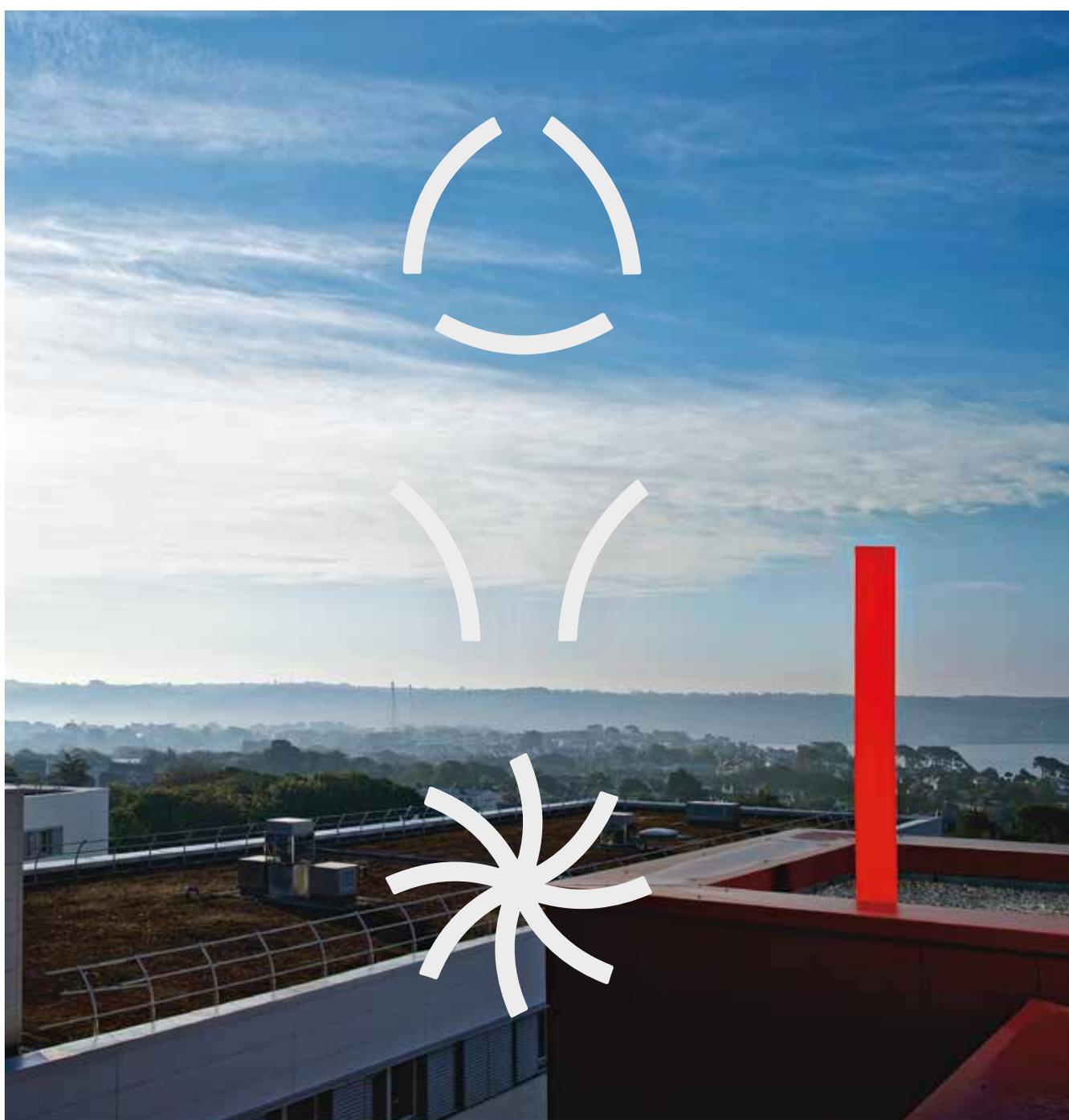


Commitment, openness, boldness



REGISTRATION DOCUMENT | 2016





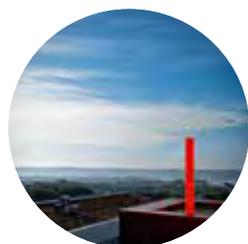
This is a free translation into English of the Registration Document and it is provided for the convenience of English speakers users. Only the French version of the Registration document has been submitted to the AMF. It is therefore the only version that is binding in law.

This Registration Document also constitutes the Annual Management Report of the Board of Directors of Crédit Mutuel Arkéa to be presented to the Shareholders' General Meeting held to approve the financial statements for the year ending December 31, 2016.



This Registration Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers - AMF) on May 09, 2017 in accordance with Article 212-13 of its General Regulations. It may be used in support of a financial transaction if it is accompanied by a transaction memorandum certified by the AMF. This document was prepared by the issuer and is binding on its signatories.

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1

# Presentation of Crédit Mutuel Arkéa



# 1.1 Group profile

**A banking and insurance group**, Crédit Mutuel Arkéa comprises the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel du Massif Central federations as well as approximately 30 specialized subsidiaries that cover all business lines in the banking and financial arena.

**A cooperative company, Crédit Mutuel Arkéa is not listed on the stock exchange.** Crédit Mutuel Arkéa is owned by its customer shareholders, who are both shareholders and customers. The group, which combines a strong financial position and long-term growth, thereby puts its performance to work on behalf of the real economy and the projects of its 3.9 million customers.

**As a producer and distributor**, Crédit Mutuel Arkéa is able to offer its customers – whether individuals, companies, associations or government bodies – a comprehensive line of banking, financial, asset management, insurance and other products and services. The group also stands apart through its **development of private label banking services on behalf of other financial institutions and payments providers**. At the same time, Crédit Mutuel Arkéa is enhancing its know-how in assembling services in order to offer the best solutions to its shareholders and customers – both individuals and major accounts – to ensure long-term co-development with its partners.

**A pioneer and innovator**, Crédit Mutuel Arkéa is known and recognized for its technology culture. Building on this expertise, **the group has forged very close ties with players in the digital ecosystem** and is developing various forms of cooperation with them, whether technological or through capital transactions. In

a fast-changing environment, these partnerships with startups and fintechs allow it to remain at the forefront of technology and consumer trends and cultivate its agility.

**A banking and insurance entrepreneur**, Crédit Mutuel Arkéa pursues an original development strategy that benefits the real economy and places customer satisfaction at the heart of all its initiatives.

**As a decentralized bank**, Crédit Mutuel Arkéa is committed to keeping its decision-making centers and employment catchment areas at the regional level. This approach based on regional strongholds enables the group to extend its reach throughout France and to other countries:

- A network of 468 points of sale, including 334 local savings banks in Brittany, Southwestern France and the Massif Central region ;
- 18 regional business centers for Arkéa Banque Entreprises et Institutionnels ;
- 9 regional branches for Leasecom ;
- 8 regional branches for Financo ;
- A presence in Belgium with Keytrade Bank and ProCapital Securities Services. Keytrade Bank is also present in Switzerland and Luxembourg.
- Leetchi and Mangopay are present in the United Kingdom, Germany, Spain and Luxembourg.
- Activity throughout Europe through Monext, the subsidiary that specializes in electronic payments.

<sup>1</sup> Contraction of «finance» and «technology»: a fintech is a startup that uses information and communication technologies to deliver financial services.

## CRÉDIT MUTUEL ARKÉA BUSINESS LINES

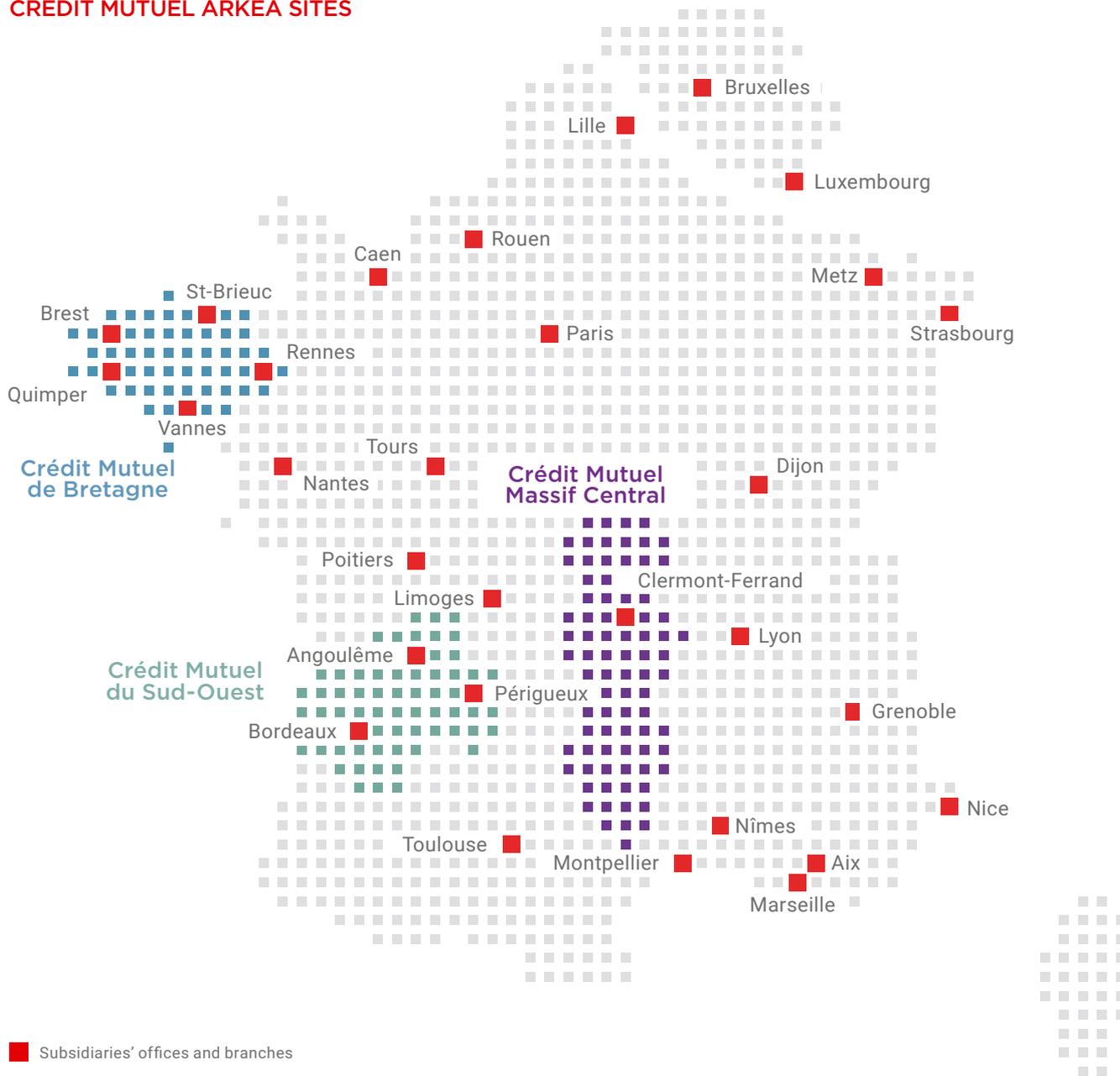
Retail banking for individuals and sole proprietorships



Retail banking for companies and institutions



## CRÉDIT MUTUEL ARKÉA SITES



### Banking and insurance services production subsidiaries



### Subsidiaries specializing in the business-to-business (BtoB) market



### Subsidiaries providing non-banking services



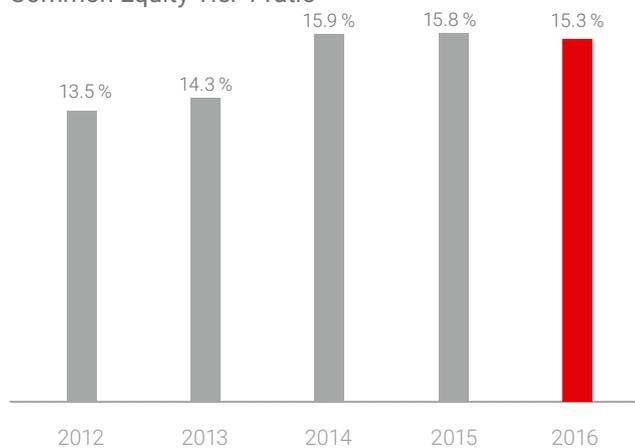
## Key figures

(€ millions)

	2012	2013	2014	2015	2016
Net banking and insurance income	1,668	1,620	1,724	1,780	<b>1,852</b>
Gross operating income	406	481	531	545	<b>570</b>
Net income attributable to equity holders of the parent	168	213	269	296	<b>336</b>
Total assets	90,900	93,969	103,204	110,112	<b>120,393</b>
Shareholders' equity attributable to equity holders of the parent	4,721	5,010	5,463	5,774	<b>6,070</b>

## Solvency and financial rating

Common Equity Tier 1 ratio



AS OF 31/12/2016	
SHORT-TERM RATINGS	
Standard & Poor's	A-1
Moody's	P-1
LONG-TERM RATINGS	
Standard & Poor's	A
Moody's	Aa3
OUTLOOK	
Standard & Poor's	Stable
Moody's	Negative



# 1.2

## Crédit Mutuel Arkéa's History

Crédit Mutuel Arkéa's history goes back more than 100 years in Brittany and continues today across all of France and elsewhere in Europe. With an entrepreneurial and open approach, Crédit Mutuel Arkéa has adopted successful strategic orientations at key points in its development.

The first Crédit Mutuel Agricole rural savings banks were inspired by the local German cooperatives created by Frédéric-Guillaume Raiffeisen and established in Brittany, Southwestern France and the Rhône-Alpes region beginning in 1884. In western France, after several years of uneven growth and development that often varied from one city to the next, **the local savings banks in Brittany formed a union in the 1970s and in 1979 created a federation – Crédit Mutuel de Bretagne – covering the entire region.**

In the 1980s, the range of banking and insurance needs of individuals, sole proprietorships and companies became more diverse. Crédit Mutuel de Bretagne provided a competitive solution by becoming both a producer and distributor of its products and services. **Between 1984 and 2000, it thus created its first specialized subsidiaries: Suravenir** (life insurance and protection), **Suravenir Assurances and Novélia** (non-life insurance), **Federal Finance** (asset management), **Arkéa Banque Entreprises et Institutionnels** (formerly BCME, commercial banking) et **Financo** (consumer credit).

**In 2002, a solid and diversified group was formed around the three federations: Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest, and Crédit Mutuel Massif Central and some 20 subsidiaries. This step constituted the creation of Crédit Mutuel Arkéa.**

**2008 marked another key moment, as Crédit Mutuel Arkéa adopted the Horizons 2015 strategic business plan.** With this plan, the group confirmed its prominent role as a locally based banking and insurance company while developing its online activities and services, strengthening its position in the companies and institutions market and providing its expertise, particularly in the design of banking products and services, to new partners: mass market retail chains, banks and payment institutions.

**In October 2015, the group's Board of Directors adopted a new business plan: "Arkéa 2020".** Like its predecessor Horizons 2015, this new strategic business plan is designed to strengthen the group's original purpose, namely to support and finance the real economy while taking full advantage of the group's openness and agility in response to the rapid and far-reaching changes in its environment.

**These major strategic orientations led to the following developments:**

- the successful launch of online banking: Fortuneo Banque in 2009;
- the creation of new subsidiaries such as **Arkéa Banking Services** (private label banking services), **Arkéa Capital Partenaire** (private equity) and **Arkéa Assistance** (remote assistance);
- the acquisition of **Leasecom** (lease financing), **Monext** (electronic payments), **CFCAL Banque** (credit restructuring), **Schelcher Prince Gestion** (asset management), and the equity investment in **Primonial** (wealth management). These new areas of expertise all complement and round out the group's other products and services.
- the acquisition of **Leetchi** and investments in several fintechs : Linxo (aggregation of bank accounts), Grisbee (wealth management platform), Vivienne Investissement (quantitative management), Masuccession.fr (estate fee simulator), Fluo (insurance management). These operations allow Crédit Mutuel Arkéa to remain at the forefront of technology and consumer trends.

(see page 18)

## 1.3

# Crédit Mutuel Arkéa business lines

**As the producer and distributor of its products and services, and backed by the expertise of its specialized subsidiaries, Crédit Mutuel Arkéa offers a comprehensive and competitive line of products and services and distinguishes itself as an essential partner for all its customers.**

In a constantly changing environment, Crédit Mutuel Arkéa remains particularly attentive to changing consumer preferences as well as the emergence of new business lines and activities, in particular those due to the digital transformation.

## The banking business lines

### Retail banking for individuals and sole proprietorships

As the historical business line of Crédit Mutuel Arkéa, retail banking for individuals and sole proprietorships (farmers, skilled tradesmen, merchants, and independent professionals) revolves primarily around the **Crédit Mutuel de Bretagne**, du **Sud-Ouest** and Crédit Mutuel du **Massif Central** network. These three federations, which have more than 4,000 employees, embody Crédit Mutuel Arkéa's local and regional roots. With their dense point of sale network, these federations continue to be the direct and natural link with the 2.3 million customer shareholders and customers.

Since late 2013, the group has experimented with a new local savings bank format in Brittany, Southwestern France and the Massif Central region, thereby clearly demonstrating its commitment to stronger local banking ties with customers. These new bank branches underpin the essential role of the branch as a place of expertise and exchanges between customers and their usual branch advisor, while introducing the latest in technology such as self-service touch-screen tablets, video-conferencing, etc.

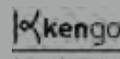
A pioneer in multi-channel banking, Crédit Mutuel Arkéa uses the Internet and mobile banking as the main drivers of its market penetration strategy alongside its traditional banking channels. Examples include the development of new online services, the

launch of the Paylib payment service, banking apps for connected devices and testing in-store payments via a mobile phone with biometric authentication. The success of **Fortuneo Banque** is yet another example, as it ranks among the leaders in the French market and already has more than 330,000 customers. The acquisition of **Keytrade Bank**, the undisputed leader in online banking in Belgium with more than 280,000 customers, became effective in June 2016 and will allow Crédit Mutuel Arkéa to ramp up the pace of its international development, one of the objectives of its Arkéa 2020 strategic plan. Fortuneo Banque and Keytrade Bank are Arkéa Direct Bank's brand names.

In addition, with **Arkéa Banque Privée**, the group has an entity that specializes in wealth management for customers located in the Brittany, Southwestern France and Massif Central regions.

The acquisition in 2015 of the **Leetchi** group, which designs online payment solutions for individuals and companies, further strengthens Crédit Mutuel Arkéa's presence in the digital universe and online finance. With more than 7 million customers, leetchi.com is the leader in online money pots in Europe. **Mangopay**, its other activity, is the leading payment solution for the sharing economy and marketplaces, with more than 1,000 customer platforms. Crédit Mutuel Arkéa also teamed up with Le Télégramme to launch **Kengo**, a crowdfunding platform designed to support projects involving Brittany and its people. The **Sokengo** platform, based on the same model, was launched in May 2016 in partnership with the Sud-Ouest daily newspaper to finance local projects in Nouvelle-Aquitaine.

