AVC) and long-term incentives (LTI)) will not be paid, either for the financial year 2019 or for previous financial years for which payment of part of this compensation remains due. The compensation of the Chairman of the Board of Directors will henceforth consist solely of fixed compensation (FC).

Exceptional bonuses

No exceptional bonus has been awarded to the Chairman of the Board of Directors of Crédit Mutuel Arkéa for 2019.

Retirement

As of December 31, 2019, the estimated actuarial amount of the individual annuity (Article 39) is, in accordance with Article D. 225-104-1 of the French Commercial Code, €68,592.

Benefits in kind

The Chairman of the Board of Directors of Crédit Mutuel Arkéa is provided with a company car.

6.3.2.2. Chief Executive Officer of Crédit Mutuel Arkéa

Fixed compensation

Ronan Le Moal's fixed annual compensation as Chief Executive Officer of Crédit Mutuel Arkéa for 2019 has been set at €425,000.

Annual variable compensation

As the conditions for the payment of variable compensation and the level of achievement of the individual objectives set for Ronan Le Moal in his capacity as Chief Executive Officer of Crédit Mutuel Arkéa had been met, the Board of Directors approved the payment of an annual variable compensation representing 100% of the gross annual compensation, i.e. €425,000 for 2019, it being specified that the payment of the annual variable compensation is subject to deferral and is spread over the three years following the reference year, i.e. €141,667 per annum.

Annual variable compensation indicators 2019

Indicators	Percentage of fixed compensation	Nature	Achievement rate
Criteria related to the Arkéa group's financial performance	22%	Operating income	136%
	22%	Cost/income ratio	107%
	22%	Gross loan-to-deposit ratio	103%
Qualitative criteria	17%	Raison d'être	100%
	17%	Independence Project	100%

Long-term incentive

In view of the achievement of the trigger and performance criteria over the 2017/2019 period, the Board of Directors validated the principle of the payment to Ronan Le Moal, in his capacity as Chief Executive Officer of Crédit Mutuel Arkéa, of the LTI for the 2017/2019 period, i.e. €425,000.

LTI trigger indicators for the period 2017 - 2019

Indicators	Achievements
CET1 ratio at least equal to the average of the main French banking groups	CET1 ratio 12/31/2019 CM Arkéa at 16.4% compared to 14.7% on average over the 5 reference banks
Bucket 3 provisioning rate equal to 50%.	Provisioning rate at 56.7% at 12/31/2019
Triggering of the variable compensation mechanism for CCMD members at least 2 out of 3 years	Effective perception of variable over the cycle
Annual growth rate of the NBI over the period 2018 - 2020: + 3%.	Annual growth rate equal to 10.6% over the period
Annual growth rate of operating income over the period 2018 - 2020: + 2%.	Annual growth rate equal to 18.5% over the period

Exceptional bonuses

No exceptional bonus has been awarded for 2019 to Ronan Le Moal in his capacity as Chief Executive Officer of Crédit Mutuel Arkéa.

Retirement

As of December 31, 2019, the estimated actuarial amount of the individual annuity (Article 39) is, in accordance with Article D. 225-104-1 of the French Commercial Code, €88,451.

Benefits in kind

Ronan Le Moal, in his capacity as Managing Director, is provided with a company car.

6.3.2.3. Associate Chief Executive Officer of Crédit Mutuel Arkéa

Fixed compensation

Anne Le Goff's fixed annual compensation as Associate Chief Executive Officer of Crédit Mutuel Arkéa for 2019 has been set at €270,000.

Annual variable compensation

The conditions for payment of the variable compensation and the level of achievement of the individual objectives set for Anne Le Goff, in her capacity as Associate Chief Executive Officer of Crédit Mutuel Arkéa having been met, the Board of Directors validated the payment of an annual variable compensation, the amount of which represents 70% of the gross annual fixed compensation at 31 December 2019, i.e. €189,000 for 2019, it being specified that the payment of the annual variable compensation is subject to deferral, and is spread over the three years following the reference year, i.e. €63,000 per annum.