The group also has solid expertise in both point-of-sale consumer credit (**Financo**) and credit restructuring and debt consolidation (**CFCAL** : Crédit Foncier et Communal d'Alsace et de Lorraine).



## **RETAIL BANKING FOR INDIVIDUALS AND SOLE PROPRIETORSHIPS**

- Three Crédit Mutuel networks in Brittany, Southwestern France and the Massif Central region. These networks are supported by specialized teams for the agricultural and wine-producing sectors.
- Two online brand names: Fortuneo Banque and Keytrade Bank.
- A developer of online payment solutions: Leetchi
- Two crowdfunding platforms: Kengo and Sokengo
- A consumer credit specialist (Financo) and a credit restructuring specialist (CFCAL)

## Retail banking for companies and institutions

Already a leader in retail banking for individuals, Crédit Mutuel Arkéa also provides support to all of the market participants that drive local and regional economic development: companies, local authorities, healthcare organizations, real estate developers, public housing and social welfare agencies, etc.

The federations of Crédit Mutuel de Bretagne, du Sud-Ouest and du Massif Central have specific teams and departments to support companies that generate less than €10 million in revenue.

Crédit Mutuel Arkéa also relies on a division built around a commercial bank (**Arkéa Banque Entreprises et Institutionnels**), which combines all of the expertise dedicated to this clientele. For companies and local authorities, the group offers a broad range of services: financing, cash management and development, leasing with **Arkéa Crédit Bail**, financial engineering and leasing with **Leasecom**, insurance, payments processing, factoring under the **Arkéa Factoring**, label, wealth management for business owners, etc. In a still challenging economic environment, in 2015 Arkéa Banque Entreprises et Institutionnelles launched La Plateforme des Institutionnels. Based on a crowdfunding model, this digital platform enables local authorities to obtain financing directly from institutional investors who would like to direct their investments toward regional development.

Crédit Mutuel Arkéa, which in 2016 consolidated all its private equity activities under the **Arkéa Capital** name, is able to support executives at every step of their company's development, from the startup phase until they become medium-sized companies. **Arkéa Capital Partenaire**, a private equity firm founded in 2011, provides long-term equity financing to large unlisted companies. It embodies the strength and conviction of Crédit Mutuel Arkéa's long-term commitment. Crédit Mutuel Arkéa thereby directly contributes to the maintenance of economic decision-making centers in the regions as well as job creation in promising industrial sectors in its home markets. With €400 million in investment capacity, Arkéa Capital Partenaire supports the owners of promising medium-sized companies with their development projects and succession plans. The subsidiary has already carried out five major transactions on behalf of Le Graët (agribusiness), Paprec (materials recycling), Armor (ink chemistry and printing technologies), Sermeta (manufacture of heat exchangers) and more recently Vivalto Santé (private clinics).

Meanwhile, **Arkéa Capital Investissement**, a complementary business, invests in growth capital and buyout capital transactions involving family-owned and independent companies, with invest-

ment amounts ranging from €1 million to €10 million. In nearly 30 years, Arkéa Capital Investissement has supported more than 500 small and medium-sized companies for a total of close to €400 million.

In September 2016, Crédit Mutuel Arkéa launched a new investment vehicle to meet the specific needs of executives of medium-sized companies: **Arkéa Capital Managers**. The aim of this fund is to help management teams, over the long term, with their growth projects or to take control of their company. It provides equity financing, with tickets of more than €10 million, through the acquisition of minority interests.

Finally, since May 2016, Crédit Mutuel Arkéa has held part of the capital of **d'Easton Corporate Finance**, an investment bank that specializes in merger and business acquisition consulting.



## RETAIL BANKING FOR COMPANIES AND INSTITUTIONS

- A commercial bank : Arkéa Banque Entreprises et Institutionnels
- Two specialized subsidiaries : Arkéa Crédit Bail (equipment and real estate leasing) et Leasecom (lease financing)
- Three private equity subsidiaries (under Arkéa Capital brand name): Arkéa Capital Partenaire, Arkéa Capital Investissement and Arkéa Capital Managers

### Specialized subsidiaries in the Business-to-Business (B-to-B) market

Crédit Mutuel Arkéa also forges commercial, technical and even joint venture partnerships with other financial institutions, mass market retail companies, etc.

This business-to-business activity has grown exponentially within the group, which does not hesitate to position itself as a “partner serving the growth of its competitors,” notably by offering Business Process Outsourcing (BPO) services. For the client company, the outsourcing of business processes deemed non-strategic not only helps to significantly lower that company’s costs but also serves to enhance its competitiveness by allowing it to focus on its core business while at the same time benefiting from the latest products and services. These partnerships allow Crédit Mutuel Arkéa to leverage its know-how and technological expertise and secure its development in France and the rest of Europe.

**Arkéa Banking Services**, the subsidiary that specializes in private label banking services, contributes toward this goal. The successful partnerships with RCI Banque, PSA Finance, Allianz Banque, La Banque Postale, Adyen, Brink’s France and Système U are good examples of this. In 2016, British fintech Currencycloud, which offers companies a multi-currency payment engine, chose Arkéa Banking Services to support its development in Europe by entrusting it with the management of the electronic money flows of its payment institution.

The **ProCapital Securities Services**, **Monext** and **Mangopay** subsidiaries also use a partnership-based approach. ProCapital Securities Services provides securities services to financial institutions and asset management firms looking for a scalable product line, account-keeping, customer order execution and even the creation of transactional web sites. A leader in its market, Monext specializes in electronic transactions combining technology and payment services. Its Payline payment solution is one of the most

widely used by e-merchants in France, with more than 340 million transactions per year. For its part, Mangopay, a Leetchi subsidiary, develops turnkey payment solutions for marketplaces and collaborative consumption and crowdfunding platforms.

Since 2011, Crédit Mutuel Arkéa has also teamed up with Banque Accord, a subsidiary of the Auchan group, to manage an electronic money platform under the **Armoney** brand.

In addition to these specialized BtoB companies, other subsidiaries carry out BtoB activities by distributing their products through external networks (Suravenir, Suravenir Assurances, etc.).



### SPECIALIZED SUBSIDIARIES FOR THE B-to-B MARKET

- A private label banking services subsidiary: Arkéa Banking Services
- A securities services provider: ProCapital Securities Services
- Two electronic payments specialists: Monext and Mangopay
- An electronic money EIG with Banque Accord: Armoney

## Insurance and asset management business lines

The creation of insurance and asset management subsidiaries starting in the 1980s enabled the group to accelerate its development. In their respective business areas, Suravenir, Suravenir Assurances, Novélia, Federal Finance, Arkéa Capital Gestion and Primonial allow the Crédit Mutuel Arkéa distribution networks to offer comprehensive, high-quality services. These services are also marketed through non-group networks and online.

### Life insurance and protection insurance

**Suravenir** is among the leading French providers of life insurance and protection insurance. Suravenir specializes in the design, production and management of life insurance policies (individual and group life insurance), protection insurance (borrower's insurance, temporary death benefits) and company retirement savings. Its policies are marketed by many distribution partners: bank networks, Internet, independent wealth management advisors, brokers, etc.

### Non-life insurance

**Suravenir Assurances** covers all the non-life insurance needs of individuals: home and accidental death and disability, auto, motorcycle, healthcare, home care, etc. It manages more than 2 million policies for 600,000 customers. A wholesale insurance broker, **Novélia** provides business risk coverage and designs insurance products for mass market and major business accounts. Its products are distributed by nearly 4,000 insurance brokers and general agents throughout France.

### Asset and wealth management

**Federal Finance**<sup>1</sup> (under Arkéa Investment Services brand name) comprises all the group's asset management specialists. Arkéa Investment Services brings together the expertise of several management companies: **Federal Finance Gestion**, **Schelcher Prince Gestion** and **Swen Capital Partners**. Federal Finance Gestion offers a wide range of mutual funds, discretionary management services and employee savings plans. Its solutions are distributed by the Crédit Mutuel Arkéa networks and directly to institutional investors, major accounts, private banks, fund managers and independent wealth management advisors. Federal Finance Gestion is also seen as a pioneer in socially responsible investing (SRI), offering a range of 11 SRI funds. A subsidiary of the group since 2011, Schelcher Prince Gestion offers mutual funds, unit trusts and special funds and mandates and is recognized for its expertise in convertible bonds, credit (Investment Grade and High-Yield), multi-strategy bond funds and funds of loans to the economy. In September 2016, Crédit Mutuel Arkéa acquired a stake in **Vivienne Investissement**, a quantitative management company. Swen Capital Partners, created in partnership with the OFI group, is

<sup>1</sup> Federal Finance uses Arkéa Investment Services brand.

a specialist in unlisted responsible multi-management.

Crédit Mutuel Arkéa is also a shareholder of **Primonial**, a leading wealth management firm for individuals in France. Primonial selects and designs wealth management solutions in an open architecture.

**Arkéa Capital Gestion** rounds out the asset management activities. Working with Arkéa Capital Investissement, it manages FCPR and FPCI funds, i.e. mutual funds at least 50%-invested in unlisted shares. Arkéa Capital Gestion also manages the West Web Valley 1 and We Positive Invest funds. With €30 million, West Web Valley 1 seeks to support startups and companies in the digital transition phase. We Positive Invest, for its part, is a €20 million investment fund that supports entrepreneurs involved in energy transition, the circular economy and societal entrepreneurship.



## INSURANCE AND ASSET MANAGEMENT SUBSIDIARIES

- A life insurance and protection insurance subsidiary: Suravenir
- A non-life insurance subsidiary: Suravenir Assurances
- An insurance solutions product development and brokerage subsidiary: Novélia
- Three fund management companies affiliated with Federal Finance (marketed under the Arkéa Investment Services brand): Federal Finance Gestion, Schelcher Prince Gestion and Swen Capital Partners.
- A wealth management company: Primonial
- A portfolio management company: Arkéa Capital Gestion

## Non-banking activities

Crédit Mutuel Arkéa also provides services in non-banking areas through its subsidiaries specializing in connected services : **Arkéa Assistance**, which specializes in remote assistance services for individuals, and **Arkéa Sécurité** which offers a remote surveillance service aimed at individuals. Their services are sold under **Arkéa On Life** brand.

In an entirely different field, **Arkéa Immobilier Conseil**, selects real estate new construction and renovation products and programs throughout France on behalf of the networks of the three federations. These products and programs are eligible for the main preferential tax treatment provisions.

Lastly, **Armorique Habitat**, a public housing company, manages an inventory of more than 6,000 units that it owns in Brittany.



### NON-BANKING ACTIVITIES

- A remote assistance subsidiary: Arkéa Assistance
- A remote surveillance subsidiary: Arkéa Sécurité
- A real estate investment advisory subsidiary: Arkéa Immobilier Conseil.
- A public housing company: Armorique Habitat.

## 1.4

# Crédit Mutuel Arkéa's strategy

Since 2016, the group deploys a new business plan: “Arkéa 2020”. The plan aims to strengthen the group’s position as the “Entrepreneur for banking and insurance” through four main strategic orientations:

- Advise and equip retail customers, transitioning from a model of banking distribution to a “financial coaching” concept, by leveraging the expertise of the branch advisors and the scope of the services offered.
- Strengthen the group’s positioning as the go-to partner in its home regions and supporter of ecosystems, notably with the establishment of a function dedicated to supporting digital entrepreneurship.
- As a producer of banking and insurance products, continue to diversify its distribution networks through partnerships or even acquisitions of niche players to round out its product and service lines, notably in the services area.
- Take advantage of its unique positioning in France and the euro zone as a third-party service provider by expanding its product and service lines to better serve existing customers and win new ones. The goal is to strengthen its role as a compiler of skills.

Lastly, socially responsible development (i.e. corporate social responsibility) lies at the heart of the Arkéa 2020 plan, with an action plan that seeks to strengthen the group’s presence in innovative sectors that foreshadow the economy of tomorrow: energy transition, circular economy, sharing economy and societal entrepreneurship.

## CRÉDIT MUTUEL ARKÉA'S DIGITAL STRATEGY

The emergence of finance startups – or fintechs – that use their agility and technological expertise to deliver innovative services is dramatically changing the banking and insurance landscape. To explore new growth opportunities, Crédit Mutuel Arkéa forged ties very early on with these types of startups and is developing various forms of cooperation with them. For example, the group is a shareholder of Younited (formerly Prêt d'Union), the leading provider of financing between individuals, and Linxo, a bank account aggregator. In 2015, the group acquired an 86% stake in Leetchi, whose payment services for individuals and professionals complement its own, and invested in Yomoni, a private wealth management specialist. In 2016, the group made further investments, acquiring stakes in Grisbee, a wealth management platform, and Vivienne Investissement, a quantitative management company. The group's subsidiaries apply the same strategy. Suravenir, for example, works with startups that offer alternative lower-cost investment models (wesave.fr, Marie Quantier) and also collaborates with Yomoni and Grisbee. Financo formed a commercial partnership with Yelloan, which develops a type of crowdfunding money pot that serves as a guarantee to help people obtain consumer loans. A hotbed of innovation and a transformative force, these fintechs allow Crédit Mutuel Arkéa to expand its range of services and remain at the forefront of technology and consumer trends.

# 1.5 2016 highlights

## January

**Arkéa Capital Partenaire**, Crédit Mutuel Arkéa's long-term private equity subsidiary, finalized an investment of more than €20 million in the holding company of the **Vivalto Santé** group, a leading operator of private clinics in France. By investing directly alongside the group's chairman and founder, Arkéa Capital Partenaire is enabling him to strengthen his position as historical shareholder and pursue his growth projects through injections of equity over the long term.

**Fortuneo** is the first online bank to venture into crowdfunding by partnering with **SmartAngels**, a French marketplace that invests in startups and small to medium-sized growth companies.

**Bpifrance** and **Crédit Mutuel de Bretagne** made a joint commitment to support fast-growing farming enterprises in Brittany that make investments related to energy transition, business transfer, compliance with standards or upgrading of production capacities. The agreement covers the terms of the financing and guarantees provided by each party.

## February

The French startup **Yelloan** launched the first community platform that allows borrowers to obtain a «participatory» guarantee from their friends and family in order to have easier access to consumer loans. Yelloan allows would-be borrowers to set up a money pot with at least five friends in an amount equal to 5% of the loan amount. This solution, which mainly targets young people, those with fixed-term employment contracts and temporary workers who have trouble obtaining a loan, is the result of a financial partnership with Financo.

## March

**Crédit Mutuel Arkéa** expanded its range of online financial services by opting for the APIs (application program interfaces) developed by **Apigee**. The goal is to make it easier to upload new services for customers and partners, in line with the development strategy in the online banking and digital financial services market.

## April

**Arkéa Capital Gestion** manages the «West Web Valley 1» fund launched by the **West Web Valley**, accelerator, which finances high-potential entrepreneurial projects that create jobs in the Grand Ouest region of France. The fund will allow the financing of startups that are being created, are in the seed phase or have already completed a first round of financing, as well as traditional companies in the digital transition phase.

## May

**Virtualis**, the secure payment solution developed in 2005 by **le Crédit Mutuel Arkéa**, received authorization from **GIE Cartes Bancaires CB**, a first in France in the fight against fraud. **Virtualis** is available to all the group's customers that have payment cards, via its federations and subsidiaries.

**Crédit Mutuel Arkéa** announced the acquisition of a stake in **Easton Corporate Finance**, an independent investment bank that specializes in merger and acquisition and corporate finance consulting. This transaction rounds out the range of banking and insurance services aimed at companies and institutions related to corporate finance consulting.

## June

**Federal Finance** adopts **Arkéa Investment Services brand name** to bring together the expertise of several asset management and private banking companies in a multi-store model: Federal Finance Gestion, Schelcher Prince Gestion, Swen Capital Partners and Arkéa Banque Privée.

**Crédit Mutuel de Bretagne**, the **Ark'ensol Créavenir** association, which provides financial assistance to small companies being founded or purchased, and **Kengo**, the crowdfunding platform, joined forces to support innovative companies located in Brittany. The result: additional financial aid in the form of an «Innovation donation» of up to €5,000.

**Crédit Mutuel Arkéa** finalized the purchase of **Keytrade Bank**, the online banking leader in Belgium. With this transaction, the group is stepping up the pace of its international development. The acquisition of Keytrade Bank, together with **Fortuneo**, has resulted in the creation of a major online banking player in Europe, with more than 600,000 customers in four countries (France, Belgium, Luxembourg and Switzerland) and €20 billion in assets under management.

**Crédit Mutuel Arkéa** invested €10 million in **RAISE**. Founded in 2013, RAISE is structured around two complementary entities: RAISE Investissement, a private equity company with nearly €350 million in resources, which acquires minority interests in medium-sized companies from all business sectors and has tickets ranging from €10 million to €40 million; and the RAISE Endowment Fund (called foundation), a philanthropic entity that supports and finances young entrepreneurs to help them build enduring companies.

**Crédit Mutuel Arkéa** is the first French bank to offer a fully paperless real estate loan application. This innovation is available to customers of the group's three federations (**Crédit Mutuel de Bretagne**, du **Sud-Ouest** and **Massif Central**). From their personal area, customers can complete all steps of the real estate loan application process: from simulation to validation of the loan by electronic signature, and including the health questionnaire and uploading supporting documents.

**IBM** and **Crédit Mutuel Arkéa** finalized a first Blockchain project aimed at improving the bank's ability to verify its customers' iden-

tity. This prototype, which provides a full picture of the customer's identity, reduces the unnecessary duplication of information and requests. The Blockchain identifies all the existing valid proof of identity already stored in the multiple databases of the bank's information system. The information is automatically consolidated, with the customer's consent, and distributed to all the group entities. Customers therefore no longer need to identify themselves and provide proof of address for each of their projects since the information is shared among all Crédit Mutuel Arkéa's subsidiaries. This change makes it easier to set up new customer relationships and update regulatory information.

## July - August

**Crédit Mutuel Arkéa** launched **We Positive Invest**, a €20 million investment fund that supports entrepreneurs who are pioneers in three sectors: energy transition, the circular economy and societal entrepreneurship. The fund will invest directly when the new innovative company needs to increase its equity to speed up the industrial and commercial development of its products and services. In addition to the investment vehicle, the group wishes to develop and facilitate, around «We Positive Invest», a real entrepreneurial ecosystem, together with the institutional partners, incubators, accelerators and technopoles in order to pool expertise in support of innovative entrepreneurs and regional development.

**Crédit Mutuel Arkéa** and **Groupama** launched a joint watch center that provides remote assistance to individuals and remote surveillance of property. An R&D center was also set up to expand home-connected services and offerings related to the health of each of the two groups.

The London-based fintech **Currencycloud**, chose **Arkéa Banking Services** to support its development in Europe. Currencycloud offers companies a multi-currency payment engine. Arkéa Banking Services provides the company with its expertise in automating the management of its payment flows.

## September

**Crédit Mutuel Arkéa** rounded out its private equity offering by launching a new investment vehicle: **Arkéa Capital Managers**. With €200 million, Capital Managers seeks to help management teams, over the long term, with their growth projects or to take control of their company. It will provide equity financing, with tickets of more than €10 million, through the acquisition of minority interests.

**Crédit Mutuel Arkéa** acquired a stake in **Vivienne Investissement**, a quantitative management company. Vivienne Investissement's expertise further enhances that of Arkéa Investment Services and will enable the group to offer original solutions that create value for institutional customers, companies and individuals.

## October

**Crédit Mutuel Arkéa** participated in raising €150 million in capital for **Daphni** to set up its first fund, the Daphni Purple professional private equity fund. Daphni will mainly invest in new European digital startups whose development model is based on strong traction related to new practices. What makes Daphni unique in the venture capital market is that it organizes its investments and coordinates its community of entrepreneurs, company managers and researchers via a digital platform.

**Crédit Mutuel Arkéa** made further investments in fintechs and invested €3 million in **Grisbee** which is launching its wealth management platform aimed at individuals. The stake acquired by Crédit Mutuel Arkéa will allow faster development of this new decision-support tool which, by combining artificial intelligence with the expertise of advisors, makes wealth management available to everyone.

**Crédit Mutuel Arkéa** made investments for its **Arkéa Direct Bank** subsidiary with the construction of a new 5,600 m<sup>2</sup> building on the outskirts of Brest in order to support its strong growth. This investment also reflects Crédit Mutuel Arkéa's attachment to its roots in

Brittany and its commitment to keeping the decision-making centers at the regional level and working towards the development of local employment.

## November

Crédit Mutuel Arkéa, Blackfin Capital Partners, Latour Capital and the management and shareholders of the **Primonial**, group entered into exclusive negotiations with **Bridgepoint**, in order to acquire a majority stake of approximately 50% in the group. Crédit Mutuel Arkéa, a Primonial partner since 2011 and a shareholder since 2014, will retain a significant stake of approximately 35% in the company to support the group's development projects. Blackfin Capital Partners and Latour Capital will sell all their shares following the transaction.

## Décember

**Arkéa On Life**, partnered with electronics manufacturer **Archos**, to launch a remote assistance solution that runs on a tablet. Subscribers have access to three complementary services: video remote assistance to speak with a call center advisor; a connected health service to obtain advice from a general practitioner 24/7; and a private family social network to stay in touch with loved ones via video and receive photos and messages.

**Suravenir** and the **Grisbee** fintech launched Grisbee Vie, a new online life insurance policy. The underwriting process is completely digital and two management modes are available: self-managed or manager-guided based on the expertise of the Carmignac management company.



## 1.6

# Solidarity relations

## The Crédit Mutuel Arkéa group's solidarity mechanism is interfederal, in accordance with Article R. 511-3 of the French Monetary and Financial Code.

This article stipulates that the European Central Bank (ECB) may, at the proposal of the ACPR, with respect to mutual and cooperative companies, issue a collective license to a regional or federal savings bank for itself and all affiliated savings banks «when the liquidity and solvency of the local savings banks are guaranteed through this affiliation.»

Crédit Mutuel Arkéa has received a collective license for itself and all member local savings banks since the ACPR and the ECB felt that the liquidity and solvency of the local savings banks were guaranteed through this affiliation.

The solidarity mechanism is set up through the financial by-laws contained in each of the general operating by-laws of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations and Crédit Mutuel Arkéa's internal regulations. It only binds the member local savings banks, the federation and Crédit Mutuel Arkéa. Moreover, it does not create third-party obligations for the local savings banks. In other words, the members of Crédit Mutuel Arkéa are not liable to third parties. Creditors of a local savings bank can only assert their claims against that specific savings bank, and not indiscriminately against another savings bank or Crédit Mutuel Arkéa.

As part of this solidarity mechanism, a federal fund is set up for each federation, which ensures compensatory earnings transfers among the member local savings banks pursuant to general resolution No. 1-2016 of the Confédération Nationale du Crédit Mutuel.

This federal fund receives allocations and subsidies from the local savings banks and is made up of the federal solidarity fund and the federal reserve fund.

1 - The federal solidarity fund performs compensatory earnings transfers among member Local Savings Banks through contributions and subsidies. All local savings banks that have recorded net losses for three consecutive years are subjected to a special audit. A turnaround plan is drawn up by the corresponding federation and Crédit Mutuel Arkéa. If the loss has not been eliminated at the end of the turnaround period set in the plan, the corresponding federation in conjunction with Crédit Mutuel Arkéa will decide on the local savings bank's future.

2 - The federal reserve fund may provide financial support to local savings banks whose net financial position is negative or which show a loss, as well as to those that have experienced an extraordinary loss.

Each year, the federation determines the level of contributions to this fund. The federal reserve fund is administered by the federation. The requests it receives for financial support are reviewed by a committee consisting of directors.

In addition to this federal fund, Crédit Mutuel Arkéa may also provide advances, subsidies and loans to local savings banks experiencing financial difficulties.

Crédit Mutuel Arkéa also supports its subsidiaries under the mechanisms regarding prudential supervision on a consolidated basis (Art. 7 and 8 of EU Regulation 575/2013, supplemented by ad hoc intra-group financial agreements on the scope of liquidity), the mechanism provided for in Article L. 511-42 of the French Monetary and Financial Code and the mechanism provided for vis-à-vis insurance subsidiaries in Directive 2002/87 on financial conglomerates.

## Solidarity relations within Crédit Mutuel

Crédit Mutuel is subject to the French Monetary and Financial Code, and in particular to Articles L. 511-30 to L. 511-32 on central bodies and L. 512-55 to L. 512-59 on Crédit Mutuel. The membership of the regional groups (second level of the organization) in the Confédération Nationale du Crédit Mutuel and in the Caisse Centrale du Crédit Mutuel (third level) rounds out the organization of Crédit Mutuel.

As the central body, the Confédération Nationale du Crédit Mutuel represents member credit institutions on matters involving the Banque de France, the ACPR and the ECB. It also ensures compliance with laws and regulations that govern its institutions. Finally, it exercises administrative, technical and financial control over the organization and management of the member Crédit Mutuel savings banks.

National solidarity is set by general resolution No. 1-2016 of the Confédération Nationale du Crédit Mutuel (the «CNCM»).

It is clearly stated that Crédit Mutuel Arkéa has its own solidarity mechanism as defined above, which would apply initially. The additional mechanisms likely to involve Crédit Mutuel Arkéa would, in any case, and based on its interpretation, imply a decision on its part.

Crédit Mutuel Arkéa wishes to point out that it has been involved in legal disputes since the end of 2014 with the Confédération Nationale du Crédit Mutuel, Crédit Mutuel's central body, related to potential conflicts of interest. These disputes mainly concern the exercise by the CNCM of its administrative, technical and financial supervision and the use of the «Crédit Mutuel» name. At this stage, there is no certainty as to how this conflict with the CNCM may develop and/or when it may be resolved or the impact it may have in the event that Crédit Mutuel Arkéa remains a part of the Crédit Mutuel organization or becomes a fully autonomous banking group.

On May 3, 2016, Crédit Mutuel Arkéa initiated talks with the CNCM to recognize the existence of two autonomous and competing banking groups, namely Crédit Mutuel Arkéa and CM11-CIC. All the proposals made by Crédit Mutuel Arkéa were rejected by the CNCM. Following the voting held between October 19 and 21, 2016, the three federations of Crédit Mutuel Arkéa (Bretagne, Massif Central and Sud-Ouest) decided by a vote of 96.4% to ask the government authorities to recognize a central body specific to Crédit Mutuel Arkéa.



2

Corporate  
governance

- 2.1 Board of Directors of Crédit Mutuel Arkéa
- 2.2 Other officers and directors
- 2.3 Chairman's report on the conditions for preparing and organizing the work of the Board of Directors and on internal control procedures
- 2.4 Executive Management bodies and their work
- 2.5 Conflicts of interest of officers and directors
- 2.6 Compensation of officers

## 2.1

# Board of Directors of Crédit Mutuel Arkéa

Crédit Mutuel Arkéa adheres to the AFEP-MEDEF Code and the governance guidelines for cooperative and mutual companies.

The directors of Crédit Mutuel Arkéa are elected at the Shareholders' General Meeting by and from among the 3,500 directors of the local savings banks of the Crédit Mutuel Arkéa federations. These directors are themselves elected by the shareholder customers of their local savings bank at the shareholders' general meetings of the local savings banks according to the cooperative principle of one person, one vote. There is no procedure to grant multiple voting rights.

This electoral system, with an electoral body consisting of all of our customer shareholders, ensures that customers are truly represented on all Crédit Mutuel Arkéa governance bodies and that the boards of directors are administered independently from the company's management.

On December 31, 2016, the Board of Directors did not include any independent directors as defined in the AFEP-MEDEF code. Pursuant to the cooperative by-laws, Crédit Mutuel Arkéa directors are

all, in effect, directors of their local savings bank. Many of them are also members of the governance bodies of one or more Crédit Mutuel Arkéa subsidiaries.

The aim of the Arkéa 2020 business plan is to include at least two independent directors on Crédit Mutuel Arkéa's Board of Directors. At the initiative of the Appointments Committee, measures were taken in 2016 to achieve this objective as of the 2017 shareholders' meeting.

The 2016 Shareholders' General Meeting held to elect Crédit Mutuel Arkéa's directors, approve its financial statements and review the compensation of officers, directors and material risk takers had an 86% attendance rate.

The business address of the corporate officers and directors of Crédit Mutuel Arkéa is 1 Rue Louis Lichou, 29480 Le Relecq-Kerhuon, France.

On May 15, 2009, the members of the Board of Directors elected **Jean-Pierre DENIS** as Chairman of the Board. He was reelected Chairman of the Board of Directors of Crédit Mutuel Arkéa on May 3, 2012 and again on May 7, 2015..



Currently an Inspector of Finance, **Jean-Pierre DENIS** is a graduate of HEC, the Institut d'Etudes Politiques de Paris and the Ecole Nationale d'Administration. He also holds a master's degree in law and a master's degree in economics (University of Paris II). After exercising prominent responsibilities in the highest echelons of France's civil service (Deputy General Secretary to the President of the French Republic) and corporate world (Chairman and Chief Executive Officer of Dalkia and later Oséo), he joined Crédit Mutuel Arkéa in October 2007 as Executive Vice Chairman. Since 2008, he has served as the Chairman of Crédit Mutuel Arkéa and of Fédération du Crédit Mutuel de Bretagne..

Pursuant to Article L. 511-58 of the French Monetary and Financial Code and the position of the French Prudential Supervisory and Resolution Authority, the functions of Chairman of the Board of Directors and Chief Executive Officer of Crédit Mutuel Arkéa are segregated.

The Chairman alone is authorized to act in the name of the Board of Directors and speak on its behalf. Working closely with the Chief Executive Officer, he may represent Crédit Mutuel Arkéa in its high-level relations, notably with leading customers, partners and

the governmental authorities at the regional, national and international levels. The Chairman steers the group's strategy towards development that is autonomous, effective and respectful of cooperative and mutualist values and sponsors the Company's Societal Responsibility as part of the Arkéa 2020 business plan. This initiative consists of four main areas (energy transition, circular economy, sharing economy and societal entrepreneurship).

**As of December 31, 2016, the Board of Directors comprised the following members.**

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### **Jean-Pierre DENIS,**

**Chairman of Crédit Mutuel Arkéa, 56,** Initial appointment : September 12, 2008 – term expires : 2018

#### **Other positions held at Crédit Mutuel Arkéa**

- Chairman of Fédération du Crédit Mutuel de Bretagne
- Director of Caisse de Crédit Mutuel de Cap Sizun

#### **of which, position at subsidiaries**

- Chairman of SAS Château Calon Ségur

#### **Other positions held outside of Crédit Mutuel Arkéa**

- Director of Altrad Investment Authority
- Director of Paprec holding
- Director of JLPP Invest SAS

- Director of Avril Gestion
- Director and Treasurer of the French Professional Soccer League until May 27, 2016
- Acting Chairman of the French Professional Soccer League from May 27 to November 11, 2016

#### **of which, positions at listed company**

- Director of Kering
- Director of Nexity

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### **Jean-François DEVAUX,**

**Vice Chairman of Crédit Mutuel Arkéa, 69,** Initial appointment : 06/11/2004 – term expires : 2017

#### **Other positions held at Crédit Mutuel Arkéa**

- Chairman of Fédération du Crédit Mutuel Massif Central
- Director of Caisse Régionale du Crédit Mutuel Massif Central
- Director of Caisse de Crédit Mutuel de Clermont-Galaxie

#### **of which, positions at subsidiaries**

- Chairman of Supervisory Board of Arkéa Banque Entreprises et Institutionnels

- Representative of Crédit Mutuel Arkéa on the Board of Directors of Suravenir Assurances

#### **Other position held outside of Crédit Mutuel Arkéa**

- Director of Association de Prévoyance Collective et d'Assurance Santé

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### **Christian TOUZALIN,**

**Vice Chairman of Crédit Mutuel Arkéa, 66,** Initial appointment : 07/05/1996 – term expires : 2018

#### **Other positions held at Crédit Mutuel Arkéa**

- Chairman of Fédération du Crédit Mutuel du Sud-Ouest
- Chairman of Caisse Régionale du Crédit Mutuel du Sud-Ouest
- Director of Caisse de Crédit Mutuel d'Angoulême Ma Campagne

#### **of which, positions at subsidiaries**

- Chairman of the Board of Directors of Suravenir Assurances
- Chairman of the Supervisory Board of Monext
- Director of Arkéa Capital Partenaire

- Director of Arkéa Capital Managers since March 22, 2016
- Director of SAS Château Calon Ségur

#### **Other positions held outside of Crédit Mutuel Arkéa**

- Vice-Chairman of APIVIA IARD
- Director of SAEM Société de Transports du Grand Angoulême

**François CHATEL,****Director of Crédit Mutuel Arkéa, 65,** Initial appointment: 05/06/2015 – term expires: 2018**Other position held at Crédit Mutuel Arkéa**

- Vice Chairman of Caisse de Crédit Mutuel de Rennes Maurepas **of which, positions at subsidiaries**
- Director of Arkéa Capital Partenaire
- Member of Supervisory Board of Arkéa Banque Entreprises et Institutionnels
- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Board of Procapital Securities Services
- Director of Arkéa Capital Managers since March 22, 2016

**Other positions held outside of Crédit Mutuel Arkéa**

- Chairman of the ESC Rennes group (Association)
- Treasurer of the Académie des Oscars 35 (Association)
- Director of the Nominéo endowment fund (Sponsorship, Rennes University Hospital)
- Associate Member, CCI d'Ille-et-Vilaine
- Honorary Chairman of Oscars d'Ille-et-Vilaine (Association)

**Marta CRENN,****Non-voting member of Crédit Mutuel Arkéa, 40,** Initial appointment: 04/21/2016 – term expires: 2019**Other position held at Crédit Mutuel Arkéa**

- Chairman of Caisse de Crédit Mutuel de Plougastel-Daoulas

**of which, position at subsidiaries**

- Member of Supervisory Board of Arkéa Banque Entreprises et Institutionnels

**Jean-Luc CUEFF,****Director representing employees of Crédit Mutuel Arkéa, 50,** Appointment by Central Works Council: October 2, 2014 - term expires: 2017

- Employee of Caisse de Crédit Mutuel de Douarnenez – Tréboul
- Director representing employees of Fédération du Crédit Mutuel de Bretagne

**Christian DAVID,****Director of Crédit Mutuel Arkéa, 67,** Initial appointment: 10/16/2009 – term expires: 2019**Other positions held at Crédit Mutuel Arkéa**

- Vice Chairman of Fédération du Crédit Mutuel de Bretagne
- Vice-Chairman of Caisse de Crédit Mutuel de Guidel

**of which, positions at subsidiaries**

- Director of Suravenir Assurances
- Director of Arkéa Capital Investissement

**Lionel DUNET,****Director of Crédit Mutuel Arkéa, 63,** Initial appointment: 06/25/2010 – term expires: 2018**Other position held at Crédit Mutuel Arkéa**

- Director of Caisse de Crédit Mutuel de Saint-Brieuc Centre Ville

**of which, position at subsidiaries**

- Vice Chairman of Arkéa Banking Services

- Member of Conseil National de l'Ordre des Architectes
- Vice Chairman of Conseil des Architectes Européens (AEC /CAE)
- Managing Partner of SARL Architecture Dunet et Associés

**Other positions held outside of Crédit Mutuel Arkéa**

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## Jacques ENJALBERT,

**Director of Crédit Mutuel Arkéa, 70**, Initial appointment: September 12, 2008 – term expires: 2017

### Other position held at Crédit Mutuel Arkéa

- Director of Caisse de Crédit Mutuel de Morlaix Saint-Martin des Champs

### of which, positions at subsidiaries

- Chairman of the Supervisory Board of Procapital Securities Services
- Chairman of Supervisory Board of Arkéa Banking Services
- Chairman of the Supervisory Board of Arkéa Bourse Retail
- Vice Chairman of the Board of Directors of Arkéa Capital Investissement

- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Board of Monext
- Director of Arkéa Capital Partenaire
- Director of Arkéa SCD
- Director of Arkéa Capital Managers since March 22, 2016

### Other position held outside of Crédit Mutuel Arkéa

- Permanent representative of Arkéa Capital Partenaire on the Board of Directors of Le Graët

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## Jean-Yves EOZENOU,

**Director of Crédit Mutuel Arkéa, 66**, Initial appointment: 04/25/2013 – term expires: 2019

### Other positions held at Crédit Mutuel Arkéa

- Director of Fédération du Crédit Mutuel de Bretagne
- Director of Caisse de Crédit Mutuel de Plabennec Bourg-Blanc

### of which, position at subsidiaries

- Chairman of the Board of Directors of Arkéa Assistance

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## Daniel GICQUEL,

**Director of Crédit Mutuel Arkéa, 66**, Initial appointment: 05/23/2008 – term expires: 2017

### Other positions held at Crédit Mutuel Arkéa

- Vice Chairman of Fédération du Crédit Mutuel de Bretagne
- Vice Chairman of Caisse de Crédit Mutuel de Redon

### of which, positions at subsidiaries

- Director of Arkéa Capital Investissement
- Director of Arkéa SCD

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## Michel GOURTAY,

**Director of Crédit Mutuel Arkéa, 65**, Initial appointment: September 12, 2008 – term expires: 2019

### Other position held at Crédit Mutuel Arkéa

- Director of Caisse de Crédit Mutuel de Le Relecq-Kerhuon

### of which, position at subsidiaries

- Member of Supervisory Board of Arkéa Banque Entreprises et Institutionnels

### Other positions held outside of Crédit Mutuel Arkéa

- Vice Chairman of Brest Métropole
- Chief Executive Officer of Sempi
- Deputy Chairman of Amitiés d'Armor (Association)

**Marie-Thérèse GROUSSARD,****Director of Crédit Mutuel Arkéa, 59**, Initial appointment: September 12, 2008 – term expires: 2017**Other position held at Crédit Mutuel Arkéa**

- Vice Chairman of Caisse de Crédit Mutuel de Fougères

**of which, position at subsidiaries**

- Chairman of Supervisory Board of Suravenir
- Director of Arkéa Capital Partenaire
- Director of Arkéa Capital Managers since March 22, 2016