Annual variable compensation indicators 2019

Indicators	Percentage	Nature	Achievement rate
Financial Criteria	20%	Operating income	136%
	20%	Cost/income ratio	107%
	20%	Gross loan-to-deposit ratio	103%
Qualitative criteria	20%	Steering the Independence Project	100%

	8%	Management Indicator	100%
	4%	CSR Indicator	100%
	4%	Mixity Indicator	100%
	4%	AOC Indicator (Ambition Obsession Client)	100%

Long-term incentive

In view of the achievement of the trigger and performance criteria over the 2017/2019 period, the Board of Directors validated the principle of the payment to Anne Le Goff, in her capacity as Associate Chief Executive Officer of Crédit Mutuel Arkéa, of the ILT for the 2017/2019 period, i.e. €189,000.

LTI trigger indicators for the period 2017 - 2019

Indicators	Achievements
CET1 ratio at least equal to the average PBGF/SG/AG/GCA/BPCE/CMAF	CET1 ratio 12/31/2019 CM Arkéa at 16.4% compared to 14.7% on average over the 5 reference banks
Bucket 3 provisioning rate equal to 50%.	CDL provisioning rate with interest at 56.7% at 31/12/2019
Triggering of the variable compensation mechanism for CCMD members at least 2 out of 3 years	Effective perception of variable over the cycle
Annual growth rate of the PNBA over the period 2018 - 2020: + 3%.	Annual growth rate equal to 10.6% over the period
Annual growth rate of operating income over the period 2018 - 2020: + 2%.	Annual growth rate equal to 18.5% over the period

Exceptional bonuses

No exceptional bonus has been awarded for 2019 to Anne Le Goff, in her capacity as Associate Chief Executive Officer of Crédit Mutuel Arkéa.

Retirement

As of December 31, 2019, the estimated actuarial amount of the individual annuity (Article 39) is, in accordance with Article D. 225-104-1 of the French Commercial Code, €30,749.

Benefits in kind

Anne Le Goff, in her capacity as Associate Chief Executive Officer, is provided with a company car.

6.3.2.4. Evolution of performance

Information on the evolution of the compensation of each of the executive directors compared to the group's performance over the last 5 financial years (data in € million):

	2015	2016	2017	2018	2019
Net banking and insurance income	1,780	1,852	2,090	2,146	2,303
Net income (Group Share)	296	336	428	437	511
Compensation of the Chairman of the Board of Directors	1,575	1,600	1,600	1,600	1,601
Compensation of the CEO	1,265	1,285	1,285	1,285	1,286
Compensation of the Associate CEO	NA	0.303	0.664	0.732	0.677

6.3.3. Table of individual compensation of executive officers

The gross compensation received by Crédit Mutuel Arkéa's executive directors is detailed in the tables below:

Jean-Pierre Denis	2018	2018	2019	2019
Chairman of the Board of Directors of Crédit Mutuel Arkéa	paid	due	paid	due
	on	in respect of	on	in respect of
	the exercise	of the year	the exercise	of the year
fixed compensation	530,000	530,000	530,000	530,000
variable compensation	1,060,000	1,060,000	1,060,000	1,060,000

Benefits in kind	9,931	9,931	11,342	11,342
total	1,599,931	1,599,931	1,601,342	1,601,342

Ronan Le Moal	2018	2018	2019	2019
Chief Executive Officer of Crédit Mutuel Arkéa	paid	due	paid	due
	on	in respect of	on	in respect of
	the exercise	of the year	the exercise	of the year
fixed compensation	425,000	425,000	425,000	425,000
variable compensation	850,000	850,000	850,000	850,000
Benefits in kind	9,865	9,865	11,199	11,199
total	1,284,865	1,284,865	1,286,199	1,286,199

Anne Le Goff	2018	2018	2019	2019
Associate Chief Executive Officer of Crédit Mutuel Arkéa	paid	due	paid	due
	on	in respect of	on	in respect of
	the exercise	of the year	the exercise	of the year
fixed compensation	263,846	263,846	270,000	270,000

variable compensation	373,841	461,866	362,756	399,262
Benefits in kind	5,845	5,845	8,007	8,007
Total	643,532	731,557	640,763	677,269