**Auguste JACQ,****Director of Crédit Mutuel Arkéa, 69**, Initial appointment: May 12, 2006 – term expires: 2018**Other positions held at Crédit Mutuel Arkéa**

- Vice Chairman of Fédération du Crédit Mutuel de Bretagne
- Director of Caisse de Crédit Mutuel de Loctudy

- Chairman of Arkéa SCD

- Chairman of Ark'ensol Créavenir association
- Chairman of Créavenir Bretagne association until April 26, 2016
- Director of Ark'ensol association

**of which, positions at subsidiaries**

- Director of Arkéa Home Loans SFH

**Anne-Gaëlle LE BAIL,****Director of Crédit Mutuel Arkéa, 43**, Initial appointment: 04/21/2016 – term expires: 2019**Other positions held at Crédit Mutuel Arkéa**

- Director of Fédération du Crédit Mutuel du Sud-Ouest
- Chairman of Caisse de Crédit Mutuel d'Eysines

**of which, position at subsidiaries**

- Director of Suravenir until April 21, 2016

**Nadine LE MARRE,****Director representing employees of Crédit Mutuel Arkéa, 49**, Appointment by Central Works Council: 10/02/2014 - term expires: 2017

- Employee of Banking services department, credit transactions in Rennes

**Hugues LEROY,****Director of Crédit Mutuel Arkéa, 69**, Initial appointment: 05/17/2002 – term expires: 2017**Other positions held at Crédit Mutuel Arkéa**

- Director of Fédération du Crédit Mutuel de Bretagne
- Director of Caisse de Crédit Mutuel de Pacé-Vezin

**of which, positions at subsidiaries**

- Chairman of the Board of Directors of Arkéa Direct Bank
- Vice Chairman of Supervisory Board of Arkéa Bourse Retail
- Vice Chairman of Supervisory Board of Procapital Securities Services

**Claudette LETOUX,****Director of Crédit Mutuel Arkéa, 70**, Initial appointment: 05/11/2001 – term expires: 2017**Other positions held at Crédit Mutuel Arkéa**

- Vice Chairman of Fédération du Crédit Mutuel de Bretagne
- Vice-Chairman of Caisse de Crédit Mutuel de Matignon

- Vice Chairman of Créavenir Bretagne association until April 26, 2016
- Director of Ark'ensol Créavenir association

**of which, positions at subsidiaries**

- Director of Financo

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**Christian PERON,**

**Director of Crédit Mutuel Arkéa, 66,** Initial appointment: September 12, 2008 – term expires: 2019

**Other positions held at Crédit Mutuel Arkéa**

- Director of Fédération du Crédit Mutuel de Bretagne
- Chairman of Caisse de Crédit Mutuel de Bannalec
- Chairman of Caisse de Bretagne de Crédit Mutuel Agricole (CBC-MA)

**of which, position at subsidiaries**

- Permanent representative of Caisse de Bretagne de Crédit Mutuel Agricole on the Supervisory Board of Suravenir

**Other positions held outside of Crédit Mutuel Arkéa**

- Director of Crédit Mutuel Agricole et Rural (CMAR)
  - Vice Chairman of Board of Directors of Paysan Breton (SAS)
- 

**Colette SENE,**

**Director of Crédit Mutuel Arkéa, 57,** Initial appointment: 05/06/2015 – term expires: 2018

**Other positions held at Crédit Mutuel Arkéa**

- Director of Fédération du Crédit Mutuel de Bretagne
- Vice-Chairman of Caisse de Crédit Mutuel de Malestroit-Sérent

**of which, position at subsidiaries**

- Director of Suravenir Assurances
- 

**Sophie VIOLLEAU,**

**Director of Crédit Mutuel Arkéa, 44,** Initial appointment: 04/21/2016 – term expires: 2019

**Other positions held at Crédit Mutuel Arkéa**

- Director of Fédération du Crédit Mutuel du Sud-Ouest
- Vice-Chairman of Caisse de Crédit Mutuel de Couronne

**Other position held outside of Crédit Mutuel Arkéa**

- Managing Partner of SARL Parenteo Services
- 

**Directors having ceased to exercise their functions following the 2016 Shareholders' General Meeting**

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**Jean-Louis DUSSOCHAUD,**

**Director of Crédit Mutuel Arkéa until April 21, 2016, 71,** Initial appointment: 05/22/1996

**Other positions held at Crédit Mutuel Arkéa**

- Vice Chairman of Fédération du Crédit Mutuel du Sud-Ouest
- Director of Caisse de Crédit Mutuel de Pessac Centre

**of which, positions at subsidiaries**

- Chairman of the Supervisory Board of Novélia until April 4, 2016
- Chairman of the Board of Directors of Arkéa SCD until April 18, 2016
- Chairman of the Supervisory Board of Leasecom until April 13,

2016

- Member of the Supervisory Board of Arkéa Crédit Bail until April 13, 2016

- Director of SAS Château Calon Ségur
- 

**Raymond VIANDON,**

**Director of Crédit Mutuel Arkéa until April 21, 2016, 67,** Initial appointment: 04/21/2011

**Other positions held at Crédit Mutuel Arkéa**

- Director of Fédération du Crédit Mutuel du Sud-Ouest
- Director of Caisse Régionale du Crédit Mutuel du Sud-Ouest
- Chairman of Caisse de Crédit Mutuel de Castillon la Bataille

**of which, position at subsidiaries**

- Director of Financo
-

# 2.2

## Other officers and directors

In 2016, Mr. Humbert de Fresnoye (age 63) and Mr. Gérard Bayol (age 63) resigned from their positions as Associate Executive Officers of Crédit Mutuel Arkéa.

At December 31, 2016, the executive officers of Crédit Mutuel Arkéa were:



**Ronan LE MOAL,**  
Chief Executive Officer of Crédit Mutuel Arkéa,  
44

### Other positions held at Crédit Mutuel Arkéa

- Chief Executive Officer of Arkéa SCD and permanent representative of Crédit Mutuel Arkéa
- Member of the Supervisory Board of GIE Armoney

### Other positions held outside of Crédit Mutuel Arkéa

- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Crédit Mutuel Cartes de Paiements

- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Ophiliam Développement Conseil
- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Tikehau Capital Advisors
- Independent director of BuyWay (Belgium) until October 13, 2016
- Director of Y Capital (smartangels)

Ronan LE MOAL is a graduate of HEC. He joined Crédit Mutuel de Bretagne in 1995 in the General Organization, before moving to the Management Control department, which he headed up starting in 2000. In 2001 he was appointed Chief Technical and Financial Officer of Suravenir, the life insurance subsidiary of Crédit Mutuel Arkéa. In 2005 he became the Chief Executive Officer of Symphonis, which in 2007 merged with the online brokerage company Fortuneo. Before his appointment to the position of Chief Executive Officer of Crédit Mutuel Arkéa in 2008, Ronan Le Moal was Chairman of the Executive Boards at Fortuneo and at Procapital, the subsidiary offering securities services to financial institutions. He is leading the group's digital transformation which, under his guidance, has resulted in numerous innovations and confirms its commitment within the digital ecosystem.



**Dominique ANDRO,**  
Associate Executive Officer of Crédit Mutuel Arkéa,  
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**Other positions held at Crédit Mutuel Arkéa**

- Chairman of Arkéa Home Loans SFH
- Chairman of Arkéa Public Sector SCF
- Member of the Supervisory Board of GIE Armoney until June 16, 2016
- Chairman of the Executive Board of Arkéa Bourse Retail
- Chairman of the Supervisory Board of Leetchi until May 25, 2016

**Other position held outside of Crédit Mutuel Arkéa**

- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of Linxo

Since May 2, 2016, Dominique Andro, Associate Executive Officer of Crédit Mutuel Arkéa, has overseen all the group's Retail Customers activities, both in the banking networks of the three Crédit Mutuel federations (Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central) and in online banking through Fortuneo Banque in France and Keytrade Bank in Belgium, Switzerland and Luxembourg. He also oversees the implementation of a new concept of services aimed at private consumers that combines the best of personal relations and digital services in response to societal and regulatory changes and, above all, new consumer requirements.

Dominique Andro is a graduate of Ecole des Hautes Etudes d'Ingénieur de Lille (HEI). After three years at Crédit Lyonnais, Dominique Andro joined the Crédit Mutuel de Bretagne IT research department in 1987 and was subsequently appointed Chief Administrative and Financial Officer of Crédit Mutuel du Sud-Ouest in 1994. After returning to Brittany in 1998, he held a series of management positions, including retail customer marketing, departmental management of the CMB sales network in Finistère and managing Banking Products and Services. In 2003, he was appointed, successively, Head of Human Resources and Associate Executive Officer in charge of central functions. In 2008, he headed up Crédit Mutuel Arkéa's "Specialized Networks" Division, which includes online banking (Fortuneo Banque), private banking with BPE, consumer credit (Financo) and credit consolidation (CFCAL Banque). Since 2012, Dominique Andro has broadened his area of responsibility by taking charge of the group's Business-to-Business activities with the Arkéa Banking Services (private label banking services), Procapital Securities Services (securities services), Monext (electronic payment transactions), Armoney (electronic money) and, more recently, Leetchi (online money pot and payment services) subsidiaries within a larger organization that is now the "Networks and Specialized Services" division.



**Anne LE GOFF,**  
Associate Executive Officer of Crédit Mutuel Arkéa,  
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#### Other positions held at Crédit Mutuel Arkéa

- Chief Executive Officer of Arkéa Public Sector SCF and permanent representative of Crédit Mutuel Arkéa
- Chief Executive Officer of Arkéa Home Loans SFH and permanent representative of Crédit Mutuel Arkéa
- Member of the Executive Board of Arkéa Bourse Retail
- Member of the Supervisory Board of Bretagne Digital Participative
- Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of CEOI-BIE

- Permanent representative of Crédit Mutuel Arkéa on the Supervisory Committee of Primonial Holding
- Chief Executive Officer of Euro Arkéa 9
- Director of Euro Arkéa 7
- Director of Euro Arkéa 10
- Director of Euro Arkéa 11

#### Other positions held outside of Crédit Mutuel Arkéa

- Director of Caisse Centrale du Crédit Mutuel

Since May 2016, Anne Le Goff has headed Crédit Mutuel Arkéa's "Development Support Functions" Division, which includes the group's Finance and Investments, Financial Markets, Risks, Legal Affairs, Compliance and Permanent Control, Organization and Central Services departments. Her goal is to support the group's development and ensure stringent oversight of the Arkéa 2020 strategic plan.

A qualified member of the French Institut des Actuaire and a graduate of the Centre des Hautes Etudes d'Assurances, Anne Le Goff joined Suravenir, Crédit Mutuel Arkéa's life insurance and protection insurance subsidiary, in 1996 as an actuary and then as Head of the actuarial department. From 2006 to 2008, Anne Le Goff held responsibilities involving control and management of the group's risks. In September 2008, she joined the Office of Chairman Jean-Pierre Denis before being named Corporate Secretary in early 2011. Since 2012, Anne Le Goff has served as Head of the group's Corporate Secretariat and Institutional Communications department.



# 2.3

## Chairman's report on on the conditions for preparing and organizing the work of the Board of Directors and on internal control procedures

This report has been prepared in accordance with the provisions of article L.225-37 of the French Commercial Code, which specify that for companies whose securities are listed for trading on a regulated market, the Chairman of the Board of Directors must provide a separate report appended to the registration document on the composition of the Board and the application of the principle of balanced representation of men and women, the conditions for preparing and organizing the work of the Board as well as the internal control and risk management procedures implemented by the company. In particular, the appended report must list the procedures used to prepare and process the accounting and financial information for the parent company financial statements and, where applicable, the consolidated financial statements. The provisions of article L.225-56 of the French Commercial Code notwithstanding, this report also describes any limitations placed by the Board of Directors on the powers of the Chief Executive Officer.

The preparation of the report is coordinated by the Crédit Mutuel Arkéa Corporate Secretariat and Institutional Communications department, which, in addition to its function of providing continuous support for the work and tasks of the Board, also performs the corporate secretarial functions for the Strategy and Societal Responsibility Committee of the Crédit Mutuel Arkéa Board of Directors. To prepare this report, the Corporate Secretariat and Institutional Communications department also receives contributions from:

- the group Internal Audit and Periodic Control department responsible for the corporate secretary function of the Board of Directors' Risk and Internal Control Committee;
- the Accounting department responsible for the corporate secretary function for the Financial Statements Committee;
- the Human Resources Department responsible for the corporate secretary function of the Compensation Committee.

The Chairman's Report integrated into Crédit Mutuel Arkéa's 2016 registration document was audited by the statutory auditors and reviewed by the Board of Directors. It will be presented for approval to the May 4, 2017 Shareholders' General Meeting (local savings banks of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel du Massif Central federations).

### **2.3.1 Organization and preparation of the work of the Board of Directors**

The Board of Directors comprises 20 directors and one non-voting member:

- 18 directors (5 women and 13 men) representing customer shareholders, elected by the member savings banks and shareholders as part of the Shareholders' General Meeting;
- 2 directors (1 woman and 1 man) representing employees, appointed by the Central Works Council;

At the end of the 2016 Shareholders' General Meeting, the Board of Directors had two additional female directors, Anne-Gaëlle LE BAIL and Sophie VIOLLEAU, compared with the previous year. In addition, Marta CRENN serves as non-voting member.

The Board's directors are of French nationality and are proposed by the federations that make up the Crédit Mutuel Arkéa group:

- 14 members representing the local savings banks affiliated with Fédération du Crédit Mutuel de Bretagne;
- 3 members representing the local savings banks affiliated with Fédération du Crédit Mutuel du Sud-Ouest;
- 1 member representing the local savings banks affiliated with Fédération du Crédit Mutuel Massif Central.

The Board of Directors also has two Vice Chairmen – Jean-François Devaux, the Chairman of Fédération du Crédit Mutuel Massif Central, and Christian Touzalin, the Chairman of Fédération du Crédit Mutuel du Sud-Ouest – who may represent Crédit Mutuel Arkéa if so authorized by the Chairman.

The Board does not have a Senior Independent Director.

A representative of the Central Works Council also participates, with a deliberative voice, in the meetings of the Board of Directors.

The age limit for directors is set by the by-laws at 65 for a first-time election and 70 for a renewal. Board terms are for three years, renewable.

In 2016, the Board of Directors adopted internal rules of operation, which replace the Corporate Governance Charter in effect since 2009. These internal rules of operation confirm the basic responsibilities of Crédit Mutuel Arkéa directors, set out the Board's operating procedures and describe the rights and obligations of each director.

Crédit Mutuel Arkéa's Board of Directors therefore fulfills its mission in accordance with the provisions of the bylaws, the financial internal regulations, its rules of operation and the charters specific to each of its specialized committees.

## A/ Preparation and organization of the work

The Board of Directors met 15 times in 2016 (10 times in 2015). The directors had a meeting attendance rate of 93% (compared with 94% in 2015).

Jean-Pierre Denis chaired the 15 Board of Directors' meetings. The meetings were attended by directors as follows:

	2016	2015
François CHATEL	73 %	90 %
Marta CRENN (***)	80 %	N/A
Jean-Luc CUEFF	100 %	90 %
Christian DAVID	93 %	100 %
Jean-Pierre DENIS	100 %	100 %
Jean-François DEVAUX	80 %	70 %
Lionel DUNET	93 %	70 %
Jean-Louis DUSSOCHAUD (*)	100 %	100 %
Jacques ENJALBERT	100 %	100 %
Jean-Yves EOZENO	100 %	90 %
Daniel GICQUEL	100 %	100 %
Michel GOURTAY	87 %	90 %
Marie-Thérèse GROUSSARD	80 %	90 %
Auguste JACQ	100 %	100 %
Anne-Gaëlle LE BAIL (**)	70 %	N/A
Nadine LE MARRE	93 %	90 %
Hugues LEROY	87 %	100 %
Claudette LETOUX	100 %	100 %
Christian PERON	100 %	100 %
Colette SENE	100 %	100 %
Christian TOUZALIN	93 %	100 %
Raymond VIANDON (*)	100 %	100 %
Sophie VIOLLEAU (**)	100 %	N/A

(\*) Director until April 21, 2016

(\*\*) Director since April 21, 2016

(\*\*\*) Non-voting member since April 21, 2016

The Board of Directors uses the resources of Crédit Mutuel Arkéa's Corporate Secretariat and Institutional Communications department in order to prepare and organize its meetings. The meeting agenda is determined by the Chairman after consulting with the Chief Executive Officer. One week prior to a meeting, each director receives a file with all the items to be reviewed and discussed by the Board. The Chairman also provides all other Board members with information, including sensitive information, regarding the group's activity and strategy.

The Board of Directors' meetings focused primarily on:

- monitoring global economic, banking and financial news and internal events directly affecting the group;
- monitoring the various business activities, results, risks and prudential ratios of the group and its main entities using a report presented at each meeting;
- setting the group's general orientations for the year;
- approving the group's parent company and consolidated financial statements;
- reviewing the initial accomplishments of the "Arkéa 2020" strategic business plan, including its CSR aspects;
- monitoring ongoing developments involving the Confederation and defense of Crédit Mutuel Arkéa's development autonomy;
- making decisions with respect to mergers and acquisitions, equity investments and divestments. The Board of Directors was informed of the various partnerships concluded and planned transactions that were not finalized despite the outlay of resources;
- adapting the prudential framework and applicable limits for the group and all its entities;
- approving the document laying down the group's risk appetite and the recovery plan at Crédit Mutuel Arkéa's perimeter
- reviewing the Annual Report on Internal Control of the Company and the group and the ICAAP and ILAAP reports;
- adopting regulatory changes leading to stronger internal controls (permanent control, periodic control and compliance);
- reviewing the anti-money-laundering and terrorism financing activity, including being notified of recommendations of the French Prudential Supervisory and Resolution Authority and related work;
- making the appointments and conducting the salary reviews that are the responsibility of the Board.

This work and these deliberations made it possible to steer business and to perform the necessary controls and audits.

In accordance with the framework policy, the group's Board of Directors received training in anti-money-laundering and terrorism financing activity at its meeting on June 3, 2016.

In 2016, two dedicated training sessions were offered to Crédit Mutuel Arkéa directors. Each session lasted half a day and covered topics related to anti-money laundering and terrorism financing and operational risk management. During the previous year, the three training sessions offered to the Board had focused on analysis of the composition of the income of Suravenir (the group's life insurance subsidiary), analysis of the determination of net banking and insurance income and the management and monitoring of credit risk.

To enable Board members to further improve their knowledge and skills, the Arkéa 2020 business plan calls for strengthening the training programs for directors.