6.3.1. Table of compensation of the members of the Board of Directors

Details of compensation	Compensation 2019		Compensation 2019	Total individual attendance allowances paid in 2019	Total individual attendance allowances paid in 2018
	In respect of the Board of Directors	In respect of the Committees	Detail of other functions of corporate officers within the Group		
Jean-Pierre DENIS *Chairman of the Board of Directors					
Christian TOUZALIN Vice-Chairman of the Board of Directors	22,880	0	101,490	124,370	122,540
Thierry BOUGEARD Director	15,730	14,305	20,210	50,245	40,765
François CHATEL Director	15,730	19,310	11,200	46,240	37,490
Marta CRENN Director	15,015	10 010	3 395	28,420	21,555
Isabelle DARDEA Employee director	0	0	0	0	0
Christian DAVID Director	15,730	13,585	18,395	47,710	39,330
Guillaume GLORIA Employee director	0	0	0	0	0
Michel GOURTAY Director	15,015	8,580	1,440	25,035	21,255
Anne-Sophie GRAVE Independent Director	28,600	4,290	0	32,890	22,165

Marie-Thérèse GROSSARD Director	14,300	9,300	11,906	35,506	35,215
Monique HUET Independent Director	42,900	10,010	0	52,910	47,905
Anne-Gaëlle LE BAIL Director	14,300	3,575	27,200	48,075	39,960
Patrick LE PROVOST Director	15,730	20,120	34,346	70,196	57,756
Yves MAINGUET Director	15,015	3,575	4,125	22,715	11,195
Luc MOAL Director	13,585	7,150	16,445	37,180	22,320
Valérie MOREAU Director	7,150	2,145	8,470	17,765	8,680
Christian PERON Director	15,730	0	18,060	33,790	33,590
Colette SENE Director	15,730	3,575	5,385	24,690	23,465
Sophie VIOLLEAU Director	15,015	7,155	15,090	37,260	36,730
Lionel DUNET Non-voting member	12,870	1,430	1,440	15,740	16,525
Total	311,025	138,115	298,597	747,737	638,441

* Mr. Jean-Pierre Denis, in his capacity as corporate officer, receives compensation, the details of which are set out in section 6.3.2.1 for fiscal year 2019.

7. Non-financial performance statement

This Part 7 updates pages 259 and 260 of Arkéa's 2019 Universal Registration Document.

Inclusion of clients in situations of fragility

Associated non-financial risks: risk of non-compliance, non-compliance with customer protection rules

The Arkéa group, an inclusive and socially responsible company, also pays particular attention to access to banking and insurance for all (financial products and services).

SUPPORT FOR FINANCIAL FRAGILITY

The Group supports its financially vulnerable customers and members by involving its employees and directors and by developing its offerings and business lines.

In accordance with the charter for banking inclusion and the prevention of overindebtedness approved by the decree of 5 November 2014, a system applicable to all Group entities sets out the practical procedures for implementing the obligations according to the activity carried out (information, proposal of suitable products, customer support). In addition, the Arkéa group has formed partnerships with specialized third parties (Crésus, Atelier Budgétaire, etc.) to facilitate customer guidance when financial difficulties cannot be dealt with by the bank alone. In 2018, Arkéa also launched Bud'JET, a new mobile budget coaching application that can be offered to financially fragile customers.

In order to provide effective support to customers in financially fragile situations, the Group's entities train employees in contact with customers on the systems and procedures for implementing dedicated systems.

Placing the customer at the heart of its concerns, the Arkéa group has committed to a proactive approach towards financially fragile customers through various actions:

- The creation in 2018 of the Banking Inclusion Coordination Committee (CCIB), a real governance body responsible for steering the banking inclusion system within the group. The committee meets quarterly to monitor the progress of the work decided by the committee, such as the revision of detection criteria to improve their relevance, the implementation of steering indicators to monitor the effectiveness of the aid provided to fragile customers, etc.).

In accordance with Article R312-4-3 of the Monetary and Financial Code (CMF), the **detection of financially fragile persons** involves several measures. Those in force at 30 June 2020 are as follows:

- **Monthly detection under "regulatory" criteria. The following are concerned:**

- Customers who have filed an over-indebtedness file acceptable to the Banque de France during the entire period of their registration in the Fichier des Incidents de remboursement des Crédits aux Particuliers (Individual Credit Repayment Incident File).
- Customers registered in the Central Cheque Register (CCR), customers who are banned from banking for more than 3 months
- **Monthly detection under so-called "modular" criteria at the discretion of each institution. The detection process currently in force takes into account the situation of outbreaks with all the checking accounts in the household:**
 - at least 12 account operating incidents⁴¹ over 3 months,
 - or with an overdraft exceeding the authorised overdraft on at least one day per month during the 3 months, and at least one account operation incident* each month during these 3 months.

Households whose monthly income on the accounts is less than :

- 1500 euros for households with only one adult,
- 2500 euros for households composed of two adults.

and where the amount of interest-bearing savings held by adults in the household is less than :

- 3,000 euros for households with only one adult,
- 5000 euros for households composed of two adults.

This device also detects customers with a new Central Cheque Register (CCR) entry that is more than 30 days old and less than 90 days old.

An observation period of 3 months is provided for when eligibility for the detection criteria ceases to exist. During this period, clients previously identified as financially fragile, no longer meeting the eligibility criteria, remain under observation and continue to benefit from the cap on incident costs. The purpose of this observation is to ensure that the situation is restored over the long term. In the event of a new incident during this period, the customer concerned will not experience a break in the cap on incident costs.

- **Early detection under the heading of "preventing over-indebtedness".** This quarterly detection mechanism is based on an Artificial Intelligence model that makes it possible to identify a series of events that could eventually lead to financial fragility and result in the filing of an over-indebtedness file.

After analyzing each of these situations, the advisor can identify these clients as financially fragile for a renewable 12-month period.

⁴¹ * *The account operating incidents detected by our detection tools are those for which the costs incurred are those capped under Article R312-1-2 of the Financial Markets Code, for all household chequing accounts: intervention fees, fees for advance information letters for bounced cheques, fees for information letters for unauthorised debtor accounts, flat-rate fees per rejected cheque for lack of funds, fees for rejected direct debits for lack of funds, fees for non-execution of standing orders for lack of funds, fees following the notification reported by the Banque de France of a ban on customers issuing cheques, fees for the Banque de France's declaration of a decision to withdraw a bank card, fees for the bank to stop (block) the card.*

- **A "manual" detection at the** initiative of each counsellor allowing the identification, for a renewable period of 12 months, of a situation of fragility not detected by the above treatments.

Customers identified as fragile are offered **the Budg'Equilibre Specific Offer**. Even though the government has asked banks to cap monthly incident charges at €20, the Board of Directors of Crédit Mutuel Arkéa has decided to go beyond this measure and exempt all customers who have subscribed to the Budg'Equilibre offer from incident charges.

Persons benefiting from one of the **Solidarity Mechanisms** (Budgetary Support, Assistance to Borrowers in Difficulty or Personal Micro-Credit) described below are also identified as financially fragile and therefore benefit from a ceiling on incident costs for a renewable period of 12 months.

- The strong mobilization of the local bank networks to promote the specific offer dedicated to financially fragile customers, through solidarity actions, employee training and the mobilization of managers.
- At the end of 2019, the local banks networks of Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest will have 14,818 beneficiaries of the specific offer dedicated to vulnerable customers. From 1,603 beneficiaries at 12/31/2016 to 14,818 beneficiaries at 12/31/2019, Arkéa multiplied the number of beneficiary customers by 9, representing a market share of more than 3.5% (less than 1% in 2016).
- The Arkéa group, true to its cooperative bank DNA and its values of solidarity, has chosen to go further than the obligation imposed by the regulatory framework. As of February 1, 2019, Arkéa has abolished all intervention fees for its customers equipped with the specific offer for fragile customers, called Budg'Equilibre, i.e. no fees, instead of the 20 euros monthly and 200 euros annual fees set by the legislator.
- It is worth noting the significant value redistribution effort made by Arkéa for the most fragile customers, amounting to €8.8 million at the end of 2019.

These efforts are fully in line with Arkéa's Raison d'être as a socially responsible, ethical and inclusive company.

The Arkéa group is also developing specific measures to help members in difficult situations.

Managed until the end of 2018 by the Ark'ensol Entraide association, since January 2019 these schemes have been directly managed by the Boards of Directors of the local banks, within the framework of an annual budget allocated to each fund. They are designed to help people in temporary difficulty through four action levers: assistance to borrowers, personal microcredit, the "sensitive accounts" scheme (reversal of fees) and, since 2015 as part of the banking inclusion process, budget support by specialized partners.

Aid to borrowers in difficulty consists of a one-off payment of loan installments for members (with a ceiling of 7,500 euros per year per member) who, following an accident in life, experience temporary difficulties in repaying their loans. In 2019, 188 new aids were granted for a total amount of €286,000.