In December, the Board of Directors also met in a two-day seminar in order to discuss and receive training on the following topics:

- Definition and prevention of the risk of conflicts of interest for Crédit Mutuel Arkéa directors (one hour training);
- Independent directors. The discussion covered the desired objectives of this priority for the Board starting in 2017, which is also in line with the gender diversity objective. The issues addressed included the target profile of future candidates, the selection method and the short-term integration of independent directors into the Board of Directors;
- Training of directors. This discussion led to a definition of the training priorities at the time of integration of a new director as well as throughout the three years of his/her term of office. In addition, for 2017 the three main training sessions for all the Board members were approved;
- An update on the strategic plan (Arkéa 2020):
  - The prudential framework;
  - Transformation management ;
  - The Nouvelle Vague project;

## B/ The specialized committees

**Five specialized committees** also help to perform the Board's work. Each committee has its own Operating Charter, which determines the body's missions and organizational methods.

**1. The Strategy and Societal Responsibility Committee** is charged with guiding Crédit Mutuel Arkéa's strategic planning and helping the Board of Directors with its work. Its role consists of:

- guiding/coordinating the group's strategic planning;
- ensuring that Societal Responsibility is fully integrated into the group's strategy;
- assisting the Board of Directors of Crédit Mutuel Arkéa with its work.

In 2016, the committee met eight times (five times in 2015). The average attendance rate during the year was 94%, with the following individual attendance rates:

2016	
François CHATEL	75 %
Jacques ENJALBERT ( <i>Chairman</i> )	100 %
Auguste JACQ	100 %
Albert LE GUYADER	100 %

Numerous matters were discussed during the year. For example, the Strategy and Societal Responsibility Committee analyzed:

The 2020 plans of several of the group's entities, including the CMSO and CMMC federations, the Companies and Institutions division and the Products division.

The partnership, acquisitions and capital restructuring projects and, in particular, reviewed the Easton and Tikehau files.

Several progress updates, as well as raising awareness about the impacts of the energy transition law for institutional investors and a measurement of CSR value creation.

**2. The Compensation Committee** is responsible for maintaining the overall consistency of compensation policies and practices at Crédit Mutuel Arkéa and its regulated subsidiaries.

In 2016, the committee met six times (four times in 2015). The average attendance rate during the year was 100%, with the following individual attendance rates:

2016	
Jean-Luc CUEFF	100 %
Jean-Louis DUSSOUCHAUD (*)	100 %
Jacques ENJALBERT	100 %
Auguste JACQ ( <i>Chairman</i> )	100 %
Claudette LETOUX (**)	100 %

(\*) Member until April 21, 2016

(\*\*) Member since June 3, 2016

During the year, the Committee reviewed:

- Compensation packages for the employees of Arkéa Société des Cadres de Direction (ASCD) and officers and senior managers;
- the compensation scope and methods for the regulated population of Crédit Mutuel Arkéa group through an analysis of the compliance and risk authorizations;
- the compensation policy of subsidiaries subject to the AIFM directive;
- The achievement of targets triggering the variable portion paid in 2016 for officers and directors and ASCD employees, and setting the corresponding targets for 2016;
- The long-term profit-sharing plan and the determination of this plan's targets for the 2016-2018 period;
- The achievement of the 2013-2015 targets triggering the long-term profit-sharing paid in 2016 to members of the Senior Management Committee and the group bonus;
- The level of compensation for the Executive Committee and General Coordination Committee members using a compensation benchmark;
- the group's labor relations environment;
- The updating of the Compensation Committee's operating charter.

**3. The Appointments Committee** is responsible for supporting Crédit Mutuel Arkéa's Board of Directors by issuing:

- proposals for the appointment of directors at the subsidiaries and permanent representatives on the governance bodies of companies in which Crédit Mutuel Arkéa has equity interests;
- informed opinions on the Chairman's proposals for the appointment of the Chief Executive Officer and Associate Executive Officers prior to their approval by the Board of Directors.

In 2016, the committee met eight times (six times in 2015). The average attendance rate during the year was 98%, with the following individual attendance rates:

	2016
Christian DAVID	88 %
Jean-Louis DUSSOUCHAUD ( <i>Chairman</i> ) (*)	100 %
Jean-Yves EOZENOU	100 %
Daniel GICQUEL	100 %
Claudette LETOUX	100 %
Christian TOUZALIN ( <i>Chairman</i> ) (**)	100 %
Sophie VIOLLEAU (**)	100 %

(\*) Committee member and Chairman until April 21, 2016

(\*\*) Committee member only starting on June 3, 2016

In 2016, the Committee:

- updated its operating charter;
- renewed and/or appointed 2016 applicants to membership functions of boards of directors and supervisory boards of group entities (more than 150 applications);
- appointed Crédit Mutuel Arkéa representatives to deliberative bodies of companies in which the group has an equity interest (19 cases reviewed);
- reviewed the appointment of executive members at the subsidiaries (five cases).
- discussed the integration of independent directors, including by creating a candidate selection grid.

The Committee is responsible for preparing the composition of the supervisory bodies of the entire group, the subsidiaries and Crédit Mutuel Arkéa.

Since a Board's most important quality is having the proper balance of members with the requisite skills and ethics, the Committee, when reviewing applications for renewal or appointment at the Group's integrated subsidiaries, strives to:

- Increase the number of underrepresented members by gender on the supervisory bodies of group companies;
- seek diversity and complementary backgrounds for the effective and proven operation of the various boards of directors and supervisory boards;
- create, except in special cases, supervisory bodies including elected representatives from the local savings banks of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel du Massif Central Federations.

**4. The Financial Statements Committee** is charged with helping the Board of Directors assess financial information and control its reliability. Its role consists of:

- understanding the accounting principles and changes thereto;
- assessing the quality of accounting procedures;
- reviewing the financial statements of Crédit Mutuel Arkéa prior to their review by the Board of Directors;
- monitoring the statutory auditors' work plan and reviewing the findings of their work.

In 2016, the Committee met four times (also four times in 2015). The average attendance rate during the year was 92%, with the following individual attendance rates:

Attendance rates	
2016	
Lionel DUNET	100 %
Daniel GICQUEL	100 %
Marie-Thérèse GROUSSARD ( <i>Chairman</i> )	100 %
Nadine LE MARRE	75 %
Claudette LETOUX	100 %
Colette SENE (*)	100 %
Raymond VIANDON (**)	0 %

(\*) Committee member since June 3, 2016

(\*\*) Committee member only until April 21, 2016

The Committee's work focused on:

- reviewing and approving the 2015 financial statements and the 2016 budget;
- analyzing the opinions of the statutory auditors on the annual closing;
- reviewing the statutory auditors' internal control system
- the accounting principles and methods applicable to the interim financial statements, internal control and audit approach of the statutory auditors
- reviewing and approving the consolidated interim financial statements and opinions of the statutory auditors on the interim closing;
- the accounting principles applicable to the closing and the proposed renewed appointment of the statutory auditors.

**5. The Risk and Internal Control Committee** helps the Board of Directors perform its duties with respect to controlling Crédit Mutuel Arkéa's risks in accordance with the provisions of the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority.

Its mission is also governed by the provisions of article L 823-19 of the French Commercial Code, which specifies that this specialized committee is responsible for monitoring the effectiveness of the company's internal control and risk management systems. Following the study undertaken in 2015, the committee underwent a general overhaul in 2016 to comply even more strictly with all these regulatory requirements.

In this context, its role is to advise the Board of Directors on Crédit Mutuel Arkéa's overall strategy and current and future risk appetite and help it oversee the implementation of this strategy by the institution's effective management and the head of the risk management function. It also provides an assessment of the quality of internal control.

Nine meetings were held in 2016 (11 in 2015). The average attendance rate during the year was 89%, with the following individual attendance rates:

Attendance rates	
2016	
François CHATEL ( <i>Chairman</i> )	89 %
Christian DAVID	100 %
Michel GOURTAY	78 %
Marta CRENN (*)	100 %
Anne-Gaëlle LE BAIL (*)	100 %

(\*) Committee member since June 29, 2016

At these meetings, the Risk and Internal Control Committee reviewed and analyzed the following matters:

- risk reporting at December 31, 2015, June 30, 2016 and September 30, 2016;
- Crédit Mutuel Arkéa's ILAAP report;
- Crédit Mutuel Arkéa's crisis recovery plan;
- Crédit Mutuel Arkéa's risk appetite and update;
- updating of the framework policy on 2016 group limits;
- the 2017 group limits project;
- an update on external fraud in 2015 and the first half of 2016;
- interim business reporting on permanent control, compliance and AML/CFT;
- the annual CNIL data-protection activity report;
- regulatory compliance of the variable compensation scheme;
- half-year follow-up on the recommendations at November 30, 2015 and May 31, 2016 issued by the Business Line Periodic Control department;
- annual and interim account closings as of December 31, 2015 and June 30, 2016, respectively;
- the 2015 Internal Control Annual Report;
- the 2015 annual summary of the Network Periodic Control assignments;
- monitoring of the Business Line and Network periodic control plans;
- updating of the risk map of the Business Line Periodic Control department;
- the proposed 2017 periodic control plan;
- the work of the various oversight or supervisory bodies (French Prudential Supervisory and Resolution Authority - ACPR, European Central Bank - ECB, Inspection Générale of the Banque de France, French Financial Markets Authority, National Bank of Belgium, Financial Services and Markets Authority, Belgian Inspection

Générale des Finances, etc.) and information on the status of the implementation of the recommendations of the ACPR and the ECB;

- a report on the Committee's activity in 2015;
- The Committee also reviewed the conclusions of 30 audits and nine recommendation follow-up assignments. Work related to the following matters was also presented to it:
- the Primonial group's periodic control plan for 2016;
  - information from Suravenir on the implementation of the recommendations regarding AML/CFT as part of the audit conducted by the Internal Audit and Periodic Control Department (DIGCP) in 2015;
  - information for opinion on changes to the Risk and Internal Control Committee and its operating charter;
  - a proposed training plan for directors who are members of the Audit and Risk Committee;
  - an update on the new organization of the Compliance and Permanent Control Department and a presentation of its assignments;
  - a presentation of the procedure for developing the 2017 periodic control plan (business lines and networks);
  - a presentation of the reorganization of the activities of the Internal Audit and Periodic Control Department (DIGCP);
  - a presentation of the conditions for preparing the 2016 annual internal control report for the subsidiaries not subject to the directive;
  - information regarding the impact of the reorganization of the Compliance and Permanent Control Department on the reallocation of recommendations made by the DIGCP and requests from the audited entities in connection with the half-year follow-up on future recommendations;
  - a report on the specific operation for responding to old recommendations.

## C/ Composition of the Board of Directors' specialized committees as of December 31, 2016

	RISK & INTERNAL CONTROL	COMPENSATION	APPOINTEMENTS	FINACIAL STATEMENTS	STRATEGY & SOCIETAL RESPONSABILITY
Jean-Pierre DENIS					
Jean-François DEVAUX					
Christian TOUZALIN			✓ (C)		
François CHATEL	✓ (C)				✓
Marta CRENN	✓				
Jean-Luc CUEFF		✓			
Christian DAVID	✓		✓		
Lionel DUNET				✓	
Jacques ENJALBERT		✓			✓ (C)
Jean-Yves EOZENOU			✓		
Daniel GICQUEL			✓	✓	
Michel GOURTAY	✓				
Marie-Thérèse GROUSSARD				✓ (C)	
Auguste JACQ		✓ (C)			✓
Anne-Gaëlle LE BAIL	✓				
Nadine LE MARRE				✓	
Hugues LEROY					✓
Claudette LETOUX		✓	✓	✓	
Christian PERON					
Colette SENE				✓	
Sophie VIOLLEAU			✓		

(C) : Chair of Committee

**D / Individual net amounts, in euros, of attendance fees paid to members of the Board of Directors for 2016**

	2016 ATTENDANCE FEES		TOTAL INDIVIDUAL ATTENDANCE fees paid	
	Details in respect of functions at Crédit Mutuel Arkéa (BoD & committees)	Details in respect of other functions of officers and directors within the group	2016	2015
Jean-Pierre DENIS *				
Jean-François DEVAUX	15,000	23,300	38,300	38,150
Christian TOUZALIN	17,750	77,129	94,879	90,833
François CHATEL	19,500	3,175	22,675	20,178
Marta CRENN	7,500	2,050	9,550	N/A
Christian DAVID	16,500	17,825	34,325	28,492
Lionel DUNET	13,000	1,000	14,000	10,906
Jean-Louis DUSSOUCHAUD	8,250	35,100	43,350	60,106
Jacques ENJALBERT	20,500	12,250	32,750	30,966
Jean-Yves EOZENOU	13,500	6,850	20,350	17,401
Daniel GICQUEL	15,000	16,500	31,500	26,481
Michel GOURTAY	14,500	1,250	15,750	15,028
Marie-Thérèse GROUSSARD	15,500	6,300	21,800	19,212
Auguste JACQ	20,950	17,575	38,525	33,104
Anne-Gaëlle LE BAIL	6,500	3,250	9,750	N/A
Hugues LEROY	14,500	8,675	23,175	21,239
Claudette LETOUX	16,800	17,400	34,200	25,964
Christian PERON	12,000	19,190	31,190	30,400
Colette SENE	13,500	4,200	17,700	10,953
Raymond VIANDON	5,000	8,600	13,600	21,106
Sophie VIOLLEAU	7,000	2,300	9,300	N/A
<b>Totaux</b>	<b>258,250</b>	<b>283,919</b>	<b>556,669</b>	<b>511,737</b>

\* Mr. Jean-Pierre Denis, in his capacity as an officer and director, receives compensation whose components are presented in section 2.6 of the registration document.

The rules for allocating the fees paid in respect of the functions performed on the Board of Directors of Crédit Mutuel Arkéa were approved through a deliberation on May 22, 2015 following an opinion from the Compensation Committee and are as follows:

- A fixed fee of €5,000 per year for each elected director;
- An additional fixed fee of €5,000 per year for each Vice-Chairman;
- A variable attendance fee of €500 per meeting for each elected director who attends a Board of Directors meeting;
- A fixed fee of €2,500 per year for each Committee Chairman;
- A variable fee of €500 per meeting for each elected director who attends a specialized committee meeting.

In respect of their functions performed within the subsidiaries of the Crédit Mutuel Arkéa group, Crédit Mutuel Arkéa directors also receive:

- A fixed fee of €2,500 per year for each subsidiary Chairman;
- A variable attendance fee of €250 per meeting for each director in attendance.

In addition to the above allocation rules, some Crédit Mutuel Arkéa directors may receive fixed function-related fees paid in respect of the positions held on federal bodies.

## **E/ Assessment of the Board of Directors**

At least once a year, at the initiative of the Chairman of the Appointments Committee, one item on the agenda of the Crédit Mutuel Arkéa Board of Directors' meeting is devoted to assessing the operation of the Board and its specialized committees. Every three years, the Committee, either alone or with the help of a consultant, conducts a formal assessment of the Board of Directors.

The last formal assessment of the Board's operation was conducted in late 2015/early 2016 by an external consultant.

This consultant reviewed the governance regulations applicable to Crédit Mutuel Arkéa, documentation provided to directors and answers to a questionnaire. It also conducted individual interviews with all 20 Board members, the Chief Executive Officer, the Associate Executive Officers, the Internal Control department's Head of Internal Audit and the Head of the Corporate Secretariat and Institutional Communications.

The consulting firm's summary findings confirmed that the group's governance is structured around motivated and committed directors. The quality of the documentary materials presented for review and authorizations of the committees and of the Board are exemplary and enable the directors to make informed decisions as part of a perfectly expressed and shared strategic vision. The operation of the Board of Directors with Executive Management is deemed to be based on trust and balanced.

Following this assessment, to ensure the long-term success of the governance policies and continuous improvement of its operation, in 2016 the directors adopted rules regarding the Board's operation and updated the charters of the Appointments, Compensation and Audit and Internal Control Committees.

### 2.3.2 Limits on the authority of the Chief Executive Officer

The Chief Executive Officer has the broadest authority to act in all circumstances on behalf of the company and to represent it in its relations with third parties. He exercises his powers within the limits of the company's corporate purpose and subject to the limits expressly granted by law to Shareholders' Meetings and the Board of Directors.

### 2.3.3 Internal control procedures

The governance of the internal control function is carried out in accordance with the principles of Crédit Mutuel Arkéa's Corporate Governance Charter adopted by the Board of Directors on September 12, 2008.

The internal control organization is described in the group's Internal Control Charter.

The group's effective managers (dirigeants effectifs) are responsible for determining the actual business orientations (French Monetary and Financial Code Article 511-13). In particular, they implement the internal control support systems while ensuring that they are suited to the various risks to which the group is exposed. They notify the group's supervisory body of progress made in the implementation and status of the systems as well as the degree of risk management they enable.

The group's supervisory body periodically reviews the quality of the systems deployed and the degree of control over the risks to which the group is exposed, based on information provided to it by the Chairman of the Group Risk and Internal Control Committee and the Head of Group Internal Audit and Periodic Control (in particular information required as part of the annual report on internal control, in accordance with the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority).

The group's supervisory body is informed by Crédit Mutuel Arkéa's Risk Management Department of the assessment and monitoring of risks to which the group is exposed (in particular information required as part of the annual report on risk assessment and moni-

toring, in accordance with the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority).

The Group Risk and Internal Control Committee assists the supervisory body with its risk management duties in accordance with the provisions of the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority.

Regarding the accounting recognition of transactions, the Financial Statements Committee analyzes and controls the aggregate and consolidated financial statements before their presentation to the supervisory body.

The supervisory body of each Crédit Mutuel Arkéa subsidiary confirms the application and suitability of the principles of the Charter to the entity and entrusts the effective managers with its implementation.

The structure of the compliance and permanent control system was revised in 2016 to strengthen its effectiveness and independence :

- The Compliance and Permanent Control Department now reports directly to an Associate Executive Officer. As Chief Compliance Officer, Antoine Lefebvre reports directly to Anne Le Goff, an effective manager (dirigeant effectif) and the head of the Development Support division ;
- All compliance and permanent control positions have been transferred to the Compliance and Permanent Control Department for the Crédit Mutuel Arkéa credit institution scope (15589) ;
- The permanent control functions have been isolated from the compliance functions within the Compliance and Permanent Control Department through the creation of two separate departments ;
- Group scope functions have been separated from Crédit Mutuel Arkéa credit institution scope (15589) functions within each department.

## Permanent control

The organization of "permanent control" is based on the provisions of the group's Internal Control Charter, which establishes the following two permanent control levels within Crédit Mutuel Arkéa:

**First-level operational control:** operational controls implemented during the processes themselves, prior to their completion. These controls correspond to the risk management system.

**Second-level permanent control:** permanent controls implemented after processes have been completed. This second level is itself divided into two types of control, depending on the independence of the person performing the controls:

- second-level permanent controls by the business lines : second-level permanent control performed by a person who is not a member of the "permanent control" function;
- second-level permanent control by the heads of permanent control : control performed by the head of the permanent control department reporting directly to the head of the entity and supported by personnel or working alone.

In that context, permanent control and compliance control within Crédit Mutuel Arkéa is based on the following principles:

- the organization of permanent control covers all risks for all group business lines, regardless of the legal organization of the activities generating these risks;
- final responsibility for compliance with regulatory requirements in the area of permanent control falls on the effective managers of each entity and of Crédit Mutuel Arkéa for the group as a whole;
- each subsidiary organizes its own permanent control and compliance function and reports directly to Crédit Mutuel Arkéa;
- the persons responsible for the second-level permanent control of a process do not participate in the execution of this process in order to ensure the strict separation between first- and second-level permanent controls;
- the quality of permanent control is factored into the assessment of the governance or management of an activity.