Within this framework, and through its partners, personal micro-credits of up to 3,000 euros can also be granted by local banks. These loans are aimed at people excluded from "traditional" credit. As part of social support, these micro-credits can finance the acquisition or maintenance of a vehicle or household equipment, promote independence, access to housing or family cohesion projects. In 2019, 313 personal micro-credits were granted for a total amount of €797,000.

The monitoring of sensitive accounts allows the Boards of Directors of local banks to reverse charges for members with significant monthly expenses. In 2019, nearly €382,000 were not drawn down or were reversed to the benefit of 2,731 members.

Since 1994, the Arkéa group has been a partner of Adie. This partnership provides in particular for the opening of credit lines enabling Adie to grant micro-credits and the endowment of honorary loan funds. These facilities benefit business creators in Brittany, the South-West and the Massif Central. In 2019, €1.7 million of loans were allocated in the form of professional micro-credits to 695 installed and supported project leaders.

In 2018, given the difficulty for some people to benefit from a home loan due to a health problem, the group wanted to strengthen its support for this population excluded from loan insurance by creating an expert unit and a system aimed at finding tailor-made solutions for these customers and thus enable them to realise their housing project and access to property (main, secondary or rental residence).

SERVICE ACCESSIBILITY

The websites of the group's federations have been designed to make them easier to use for everyone. They comply with the web standards defined by the W3C and WAI (Web Accessibility Initiative) guidelines. The mobile sites are accessible to people with disabilities using assistive technologies. ATM withdrawals have also been made accessible to blind and visually impaired people through audio guidance that requires the use of headphones or headsets. Finally, the telephone numbers of the federations, as well as those of Suravenir Assurances and Suravenir for loan insurance, are accessible to deaf and hearing-impaired people via a connected real-time transcription or interpretation service.

Since 2018, the group has strengthened its resources to address the issue of accessibility by appointing a dedicated employee to take this issue into account from the design stage of projects, raise awareness, provide training on tools, etc.

8. General information

Date of latest half-yearly financial information

The date of the latest half-yearly financial information is June 30, 2020. It was approved by the Board of Directors on 27 August 2020. No quarterly financial information has been published since the date of the last half-year financial statements.

Publicly available documents

This document may be consulted at the company's registered office during normal business hours and days. A copy of this Universal Registration Document will be sent free of charge to any person who so requests. This document may also be consulted on the company's website (www.arkea.com). The information on the website does not form part of this Document, unless such information is incorporated by reference.

This document supplements and incorporates the 2019 Universal Registration Document filed with the Autorité des Marchés Financiers on 14 April 2020 under number D.20-0288 and constitutes the Universal Registration Document established by EU Regulation 2017/1129. This document incorporates by reference the 2018 Registration Document filed with the Autorité des Marchés Financiers on 26 April 2019 under number D.19-0410.

Legal Entity Identification

CREDIT MUTUEL ARKEA
1 RUE LOUIS LICHOU
29480 LE RELECQ-KERHUON
FRANCE

96950041VJ1QP0B69503

9. Statutory Auditors

Statutory Auditors :

Mazars - 61, rue Henri Regnault, Exaltis, 92075 La Défense Cedex - France

Start of first term of office: 1976 - Expiration of current term of office: December 31, 2020

The renewal of Mazars' mandate was decided on May 6, 2015 for a period of six fiscal years.

Deloitte & Associés - 6 Place de la Pyramide 92908 Paris-La Défense

Start of first term of office: 2007 - Expiry of current term of office: 31 December 2020

The renewal of the mandate of Deloitte & Associés was decided on May 6, 2015 for a period of six fiscal years.

Alternate auditors :

Mrs Anne Veaute - 61, rue Henri Regnault, Exaltis, 92075 La Défense Cedex, France

Start of first term of office: 2012 - End of current term of office: December 31, 2020

The renewal of the term of office of Mrs Anne Veaute was decided on May 6, 2015 for a period of six fiscal years.

BEAS - 7-9, villa Houssay, 92524 Neuilly-sur-Seine Cedex, France

Start of first term of office: 2009 - Expiry of current term of office: December 31, 2020

The renewal of BEAS's term of office was decided on May 6, 2015 for a period of six fiscal years.