This organization is fully consistent with the group's pyramid structure, since the entire permanent control system is placed under Crédit Mutuel Arkéa's governance.

It is designed to enable the entities of Crédit Mutuel Arkéa to steer their risk-taking while managing the potential impacts with reasonable assurance.

Crédit Mutuel Arkéa's Compliance and Permanent Control Department (CPCD), which reports to the Associate Executive Officer in charge of the Development Support Division, coordinates the heads of permanent control and compliance at the group's subsidiaries, is responsible for permanent control at the entities included in the 15589 scope and oversees the permanent control and compliance system at the group level.

## Compliance control system

In order to ensure consistent practices throughout the group, the Compliance and Permanent Control Department steers and manages the implementation of the group's control and compliance systems, including the fight against money-laundering and terrorism financing.

The Compliance and Permanent Control Department refers to the group's Compliance Charter. This charter complements the Internal Control Charter by defining the measures implemented within the Group to prevent and control non-compliance risks.

The scope of its activities includes:

- Monitoring changes in the regulatory framework established by the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority, the AMF General Regulations and anti-money-laundering and terrorism financing regulations.
- The definition and management of the group's anti-money laundering and terrorism financing policy, including requirements analysis for group software. In 2016, this policy was strengthened in accordance with regulatory requirements. Work was completed on the transaction monitoring applications and on know your customer due diligence at the time of new customer relationships and throughout these relationships.
- The definition and management of the group's investment services compliance system (based on the AMF General Regulations), which is designed to manage and coordinate the group's compliance systems subject to AMF supervision.

- Managing the ongoing efforts to collect high-quality data on customers as part of the fight against money-laundering and terrorism financing as well as efforts to combat tax fraud, particularly in connection with the U.S. FATCA regulations and the OECD Common Reporting Standard (CRS).
- The definition of Know Your Customer - KYC standards in terms of both identification, information and documentation, and risk assessment and monitoring of the proper application of these rules.
- The definition and management of group policies aimed at protecting customers. Customer protection must be implemented at every step of the product or service marketing process: advertising, pre-contractual information, duty to advise, performance of a contract from the time it is signed to its termination. The framework policies related to the right to a bank account, the ability to change banks, banking inclusion, customer complaints handling, intermediation in banking transactions, payment services and insurance transactions and know your customer with respect to the distribution of savings products contribute to this objective of protecting customers.
- The definition and management of the group framework policy regarding conflict of interest management. The policy that applies to all the group's entities establishes the principles for detecting, preventing and managing conflicts of interest within the group.
- The definition and management of the systems governed by Chapter II of the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority, notably:

– Prior compliance approval procedures :

The group framework policy that must be applied by all the group's entities provides for the prior approval of the compliance of new products, projects, services, activities or major changes to pre-existing products intended for customers which may have an impact in terms of risks for the group and/or customers as well as acquisition projects and partnerships or investment projects of Crédit Mutuel Arkéa.

– The procedure related to questions on compliance-related problem areas :

The group policy allows each employee to question the compliance officer of his/her entity concerning any problem in the

implementation of compliance obligations with respect to the activities inherent to the entity's corporate purpose. This policy was enhanced in 2016 to include the new regulatory requirements regarding the right now conferred upon employees of credit institutions, investment firms, financing companies, holding and mixed holding financial companies and parent companies of financing companies subject to ACPR control to report breaches or offenses committed or likely to be committed directly to the ACPR.

– The framework policy for managing critical or important outsourced activities :

This group policy, which concerns "the management of outsourced services including outsourced essential services", governs processes related to entering into contracts, monitoring services and archiving contracts. The list of critical activities and processes was updated by the Risk Management Department in 2016.

The law on transparency, corruption prevention and modernization of the economy strengthens companies' obligations regarding the prevention and effective management of associated risks. In addition to the code of good conduct that describes unacceptable behaviors, the Crédit Mutuel Arkéa group is responsible for implementing the system for preventing and detecting risks of corruption and influence peddling by including:

- An internal whistleblowing system,
- Risk mapping,
- A procedure for checking the integrity and assessing the situation of the various players, including customers, suppliers, partners and intermediaries,
- Internal or external accounting controls,
- Training for the most exposed staff,
- A disciplinary sanctions policy.

The Compliance and Permanent Control Department ensures the proper application of the framework policies by the entities by validating the entities' operational procedures.

The Compliance and Permanent Control Department also meets each year with the compliance officers of the entities to assess the operational application of the framework policies. When recommendations are made at the time of these exchanges, the Compliance and Permanent Control Department follows up on them

annually. In 2016, meetings were held with all of the entities.

Any change made to the compliance control systems must first be approved by the group Compliance and Permanent Control Committee and presented to the Risk and Internal Control Committee. The governance procedure for the framework permanent control and compliance policies establishes the methods for implementing the framework policies and for applying them at the entities.

#### **Group Compliance and Permanent Control Committee**

The Compliance and Permanent Control Committee (CPCC) is chaired by the Associate Executive Officer in charge of Crédit Mutuel Arkéa's Development Support Division.

It includes two other members of the Executive Committee: the Head of the BtoB and Specialized Services Division and the Head of the Retail Customers Division. The Deputy Head of the Development Support Division and the Head of the group's Legal Department are also members of the committee. The Head of Compliance and Permanent Control acts as secretary of the CPCC and the Head of Group Internal Audit and Periodic Control attends as a guest.

It ensures compliance with the rules governing risk-taking and verifying that the permanent control systems, including those with respect to compliance, are appropriate to the group's activities and risks.

To that end, the committee reviews all major changes in the permanent control system, including those with respect to compliance control and especially the anti-money-laundering and anti-terrorism financing systems, and takes stock of the risks borne by the group on the basis of the work of the Compliance and Permanent Control Department. It met four times in 2016.

## Periodic control

The Internal Audit and Periodic Control Department (French acronym: DIGCP) performs periodic controls. It conducts its activities at all group units in accordance with the framework periodic control policy adopted and implemented within the group. With respect to subsidiaries, the DIGCP performs its duties in accordance with duly concluded periodic control delegation agreements. The DIGCP therefore performs its controls for the entire scope of Crédit Mutuel Arkéa in accordance with the terms, conditions and methods stipulated in the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority.

The DIGCP's mission is to provide independent and objective assurance on the group's compliance in the exercise of its activities and to offer advisory services and suggestions aimed at creating added value and improving the level of control over group transactions. Using a systematic and methodical approach, the department helps the group achieve its objectives by assessing risk management, control and corporate governance processes in order to determine whether they are appropriate and function in such a manner as to ensure that:

- activities are carried out in a compliant manner,
- risks are identified and managed appropriately;
- the various corporate governance participants interact as often as necessary;
- all material financial, management and operational information is accurate, reliable and delivered in a timely fashion to the deliberative and executive bodies;
- employees' actions are consistent with all applicable regulations, standards and procedures;
- resources are acquired in a cost-effective manner, used efficiently and protected adequately;
- programs, plans and objectives are completed;
- the quality and continuous improvement of the organization's internal control processes are supported;
- significant legislative and regulatory matters that affect the organization are identified and addressed in an appropriate manner.

In 2016, the DIGCP updated its internal organization model to improve management's oversight and absorb the increase in the requirements of the supervisory authorities even more effectively. It strengthened its structure by creating its own sub-department that is now specifically responsible for periodic control of the risks of the networks and activities related to IT projects and the provision of data to the department's employees.

In order to perform its missions, the DIGCP has developed a body of procedures in particular for the periodic control of the business lines and networks. In 2016, these procedures were updated, mainly to take into account the reorganization of Crédit Mutuel Arkéa's permanent control function and the organizational changes to the Crédit Mutuel savings bank network which resulted, in particular, in the centralization of administrative or control functions previously performed by the Local Savings Banks.

In order to successfully complete its missions, the DIGCP has developed a proprietary risk map; this risk map is one of the main sources for defining an annual periodic control plan, whose specific points are also determined on the basis of the following items in particular:

- key points identified by the French Prudential Supervisory and Resolution Authority and the European Central Bank during their reviews and in their respective annual reports,
- requests from the Risk and Internal Control Committee,
- requests from the members of the group's Executive Committee,
- the use of "feedback" from previous audits conducted by the Business Line Periodic Control Department.

The principle of completing a post-acquisition review starting in the sixth month following the integration of any major acquisition into the group is also implemented as part of the annual periodic control plan.

This periodic control plan distinguishes between the specific control program applied to the Crédit Mutuel local savings bank networks and branches of the subsidiaries and the program covering the activities of the group's corporate departments, companies and subsidiaries. The combination of these specific programs makes up the DIGCP's annual periodic control plan; this plan is itself part of a multi-year plan that makes it possible to cover the main risk areas identified in the DIGCP's proprietary risk map as well as the main development areas for Crédit Mutuel Arkéa.

The periodic control plan thus drawn up is approved by the supervisory body's Risk and Internal Control Committee and confirmed by Crédit Mutuel Arkéa's Board of Directors. It systematically includes annual reviews of major risks involving credit, capital markets, accounting processes, information technology and operations. The audits performed in the past three years are cross-referenced with the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority. This cross-referencing makes it possible to assess the coverage level for each of these risks and to schedule audits to ensure the compliance of the acti-

vities exercised.

When the 2017 periodic control plan was drawn up, this cross-referencing was completed in order to assess the coverage of major risks.

Moreover, consistent with the decision taken by the Prudential Supervisory and Resolution Authority regarding the certification of the annual financial statements of Crédit Mutuel savings banks, each year the DIGCP audits the financial statements of the local savings banks of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud Ouest and Crédit Mutuel du Massif Central federations prior to their presentation to the shareholders' general meetings. These audits are carried out in accordance with professional auditing standards.

Moreover, with respect to the control function, the DIGCP is specifically in charge of detecting and resolving internal fraud issues. As part of this goal, the DIGCP must deploy a remote, sample-based control system and, more generally, contribute to internal and external fraud prevention and detection through appropriate means. In this area, the DIGCP is specifically responsible for verifying the accounts of employees and the proper exercise by directors of their duties in accordance with applicable regulations as well as with the by-laws, standards and principles adopted by Crédit Mutuel.

### Periodic Control Committee

Chaired by Crédit Mutuel Arkéa's Chief Executive Officer, this Committee assesses the quality of periodic control, in particular with respect to the consistency of the risk assessment, monitoring and control systems applied at the consolidated level, and recommends additional actions whenever necessary. It participates in drawing up the annual periodic control plan.

It takes stock of the findings of control and audit reports, approves the recommendations contained in these reports and monitors their implementation.

Committee members include:

- the Chief Executive Officer (Chairman),
- the assistant to the Head of the Development Support division,
- the Head of the Companies and Institutions division,
- the Head of the Products division,
- the Head of the Innovation and Operations division,
- the Head of Group Internal Audit and Periodic Control,
- the Deputy Director of Group Internal Audit and Periodic Control,
- the Head of the Business Line Periodic Control Department, who serves as secretary of the committee,

The meetings are held at least three times annually. In 2016, the Periodic Control Committee met nine times.

### The Risk and Internal Control Committee

The Risk and Internal Control Committee (formerly Audit and Risk Committee) helps the Board of Directors perform its duties with respect to controlling Crédit Mutuel Arkéa's risks in accordance with the provisions of the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority. Its mission also satisfies the requirements of Article L 823-19 of the French Commercial Code, which specifies that this specialized committee is responsible for monitoring the effectiveness of the company's internal control and risk management systems. This Committee underwent a general overhaul in 2016 to comply even more strictly with all these regulatory requirements.

In this context, its role is to advise the Board of Directors on Crédit Mutuel Arkéa's overall strategy and current and future risk appetite and help it oversee the implementation of this strategy by the institution's effective management and the head of the risk management function.

It assesses the consistency of the risk measurement, monitoring and management systems and proposes, as necessary, additional actions in that regard. It also assesses the quality of Crédit Mutuel Arkéa's internal control. The Risk and Internal Control Committee informs Crédit Mutuel Arkéa of any risk situation which, in its opinion, requires special vigilance. Its missions, goals, composition, and operating rules are contained in a dedicated Charter that is updated by the group Internal Audit and Periodic Control department and approved by the supervisory body. The last update took place in 2016 to incorporate the changes related to the overhaul of the Committee.

To carry out its assignments, the Risk and Internal Control Committee receives from Crédit Mutuel Arkéa's Executive Management all necessary information and reports on:

- risk assessment and trends;
- the quality and scope of controls;
- major changes in the company's risk exposure.

Regarding the specific work performed by the Risk and Internal Control Committee, it should be noted that this committee:

- evaluates the group's current and future overall risk strategy and appetite by reviewing the risk appetite policy;
- ensures risk monitoring and management, in particular by examining risk reporting;
- analyzes whether the prices of products and services offered to customers are compatible with the risk strategy;
- analyzes whether the incentives provided by the compensation policy and practices are compatible with the group's risk policy and risk situation;
- approves the annual periodic control plan;
- receives the findings of the reports prepared by the group Internal Audit and Periodic Control department and approves them;
- reviews the annual internal control report;
- takes stock of the findings of reports prepared by the regulatory authorities, the CNCM Internal Audit department and the statutory auditors;
- submits reports on its work to Crédit Mutuel Arkéa's Board of Directors, such as by notifying it of its opinion on risk assessment.

The Audit Committee remains in direct contact with the Head of Group Internal Audit and Periodic Control in order to ensure a satisfactory level of independence and communication. For that purpose, the committee may at any time freely contact the Head of Group Internal Audit and Periodic Control if it is deemed necessary.

The Risk and Internal Control Committee consists of:

- a Chairman;
- members, at least four of whom, including the Chairman, are members of Crédit Mutuel Arkéa's Board of Directors.

The following people are invited to participate in the meetings:

- the group's Chairman,
- the group's Chief Executive Officer,
- the Head of Risk Management,
- the Head of Compliance and Permanent Control,
- the Head of Group Internal Audit and Periodic Control,
- the Deputy Director of Group Internal Audit and Periodic Control,
- the Head of the Business Line Risk Periodic Control department (secretary),
- the managers involved, depending on the meeting agenda.

At least five meetings are held each year and the committee met nine times in 2016.

#### Internal control procedures relating to the preparation and processing of accounting information

The Development Support division is responsible for preparing the group's accounting and financial information.

Key activities are centralized, making it possible to ensure the quality of the accounting information across the entire scope of the group's activities. To that end, the Development Support division defines accounting rules and methods, designs and maintains the charts of accounts (the approval of measures specific to the insurance and leasing activities is delegated to dedicated business line staff), and implements the account reconciliation process in connection with the group's management units as well as the control and analysis procedures needed to prepare and process accounting information for both Crédit Mutuel Arkéa and all subsidiaries delegating their accounting work.

The accounting of transactions is organized on the basis of two activities: account-keeping and the group's consolidation. The account-keeping (preparation of company financial statements and related consolidation packages) as well as the production and dissemination of the regulatory disclosures of group entities are performed directly by the finance departments of the companies themselves or by the Crédit Mutuel Arkéa Accounting department, as part of a formalized assignment. The Accounting Department collects all account information and is responsible for data consolidation.

The Development Support division coordinates the management control aimed at securing financial data, notably through the budgetary control and results analysis functions.

These processes, which are performed in accordance with the Development Support division's own procedures, are then audited independently by the statutory auditors.

A Financial Statements Committee further enhances the control system. This committee helps Crédit Mutuel Arkéa's Board of Directors assess financial information and verify its accuracy. It reviews the financial statements of the group and its constituent entities prior to their presentation to the Board. This committee met four times in 2016.

#### 2.3.4. Climate risk

Crédit Mutuel Arkéa, which strives to prevent and limit risks related to climate change, has incorporated environmental transition issues into its activities.

In the area of retail banking for individuals, businesses and government bodies, Crédit Mutuel Arkéa has chosen to help its customers and customer shareholders with energy renovation work on their properties, finance companies in the new energies and circular economy sector, and support business models that have shifted their focus to more environmentally-friendly activities.

In its asset management and insurance activities, Crédit Mutuel Arkéa includes a non-financial risk analysis that takes into account the types of risk that are not properly covered by financial analysis, such as climate risk. Climate risk is integrated into the ESG (Environment, Social and Governance) analysis criteria applied by Federal Finance Gestion, whose expertise is made available to the insurance subsidiaries. Investment products that take climate impact into account are also developed and offered to customers.

Lastly, as part of its own internal operation, Crédit Mutuel Arkéa conducts an annual carbon audit at the group level and for each entity in order to implement action plans aimed at reducing the carbon impact of its activities over the long term.

From a financial standpoint, the group does not record provisions for environmental risks in its consolidated financial statements.

On 03/03/2017

Jean-Pierre Denis,

Chairman of the Board of Directors



# 2.4

## Executive Management bodies and their work

The principal purpose of Crédit Mutuel Arkéa's Executive Committee is to support the group's Chief Executive Officer in the group's strategic governance and the development of its performance. This committee's role consists of:

- directing the implementation of the strategy set by the Board of Directors and allocating the necessary resources for its establishment;
- determining the objectives for the group's entities and monitoring their achievement;
- monitoring the activity of the group as a whole;
- reviewing issues involving the group's organization and matters of general interest.

Crédit Mutuel Arkéa's General Coordination Committee performs the following tasks:

- defines certain general corporate policies and related decisions, based on the guidelines established by the Executive Committee;
- facilitates dialogue between the development functions and the administrative functions regarding the current situation and recurring and prospective topics;
- discusses any matters related to the coordination of internal control.

The Executive Committee meets weekly. As of December 31, 2016, it was comprised of the following members:

Ronan LE MOAL	Chief Executive Officer of Crédit Mutuel Arkéa
Dominique ANDRO	Associate Executive Officer responsible for the retail customers division
Anne LE GOFF	Associate Executive Officer responsible for the development support division
Frédéric LAURENT	Deputy General Manager responsible for the innovation and operations division
Christelle LE BERRE	Head of Square Arkéa
Tarak ACHICH	Head of the B2B and specialized services division
Bertrand BLANPAIN	Head of the companies and institutions division
Marc GOSSELIN	Director of Human Resources
Bernard LE BRAS	Head of the products division

The General Coordination Committee meets from time to time and, in addition to the Executive Committee, includes the following members:

Philippe ROUXEL	Chief Executive Officer of Fédération du Crédit Mutuel de Bretagne
Jean-Marc JAY	Chief Executive Officer of Fédération du Crédit Mutuel du Sud-Ouest
Morgan MARZIN	Chief Executive Officer of Fédération du Crédit Mutuel Massif Central
Hélène BERNICOT	Head of the corporate secretariat and institutional communications department
Anne-Laure NAVEOS	Head of external growth and partnerships
Jean-Marie ALFONSI	Director of finance and investments
Didier ARDOUIN	Director of the Nouvelle Vague project
Antoine LEFEBVRE	Head of compliance and permanent control
Alain TAROUILLY	Head of Group Internal Audit and Periodic Control
Jean-Luc LE PACHE	Deputy director responsible for the development support division
Jean-Luc QUEGUINER	Head of Risk Management

As part of its powers and authorizations and in order to ensure the relevance and quality of its decisions, Crédit Mutuel Arkéa's Executive Management structures its organization with cross-functional committees that include one or more members of the General Coordination Committee. These committees include:

- the Periodic Control Committee;
- the Permanent Control and Compliance Committee;
- the ALM Committee;
- the Credit Committee;
- the Loan Committee;
- the Risk Monitoring Committee;
- the Counterparties Committee;
- the Purchasing Committee;
- the Real Estate Committee;
- the Innovation Committee;
- the Anti-Money-Laundering and Terrorism Financing Committee.