10.Statement of the responsible person

Responsible person for the information contained in this document

Hélène Bernicot, Chief Executive Officer of Crédit Mutuel Arkéa

Declaration of the responsible person

I certify, after having taken all reasonable steps to this effect, that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby certify that, to the best of my knowledge, the financial statements for the past six months have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the company and of all the companies included in the consolidation, and that the interim management report contained on pages 16 to 27 gives a true and fair view of the material events that occurred during the first six months of the fiscal year, their impact on the financial statements, the main related party transactions and a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Done at Relecq Kerhuon, August 28, 2020

Hélène Bernicot, Chief Executive Officer of Crédit Mutuel Arkéa

11. Cross-reference tables and alternative performance measures

11.1. Cross-reference table of the Universal Registration Document

This concordance table includes the headings provided for in Annex 1 of the Commission Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council and refers to the sections and pages of the Universal Registration Document filed with the Autorité des Marchés Financiers on 14 April 2020 under number D.20-0288 and to those of this Universal Registration Document where the information relating to each of these headings is mentioned.

Headings of Annex I of the Delegated Regulation (EU) n°2019/980		Sections in URD 2019	Pages in URD 2019	Sections in the half-yearly URD 2020	Pages in the URD Half Year 2020
1.	RESPONSIBLE PERSONS, INFORMATION FROM THIRD PARTIES, EXPERT REPORTS AND APPROVAL BY THE COMPETENT AUTHORITY				
1.1	Name and function of the person responsible	6	286	10	177
1.2	Declaration of the person responsible	6	286	10	177
1.3	Statement or report attributed to a person acting as an expert	6	285		
1.4	Certification on information from third parties	6	285		
1.5	Declaration by the issuer		1		3
2.	STATUTORY AUDITORS	6		9	
2.1	Names and addresses of the statutory auditors	6	287	9	176
2.2	Resignation, dismissal or non-renewal of statutory auditors	NA		NA	
3.	RISK FACTOR				
3.1	Risk Factors	4.1	198	5	110
4.	INFORMATION ABOUT THE ISSUER	6		8	
4.1	Corporate and business name of the issuer	6	284	8	175
4.2	Place and registration number and Legal Entity Identifier (LEI) of the issuer	6	285	8	175
4.3	Date of incorporation and lifetime of the issuer	6	284		

4.4	Registered office and legal form of the issuer, applicable law, country of incorporation, address and telephone number of the registered office and website	6	284		
5.	BUSINESS OVERVIEW				
5.1	Main activities	1.3 ; 1.4 ; 3.2 ; 3.5	9 ; 14 ; 66 ; 155	1.2 ; 2.4 ; 3	7 ; 24 ; 103
5.2	Main markets	6	284		
5.3	Important events in the development of activities	1.5	16	1.3	8
5.4	Strategy and objectives	1.4	14		
5.5	Degree of dependence of the issuer on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	NA		NA	
5.6	Elements on which any statement by the issuer regarding its competitive position is based	1.3	9	1.2	7
5.7	Investments	1.2 ; 1.5 ; 3.5	7 ; 16 ; 164	1.3	8
6.	ORGANISATIONAL SET-UP				
6.1	Description	1.1	4	1.1	4
6.2	List of significant subsidiaries	1.3 ; 3.5 ; 3.6	9 ; 159 ; 180	1.2 ; 3	7 ; 104
7.	REVIEW OF FINANCIAL POSITION AND RESULTS				
7.1	Financial position	3.2 ; 3.5 ; 3.6	66 ; 74 ; 166	2.4 ; 3	24 ; 28
7.1.1	Development and results of the issuer's activities and its position in relation to the volume and complexity of its activities	3.1 ; 3.2	64 ; 66	2.2 ; 2.4	19 ; 24
7.1.2	Probable future development of the issuer's research and development activities	NA		NA	
7.2	Results of Operations	3.2 ; 3.5 ; 3.6	66 ; 74 ; 166	2.4 ; 3	24 ; 28
8.	TREASURY AND CAPITAL				
8.1	Information on the issuer's capital	3.5	78-79	3	30
8.2	Source and amount of the issuer's cash flows	3.5	80	3	31
8.3	Information on the issuer's financing requirements and financing structure	3.3 ; 3.5 ; 4.5	68 ; 121 ; 231	2.1 ;	16
8.4	Information concerning any restrictions on the use of capital that have materially affected or may materially affect the issuer's	NA		NA	

	business				
8.5	Information on the expected sources of funding that will be needed to meet the commitments referred to in points 5.7.	NA		NA	
9.	REGULATORY ENVIRONMENT	4.1	201	5	118
10.	TREND INFORMATION				
10.1	Principal recent trends affecting production, sales and inventories, costs and selling prices since the end of the last fiscal year Any significant change in the group's financial performance or provide an appropriate negative statement	3.4 ; 4.1	72 ; 200	5	115
10.2	A trend, uncertainty, constraint, commitment or event that is reasonably likely to have a material effect on the issuer's prospects, at least for the current financial year.	3.4 ; 4.1	72 ; 200	5	115
11.	PROFIT FORECASTS OR ESTIMATES	6	285		
12.	ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT				
12.1	Board of Directors and Executive Management	2.2 ; 2.3 ; 2.4	24 ; 40 ; 41	6.1 ; 6.2	143 ; 145
12.2	Conflicts of interest at the level of the administrative, management and supervisory bodies and the Executive Board	2.6	43		
13.	PAY AND BENEFITS				
13.1	Amount of compensation paid and benefits in kind	2.8 ; 3.5	49 ; 156	6.3	146
13.2	Total amounts provided for or recognized for the payment of pensions, retirement or other benefits	2.8 ; 3.5	49 ; 156	6.3	146
14.	FUNCTIONING OF THE ADMINISTRATIVE AND MANAGEMENT BODIES				
14.1	Expiry date of current terms of office	2.2	24		
14.2	Information about any service contracts between members of the administrative bodies and the issuer or any of its subsidiaries providing for the granting of benefits under such contracts	2.5	42		
14.3	Information on the issuer's Audit Committee and Remuneration Committee	2.2	37-38		
14.4	A statement as to whether or not the issuer complies with the corporate governance regime.	2.1	23		
14.5	Potential significant impacts on corporate governance, including future changes in the composition of administrative and management bodies and committees	2.9	60		

15.	EMPLOYEES				
15.1	Number of employees	3.5 ; 5.5 ; 5.6	139 ; 269 ; 276		
15.2	Profit-sharing and stock options for corporate officers	NA		NA	
	Agreement providing for employee shareholding in the capital of the issuer	NA		NA	
16.	MAIN SHAREHOLDERS				
16.1	Shareholders holding more than 5% of the share capital or voting rights	5.4	249		
16.2.	Existence of different voting rights	2.2	24		
16.3	Control of the issuer	2.2 ; 5.4	24 ; 249		
16.4	Agreement known to the issuer, the implementation of which could, at a later date, result in a change of control of the issuer	NA		NA	
17.	RELATED PARTY TRANSACTIONS	3.5	156		
18.	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND RESULTS OF OPERATIONS				
18.1	Historical financial information, including financial statements	1.1 3.5 ; 3.6	6 ; 74 ; 166	3	28
18.2.	Interim and other financial information	6	285		
18.3	Audit of historical annual financial information	7	289	4	108
18.4	Pro forma financial information	NA		NA	
18.5	Dividend distribution policy	NA		NA	
18.6	Judicial and arbitration proceedings	4.4 ; 6	224 ; 284		
18.7	Significant change in the issuer's financial position	6	285		
19.	FURTHER DETAILS				
19.1	Share capital	3.5 ; 3.6	122 ; 187		
19.2	Memorandum and Articles of Association	2.1 ; 6	23 ; 284		
20.	LARGE CONTRACTS	6	285		
21.	AVAILABLE MATERIAL	6	285		

11.2. Cross-reference table of the 2019 Annual Financial Report relating to the Arkéa group

The following concordance table identifies :

- in the Universal Registration Document filed with the Autorité des Marchés Financiers on 14 April 2020 under number D.20-0288, the information constituting the company's annual management report (including the corporate governance report) and the consolidated management report,
- on the other hand, in this Universal Registration Document the information that constitutes the company's half-yearly management report.