# 2.5

## Conflicts of interest of officers and directors

As of the filing date of this registration document, there were no conflicts of interest between Crédit Mutuel Arkéa and the members of its Board of Directors and Executive Committee. In any event, if any members of the Board of Directors of Crédit Mutuel Arkéa were to find themselves in a situation of actual or potential conflict of interest, they would be required to abstain from participating in the vote on that particular issue.

The policy for managing conflicts of interest drafted for the group in 2015 by the Compliance and Permanent Control Department was approved by Crédit Mutuel Arkéa's Board of Directors on August 26, 2016.

The aim of this framework document is to establish the rules that apply within the group regarding conflict of interest management.

Each entity is responsible for adapting the policy in order to fulfill the obligations related to preventing, identifying and managing potential or actual conflicts of interest. A cross-functional control framework has also been made available to verify the correct adaptation of this policy by the group's entities.

Awareness training was also provided to Crédit Mutuel Arkéa's directors by the Compliance and Permanent Control Department on December 1, 2016.



## 2.6

# Compensation of officers

As of the issuance date of this document, Crédit Mutuel Arkéa's shares are not listed on a regulated market.

However, Crédit Mutuel Arkéa publishes information on the compensation of its officers on a voluntary basis, in accordance with the recommendations published by AFEP/MEDEF.

The compensation policy for the Managers, i.e. the Chairman and the Chief Executive Officer of Crédit Mutuel Arkéa as well as the Associate Executive Officers of Crédit Mutuel Arkéa group, satisfies the provisions of articles L. 511-71 to L. 511-88 of the French Monetary and Financial Code.

The Managers receive a fixed salary and are eligible for variable compensation schemes. For variable compensation, the calculation and deferred payment methods are defined annually by the Board of Directors following a recommendation by the Compensation Committee.

In addition to the fixed salary, the annual variable compensation rewards the quantitative and/or qualitative achievements measured on the basis of actual performance and individual assessments relative to set targets. This compensation consists of a component linked to the group's earnings and another component linked to the individual performance of the manager or activity for which he or she is responsible. It is subject to the achievement of the targets measuring the group's performance.

For 2016, the criteria linked to the group's results are operating income, cost-to-income ratio and the loan-to-deposit ratio.

The condition involving the achievement of group indicators is satisfied when all of the following have been met:

- All of the group criteria (operating income, cost-to-income ratio and loan-to-deposit ratio) have been met. In other words, for each indicator the actual results exceed the targeted increase or decrease;
- The average level of the three indicators is 100%.

In addition to these common indicators, for officers and directors qualitative group indicators are proposed by the Compensation Committee and approved by the Board of Directors.

The Compensation Committee is responsible for defining the individual indicators and setting their level for the Chairman and the Chief Executive Officer of Crédit Mutuel Arkéa group.

The Chief Executive Officer of Crédit Mutuel Arkéa group and the group's Human Resources department set the individual criteria for the Associate Executive Officers and present them to the Compensation Committee for an opinion.

The indicators set for the 4 Managers must then be approved by the Board of Directors.

The Managers receive a fixed salary and are eligible for an annual variable compensation scheme and a long-term profit-sharing scheme, as described below.

For 2016, the annual variable compensation of the Chairman and of the Chief Executive Officer of the Crédit Mutuel Arkéa group was capped at 100% of their fixed salary. That of the Associate Executive Officers was capped at 70% of fixed compensation.

The payment of the Managers' annual variable compensation is spread over three years, with one-third paid each year. The two deferred portions are paid only if the financial performance conditions set by Board of Directors of Crédit Mutuel Arkéa are satisfied.

Moreover, a long-term profit-sharing plan was adopted by Crédit Mutuel Arkéa's Board of Directors at its July 5, 2013 meeting. This plan benefits the group's 4 Managers. This sliding three-year profit-sharing plan provides for the payment to each Manager of an amount that matches the annual variable compensation amount, provided that certain criteria and performance indicators, which are set each year, are achieved.

Given the achievement of performance targets over the past three years (2013-2015), the plan, which was implemented on January 1, 2013, resulted in an initial profit-sharing payment in 2016.

Lastly, discretionary bonuses may be granted to the Managers as consideration for a significant performance or individual effort. These bonuses must be approved by the Board of Directors acting on the recommendation of the Compensation Committee.

In fact, given these various plans, the overall variable compensation paid for a year may, in some cases, exceed 100% of the fixed salary for that same year.

In accordance with applicable regulations, the Crédit Mutuel Arkéa Shareholders' Meeting held on April 21, 2016 authorized an increase in the variable compensation ceiling, including the annual variable compensation and long-term profit-sharing, to twice the amount of the Managers' fixed compensation through 2021.

Managers do not receive grants of options on shares or debt securities or grants of performance shares, and the Crédit Mutuel Arkéa by-laws do not allow for the existence of such grants.

Except in the case of the Chairman and of the Chief Executive Officer of Crédit Mutuel Arkéa group, the employment contracts of the Managers are not suspended while they are serving their terms of office.

For the Chairman and the Chief Executive Officer of Crédit Mutuel Arkéa group, the employment contracts are suspended from the time of their appointment and for the duration of their respective terms of office, after which they are automatically reinstated. The employment contract suspension period is taken into account when calculating their rights, by law, under the collective bargaining agreement and employment contract.

In the event that their employment contract is terminated, the Chairman and the Chief Executive Officer of Crédit Mutuel Arkéa group may be entitled to receive severance benefits, in addition to statutory or collective bargaining provisions in an amount of up to two years of compensation, in accordance with AFEP-MEDEF recommendations.

If they have at least five years' seniority at the time of their retirement, the Managers receive a retirement benefit equal to seven-twelfths of their annual compensation. They also receive an end-of-service vacation benefit equivalent to 23 days per year of service in these functions.

The Managers also receive retirement and similar benefits in the form of defined benefit supplementary retirement schemes ("Article 39" schemes).

For the Managers, the annuity paid by the defined benefit scheme is 0.35% of the base salary per year of seniority. It is capped at 10% of the base salary. The base salary is the compensation, assessed on an annual basis, preceding the date of assessment, by the recipient, of his or her old-age pension under the basic retirement scheme, including the fixed and variable salary components and in-kind benefits (company car and housing), within the meaning of Article L. 242-1 of the French Social Security Code.

As of December 31, 2016, the estimated actuarial amounts of the individual annuities, in accordance with Article D. 225-104-1 of the French Commercial Code, were as follows:

	ARTICLE 39 ANNUAL ANNUITY IN €
M. Jean-Pierre DENIS	38,345
M. Ronan LE MOAL	55,478
M. Dominique ANDRO	49,617
Mrs Anne LE GOFF	13,352

The gross amount of compensation received by Crédit Mutuel Arkéa's Managers is presented in the table below :

	PAID FOR THE YEAR 2015	OWED FOR THE YEAR 2015	PAID FOR THE YEAR 2016	OWED FOR THE YEAR 2016
<b>JEAN-PIERRE DENIS</b> Chairman of the board of directors				
Fixed compensation	505,469	505,469	530,000	530,000
Variable compensation	300,182	1,060,000	1,006,849	1,060,000
In-kind benefit	9,637	9,637	9,931	9,931
<b>TOTAL</b>	<b>815,288</b>	<b>1,575,106</b>	<b>1,546,780</b>	<b>1,599,931</b>
<b>RONAN LE MOAL</b> Chief Executive Officer				
Fixed compensation	405,074	405,074	425,000	425,000
Variable compensation	240,162	850,000	806,829	850,000
In-kind benefit	9,960	9,960	9,960	9,960
<b>TOTAL</b>	<b>655,196</b>	<b>1,265,034</b>	<b>1,241,789</b>	<b>1,284,960</b>
<b>DOMINIQUE ANDRO</b> Associate executive officer				
Fixed compensation	306,877	306,877	322,885	322,885
Variable compensation	152,253	448,648	448,918	531,308
In-kind benefit	9,742	9,742	10,014	10,014
<b>TOTAL</b>	<b>468,872</b>	<b>765,267</b>	<b>821,817</b>	<b>864,207</b>
<b>ANNE LE GOFF</b> Associate executive officer <sup>(1)</sup>				
Fixed compensation			123,077	123,077
Variable compensation			0	173,909
In-kind benefit			5,845	5,845
<b>TOTAL</b>			<b>128,922</b>	<b>302,831</b>

(1) Related to his position as Associate executive officer since June 2016

Gérard Bayol et Humbert de Fresnoye decided to anticipate their retirement and to terminate their mandate as Associate executive officer on 1 June 2016. The amount of compensation (fixed and variable) paid for the first five months of the year was € 644,013 to Gérard Bayol and € 459,924 to Humbert de Fresnoye..

Furthermore, the amount owed for the year 2016 is € 510,575 to Gérard Bayol and € 360,452 to Humbert de Fresnoye.



3

Financial  
information

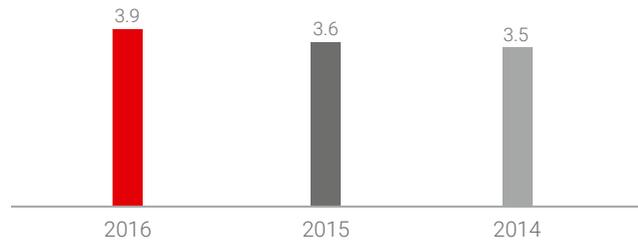
- 3.1 Activities
- 3.2 Financial results
- 3.3 Capital and regulatory ratios
- 3.4 Outlook
- 3.5 Consolidated financial statements at  
December 31, 2016
- 3.6 Aggregate financial statements at  
December 31, 2016

# 3.1 Activities

## 3.1.1 Customers

The customer portfolio increased by 10% in 2016. Excluding the Keytrade integration, it rose by 3%, or nearly 110,000 additional customers acquired mainly through Arkéa Direct Bank (44,000 customers) and the insurance companies (60,000 customers).

Customer portfolio  
(in millions)



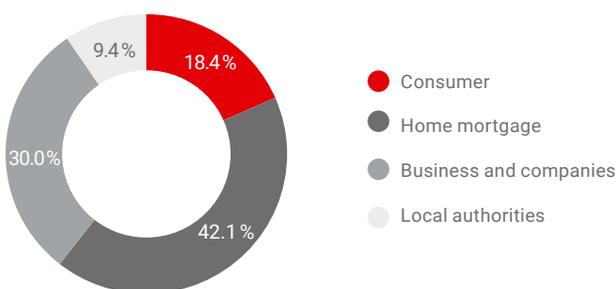
## 3.1.2 Lending

Gross loans outstanding before provisions increased by 5.1% to €47.1 billion. Outstanding loans net of provisions totaled €46.7 billion.

New lending in 2016 reached €10.9 billion, down 10.8% from the record-setting year of 2015.

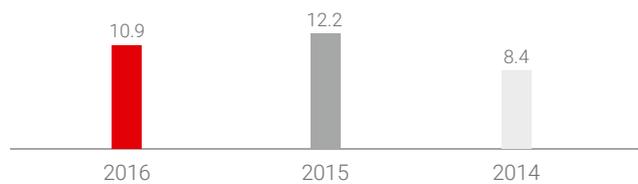
This change in new lending affected all segments, including individuals (down 13% to €6.6 billion) and businesses and companies (down 11% to €3.3 billion).

Gross loan production by loan type 2016

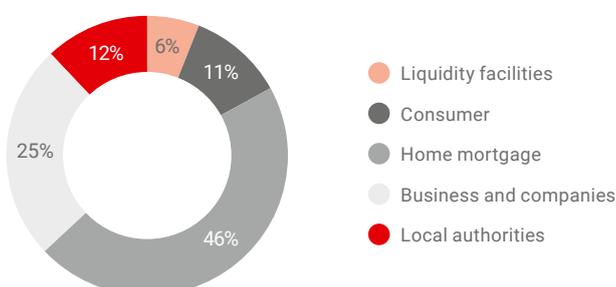


New lending

(€ billions)

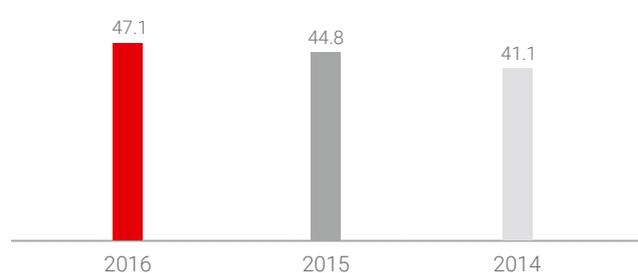


Gross loans outstanding by loan type 2016



Gross loans outstanding

(€ billions)



### 3.1.3 Savings

In 2016, total savings exceeded €100.5 billion, up 16.3% year over year. Excluding the integration of the Keytrade savings assets, they were up 6.7%.

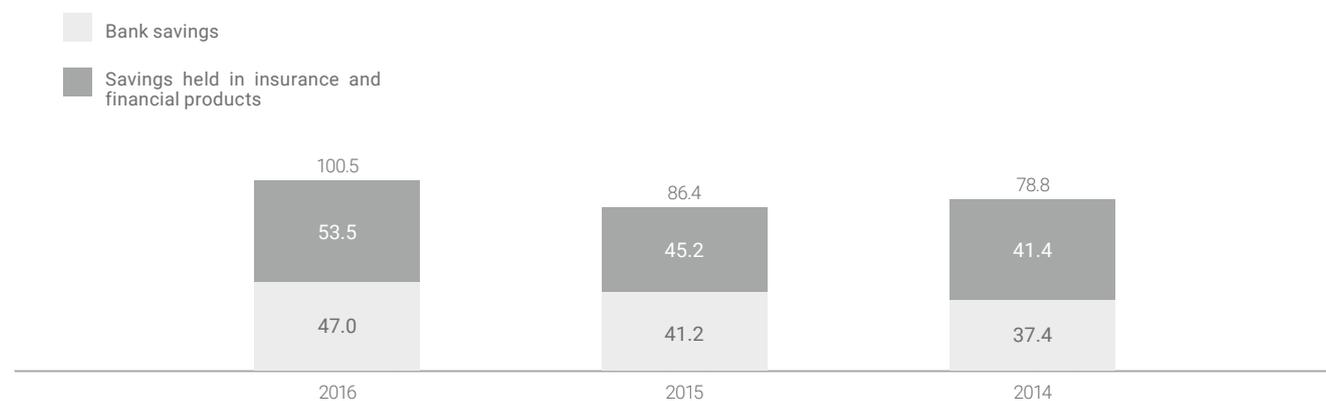
Net savings intake totaled €2.5 billion in 2016, down 51% from the group's record year for savings intake in 2015.

This net savings intake was marked by:

- a 63% decline in the net intake on interest-bearing savings to €1.0 billion;
- net insurance savings product intake of €1.8 billion, down 22%. Financial savings recorded an outflow of €0.3 billion.

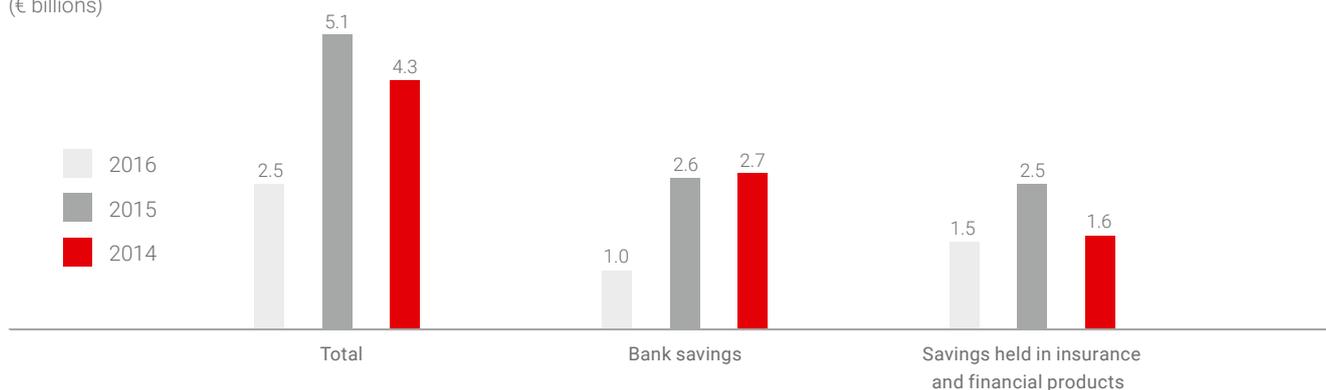
#### Savings

(€ billions)



#### Net savings intake

(€ billions)



### 3.1.4 Shares

Shareholders' equity was stable at €2.2 billion.

### 3.1.5 Business-to-business (BtoB) services

The portfolio of BtoB customers (Monext, Arkéa Banking Services, ProCapital Securities Services) continued to grow, by 14% during the year to 1,344.

The capital markets activity slowed in 2016, after a very strong 2015, as ProCapital Securities Services saw a 13% decrease in its

market order processing volume while also recording a 6% decline in securities held in custody.

The number of payment flows processed continued to rise and reached 1.3 billion transactions in 2016.

	2016	2015	2014
Volume of payment transactions processed (millions)	1,286	1,102	840
Securities held in custody (€ millions)	29,008	30,850	25 331
Volume of market orders transacted (millions)	5.6	6.5	4.8
Number of BtoB customers	1,344	1,177	999

### 3.1.6 Non-life insurance

Non-life insurance policies are distributed through the group's networks and through external, non-Crédit Mutuel Arkéa group networks.

New business fell by 0.5% to 372,000 policies in 2016, with a 2.1% decline in the property segment (-5,100 policies) and a 2.5% increase in personal insurance (+3,200 policies).

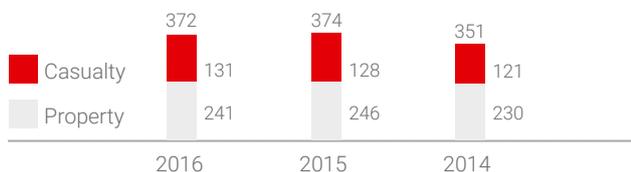
In 2016, the portfolio continued to post gains, rising by 3.4% to

more than 2 million policies.