Cross-reference table of the Annual Financial Report 2019	Chapters of the URD 2019	Pages of URD 2019	Chapters of the URD semester 2020	Pages of the half-yearly URD 2020
Aggregate financial statements	3.6	166		
Consolidated Financial Statements	3.5	74	3	28
Financial report See MR cross-reference table.		308		182
Certificate of the responsible person	6	286	10	177
Statutory Auditors' Reports	7	289	4	108

Cross-reference table for the 2019 Financial report	Chapters of the URD 2019	Pages of URD 2019	Chapters of the URD semester 2020	Pages of the half-yearly URD 2020
1. OVERVIEW OF ACTIVITIES	1 ; 3 ; 5			
1.1 Key financial and non-financial performance indicators	1.1 ; 5.6	6 ; 276		
1.2 Main activities of the Arkéa group	1.3 ; 1.4 ; 3.2 ; 3.5	9 ; 14 ; 66 ; 155	1.2 2.4 ; 3	7 ; 24 ; 103
1.3 Information on the Group's locations and activities	6	284		
1.4 Important events occurring between the closing date of the financial year and the	2.9 ; 3.5 ; 3.6	60 ; 165 ; 195		

date of preparation of the Management Report				
2. RISK FACTORS	4.1	198	5	110
2.1 Description of the main risks and uncertainties facing the Group	4.1	198	5	110
2.2 Main characteristics of the internal control and risk management procedures implemented	2.7 ; 4.3-4.7	44 ; 214-238		
3. TREND INFORMATION				
3.1 Statement on the outlook for the Arkéa group since the date of its last published audited financial statements	3.4	72		
3.2 Trends or events likely to affect the Arkéa group's outlook for the current financial year	3.4 ; 4.1	72 ; 200	5.1	115
4. PROFIT FORECASTS OR ESTIMATES	6	285		
5. REPORT ON CORPORATE GOVERNANCE	2	21	6	143
5.1 Compensation and benefits of any kind paid to each corporate officer	2.8	49	6.3	143
5.2 Mandates and functions exercised by each of these corporate officers	2.2 ; 2.4 ; 2.9	24 ; 40 ; 60	6.1 ; 6.2	143 ; 144
6. SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY	5	239	7	170
7. TABLE OF RESULTS FOR THE LAST FIVE FINANCIAL YEARS	1.1 ; 3.6	6 ; 171		
8. INFORMATION ON PAYMENT DEADLINES FOR SUPPLIERS AND CUSTOMERS	3.6	170		
9. GENERAL INFORMATION ON CREDIT MUTUEL ARKEA	6	284	8	175

11.3. Alternative performance measures - article 223-1 of the AMF General Regulation

Alternative performance measures	Definition	Justification for use
Other group operating income and expenses	Difference between the income and expenses of the other activities	Measures income excluding group financial margin and commissions
Other operating income and expenses for the scope of aggregate accounts	Difference between the income and expenses of the other activities derived from Crédit Mutuel Arkéa's accounts	Measures income excluding financial margin and commissions from Crédit Mutuel Arkéa accounts
Operating ratio	Ratio of management expenses to Net Bankinsurance Income	Measure of the group's operational efficiency
Net commissions	Difference between commissions (income) and commissions (expenses)	Measures income from commissions at group level
Cost of risk (in basis points)	Ratio of the cost of risk (in €) to customer loans outstanding at the end of the period	Measures the level of risk compared to balance sheet loan commitments
Operating expenses	Sum of general operating expenses and depreciation and amortization charges for property, plant and equipment and intangible assets	Measures the level of group general operating expenses
Group financial margin	Sum of the following items: - Net gains/losses on financial instruments at fair value through profit or loss + at fair value through equity + at fair value through options + at amortized cost - Difference between interest and similar income and interest and similar expenses	Measures income from the group's financial activity
Financial margin for the scope of aggregate accounts	Under French accounting standards: interest and similar income - interest and similar expenses + net gains or losses on trading portfolio transactions + gains or losses on investment portfolio transactions and similar	Measures income from financial activity from Crédit Mutuel Arkéa accounts
Asset returns	Ratio of the net profit or loss to the balance sheet total on a consolidated basis at the end of the fiscal year	Measures the rate of return of total balance sheet assets
Overall coverage ratio of non-performing loans (interest + capital)	Ratio of provisions recognized in respect of credit risk on an individual basis to impaired loans outstanding on an individual basis	Measures the maximum residual rate of risk coverage for impaired loans outstanding
Rate of non-performing and litigated loans (including interest)	Ratio of impaired loans outstanding on an individual basis to customer deposits ("Customer loans and receivables" recorded as assets on the balance sheet on a consolidated basis)	Measures the quality of loans