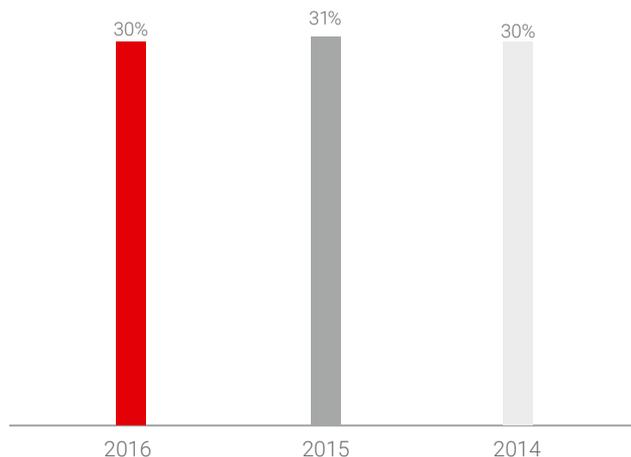
Policies acquired through external networks accounted for 30% of new business. At end-2016, the portfolio acquired through external networks represented 17.3% of the total non-life insurance portfolio.

#### New non-life insurance business

(thousands of policies)

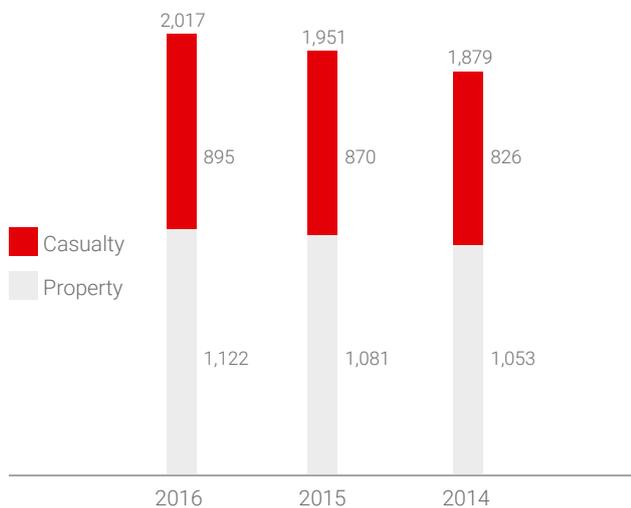


#### Share of new business contributed by external networks

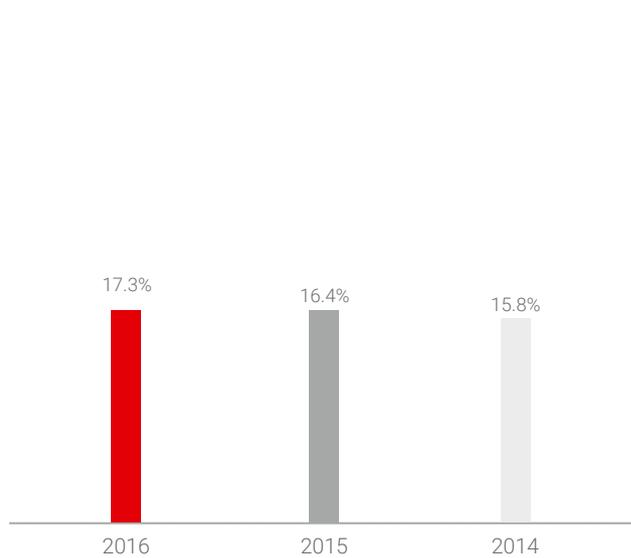


#### Non-life insurance portfolio

(thousands of policies)



#### Share of portfolio contributed by external networks



## 3.2

## Financial results

In 2016, Crédit Mutuel Arkéa group's net income attributable to equity holders of the parent reached €336 million, the highest amount ever recorded and up 13.5% relative to 2015 (€296 million).

(€ millions)

	2016	2015	Change. 2016 / 2015	
			ABS.	%
Net banking and insurance income (PNBA)	1,852	1,780	72	4.1 %
Operating expenses	- 1,282	- 1,235	- 47	3.8 %
Operating income	570	545	25	4.6 %
Cost of risk	- 103	- 108	5	- 4.5 %
Pre-tax income	473	443	30	6.8 %
Corporate tax	- 137	- 147	10	- 6.6 %
Net income attributable to equity holders of the parent	336	296	40	13.5 %
Cost-to-income ratio	69.2 %	69.4 %	- 0.2 pt	

### Net banking and insurance income (PNBA)

Net banking and insurance income increased by 4.1% (€72 million) to €1,852 million.

The analysis of net banking and insurance income is based on the segment breakdown used in the financial statements.

#### The banking segment

The banking segment includes retail banking for individuals (local savings banks of Crédit Mutuel, Arkéa Direct Bank, Financo and CFCAL), retail banking for companies (Arkéa Banque Entreprises et Institutionnels, Arkéa Crédit Bail, Leasecom, Arkéa Capital Investissement and Arkéa Capital Partenaire) and the specialized BtoB subsidiaries (Monext, Arkéa Banking Services, ProCapital Securities Services and Leetchi).

Net banking and insurance income in the banking segment increased by 3.0% to €1,397 million, driven primarily by the sale of the Visa Europe shares for €26 million.

On a comparable basis, in light of market conditions (interest rates and stock market), net banking and insurance income remained stable at €1,352 million (decreasing by €2 million):

- net interest income remained stable at €628 million (decreasing by €6 million) ;
- commission income fell by €5 million to €585 million, mainly in the brokerage business ;
- other operating income and expense increased by €9 million to €139 million.

#### The insurance and asset management segment

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

Net banking and insurance income in the insurance and asset management segment rose by €32 million to €455 million:

- net interest income fell by €6 million to €48 million as a result of the unfavorable market environment ;
- net commission income paid out rose by €34 million to €208 million following the strong performance in the life insurance segment ;
- other operating income and expense increased by €72 million to €614 million. This increase was largely due to the decrease in personal insurance claims during the year and to the increase in life-insurance assets.

### Operating expenses

Operating expenses were up €47 million to €1,282 million.

On a comparable basis , operating expenses rose by €17 million to €1,248 million:

- personnel expenses were flat at €725 million ;
- other expenses increased by €11 million to €420 million ;
- amortization, depreciation and other provision allocations increased by €5 million to €103 million.

The cost-to-income ratio was 69.2% in 2016.

### Cost of risk

The cost of risk fell by €5 million (4.5%) to €103 million.

### Return on assets

The return on assets corresponds to reported net income relative to total consolidated assets. In 2016, it was 0.28%, compared with 0.27% the previous year.

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<sup>1</sup> Excluding Leetchi and Keytrade

# 3.3

## Capital and regulatory ratios

### 3.3.1 Internal capital adequacy assessment process

Crédit Mutuel Arkéa Group is subject to capital adequacy requirements governing credit institutions, insurance companies and financial conglomerates :

- regulations governing credit institutions have, since 2014, been derived from the transposition into French law of the Capital Requirements Directive 4 (CRD 4) and the Capital Requirements Regulation (CRR); these regulations reflect implementation of the so-called Basel III proposals ;
- regulations governing insurance companies have, since 2016, been derived from the transposition into French law of the Solvency 2/Omnibus 2 Directives ;
- regulations governing financial conglomerates are derived from the transposition into French law of the "Financial Conglomerates" directive. The purpose of these regulations is to ensure coverage of the conglomerate's overall risk exposure (combining the banking and insurance activities) by total Group capital.

Banking and financial conglomerate solvency ratios are calculated using standards in effect at the end of the reporting period by Crédit Mutuel Arkéa's accounting department, which bases its calculation in particular on capital adequacy requirements determined by the Risk department.

Insurance business solvency ratios are calculated and monitored by the Group's insurance companies.

The Group's Assets and Liabilities Management (ALM) department monitors and manages the consolidated solvency ratio for the banking activity as well as the financial conglomerates ratio.

On the basis of regulatory statements, growth forecasts for the group's activity and appropriate projections of capital adequacy requirements, the group ALM department projects the ratios for upcoming years in order to anticipate the group's capital needs or propose optimization measures.

### 3.3.2 Solvency ratios

#### Regulatory capital

Common Equity Tier 1 (CET 1) totaled €4.85 billion and represented 92% of total regulatory capital. It rose by €161 million in 2016, mainly due to the incorporation of unappropriated profit for the year, less the increase in intangible assets following changes in the group's portfolio of holdings (Keytrade acquisition, in particular).

Including Tier 2 capital, regulatory capital was €5.25 billion.

(€ millions)

	12.31.2016	12.31.2015
Tier 1 capital, net of deductions	4,850	4,689
of which, Common Equity Tier 1 (CET 1)	4,850	4,689
Tier 2 capital, net of deductions	401	80
<b>TOTAL CAPITAL USED TO CALCULATE THE SOLVENCY RATIO</b>	<b>5,251</b>	<b>4,769</b>

## Capital requirements

Capital requirements were €2.54 billion. They rose by €170 million due to the increase in credit risk, which stemmed mainly from the commercial activity and changes in the portfolio of holdings.

(€ millions)

	12.31.2016	12.31.2015
<b>CREDIT RISK</b>	<b>2,372</b>	<b>2,211</b>
<b>Standardized method</b>	<b>371</b>	<b>347</b>
Central governments and public sector	70	87
Credit institutions	15	8
Companies	80	63
Retail customers	183	169
Equities and other assets that are not corporate bonds	23	20
<b>Internal ratings-based approach</b>	<b>2,001</b>	<b>1,864</b>
Credit institutions	126	139
Companies	777	719
Retail customers	192	208
Equities	853	733
Securitization positions	5	12
Other assets that are not corporate bonds	48	52
<b>MARKET RISK AND CVA (STANDARDIZED METHOD)</b>	<b>8</b>	<b>10</b>
<b>OPERATIONAL RISK (ADVANCED APPROACH ALMOST EXCLUSIVELY)</b>	<b>159</b>	<b>148</b>
<b>TOTAL CAPITAL REQUIREMENTS</b>	<b>2 539</b>	<b>2 369</b>

## Solvency ratios

The CET 1 ratio fell by 0.5 point to 15.3% at end-2016. This decrease was due to the increase in credit risk and in intangible assets (following changes in the portfolio of holdings). Had intangible assets stabilized at their end-2015 level, the CET 1 ratio would have been flat, with the increase in regulatory capital used to fund organic growth.

The overall solvency ratio rose by 0.4 point in 2016 to 16.5% due to the issue of €500 million of Tier 2 capital in the second quarter of 2016.

	12.31.2016	12.31.2015
CET 1 ratio	15.3 %	15.8 %
Tier 1 ratio	15.3 %	15.8 %
Overall ratio	16.5 %	16.1 %

The fully loaded CET 1 ratio was estimated at 15.3%, at the same level as the transitional ratio.

### 3.3.3 other solvency ratios applied

#### Leverage ratio

The Basel 3 regulations have defined a new ratio aimed at capping leverage. The simple calculation consists of measuring total assets relative to Tier 1 capital, with a minimum set at 3%.

In 2015, the European Commission adopted a Delegated Regulation in order to outline the calculation methods. A restrictive standard, on which work is underway at the European level, is expected to be implemented as of 2019.

At the end of 2016, the leverage ratio was 6.2%; it accounts for the mandatorily applicable requirements of the Delegated Regulation but does not incorporate arrangements subject to the prior consent of the regulator.

As with the CET 1 ratio, the impact of transitional arrangements is marginal: the fully loaded leverage ratio is 6.2%.

#### Financial conglomerates ratio

The financial conglomerates ratio is designed to ensure that consolidated capital is adequate to cover solvency ratios for both the banking activities (Pillar 2 requirements incorporated since 2016) and insurance activities. The minimum level required is 100%.

As of December 31, 2016, consolidated capital totaled €6.1 billion while capital requirements were €4.1 billion, yielding a ratio of 147%. This ratio rose by 17 points over 2016 (using the same format), mainly due to the raising of €500 million in subordinated securities.

#### Ratio generated by the Bank Recovery and Resolution Directive

The Bank Recovery and Resolution Directive published in May 2014 establishes a European framework for the recovery and resolution of credit institutions. The goal is to reduce the impact of a bank failure on the financial system and avoid passing the cost on to taxpayers.

It calls for the establishment of a Minimum Requirement for Own Funds and Eligible Liabilities (MREL). This ratio measures capital and other eligible liabilities (including senior debt with a maturity of more than one year) against total liabilities. A minimum level will be set for each institution.

Under certain conditions, the Directive provides for a potential contribution from the resolution fund when shareholders and creditors have absorbed losses representing 8% of liabilities.

As of end-December 2016, no standardized reporting had been established. The ratio between capital and senior debt (with a maturity of more than one year) on the one hand and the Group's total banking

liabilities on the other exceeded 8%.

One of the regulatory changes proposed by the European Commission on November 23, 2016 is for the Directive to allow for a convergence between the European MREL standard and the international total loss-absorbing capacity (TLAC) standard.

### 3.3.4 The implementation of new "Solvency 2" prudential guidelines by the group's insurance companies

#### Solvency 2, the prudential supervision reforms applicable to European insurance companies, took effect on January 1, 2016.

The group's insurance companies spent 2016 focused on preparing the first deliverables for the ACPR (French Prudential Supervisory and Resolution Authority), namely the Solvency 2 Opening Information Report at January 1, 2016 and the quarterly quantitative reports. In addition, the report on the internal assessment of risks and solvency and the report of the actuarial function were presented to and approved by the insurance entities' governance bodies.

Solvency 2 capital consists of the entities' core capital, the reconciliation reserve, and the subordinated debt contracted by Crédit Mutuel Arkéa. The group's insurance subsidiaries have not applied any transitional measures provided for in the European texts with the exception of the grandfathering of the eligibility of subordinated debt issued before 2015 for restricted Tier 1.

With respect to capital, capital requirements (SCR, or Solvency Capital Requirement) and the outlook in the new regulatory environment, this information about the solvency of the insurance subsidiaries is subject to quarterly reporting and communication within the group.

In 2016, Suravenir participated in various stress test exercises conducted by the European (EIOPA) and French (ACPR) authorities: EIOPA stress tests, ultimate forward rate (UFR) assessments, real estate stress tests, etc.

On the governance side, 2016 was dedicated in particular to implementing the preparatory work performed by the insurance companies over the past several years and applying the approved policies and systems introduced by the Solvency 2 directive.



# 3.4 Outlook

**On the economic front**, French growth ended 2016 at 1.1%. Consumer spending rose by 1.8% on higher energy prices (the price per barrel of oil has increased by 90% since its January 2016 low). At the same time, business, household and government investment increased by 2.8% after several challenging years, mainly due to attractive borrowing rates. The construction sector grew by 0.7%.

Growth was held back, however, by weak industrial output (a problem shared by all European partners, save Germany), up 0.1%, and weak exports (up 0.9%) due to the slowdown in global trade.

The 10-year French sovereign yield fell in 2016 from 0.99% to 0.69%. After plunging to an all-time low of 0.10% after the Brexit camp's victory in the United Kingdom, it rebounded sharply in November with the election of the new US president; investors were anticipating implementation of the inflation stimulus plan, one of Donald Trump's campaign promises.

## 2017 outlook

### Economic environment

The current recovery is fragile. Growth in France is expected to rise slightly in 2017<sup>2</sup> compared with 2016, to 1.3%, with the unemployment rate slightly down and, importantly, a sharp increase in inflation (1.3% in 2017 versus 0.3% in 2016). The business climate remains significantly above its long-term average, indicating favorable market conditions, particularly in industry<sup>2</sup>.

There will still be numerous political uncertainties in Europe in 2017, with elections in Italy, in the Netherlands in March, in Germany in the fall and, in particular, in France in May. The results of the elections could significantly alter the economic outlook. Similarly, the effects and timing of the United Kingdom's exit from the European community are not yet known.

With prices continuing to rise, particularly for energy, French households could limit their spending in the first half of the year. After a spike in inflation to 1% in June 2017<sup>4</sup>, consumption is expected to pick up again in the second half of the year, with growth in inflation comparable to growth in purchasing power.

The savings rate in France has decreased slightly since 2011 but

remains high. This trend should continue in 2017, against the backdrop of weak returns on risk-free savings products (bank savings accounts, cash savings).

The interest rate curve is more favorable to the banking system than a year ago, as rates have continued to rise since the end of 2016. This trend, at a time of stability in the short-term rates set by the ECB, has enabled banks to improve their interest margin on new loans. Banks' average margin should gradually improve. With solvency at decent levels and a limited loan-to-deposit ratio, the Crédit Mutuel Arkéa group's financial structure will allow it to expand its credit activity.

With respect to the regulatory environment, extensive work has been undertaken by the regulator to evaluate the advisability of strengthening the Basel prudential framework, which implements European standardization. The banking sector is now working under Basel III (see 3.3 Capital and regulatory ratios). The sector should find out in 2017 if and when the Basel IV project, involving a change in the calculation of risk-weighted assets, with a potential impact on solvency, will be implemented.

### Update on the group's "Arkéa 2020" strategic plan

The year 2016 was a banner year in more ways than one with the launch of the "Arkéa 2020" strategic plan. The group integrated **Keytrade Bank** in Belgium while also acquiring stakes in fintechs<sup>5</sup> such as **Grisbee** and **Vivienne**. It also invested in **West Web Valley 1**, an investment fund aimed at developing internet startups based in the Grand Ouest region of France. In 2017, the group will continue to focus on pursuing partnerships with or acquisitions of niche players in digital to develop its banking and insurance products and services. The launch of the new "Nouvelle Vague" retail banking concept, which combines the best of brick-and-mortar and online banking, will also be one of the highlights of the year.

<sup>1</sup> INSEE

<sup>2</sup> Bloomberg consensus

<sup>3</sup> A portmanteau of "finance" and "technology," a fintech is a startup that uses information and communication technologies to deliver financial services.

**Company outlook since the publication of its most recent verified financial statements**

In November 2016, Crédit Mutuel Arkéa entered into exclusive negotiations with Bridgepoint regarding the latter's acquisition of a majority stake in the Primonial group.

The entry of a new investor will allow Primonial to continue its rapid growth in France and consolidate its position as an independent leader in the distribution of wealth management and asset management solutions. It should also help Primonial expand internationally.

Crédit Mutuel Arkéa, a Primonial partner since 2011 and a shareholder since 2014, will retain a significant stake in the company in order to support the group's development projects.

On March 9, 2017, CMA finalized the transaction and now holds 37% of the capital of the Primonial group.

No other significant event has affected the company since the closing date of its most recent financial statements, which were audited as of December 31, 2016 and published on March 3, 2017.



## 3.5

# Consolidated financial statements at December 31, 2016

## Balance sheet

(In thousands of euros)

ASSETS	NOTES	31.12.2016	31.12.2015
		IFRS	IFRS
Cash, due from central banks	1	3,617,180	2,112,531
Financial assets at fair value through profit or loss	2	18,369,707	14,689,440
Derivatives used for hedging purposes	3	833,155	814,113
Available-for-sale financial assets	4	38,972,707	36,268,355
Loans and receivables due from banks	1	6,943,889	7,039,982
Loans and receivables due from customers	5	46,655,544	44,368,199
Remeasurement adjustment on interest-rate risk hedged portfolios		362,525	326,603
Held-to-maturity financial assets	7	116,836	151,544
Current tax assets	9	180,631	216,872
Deferred tax assets	10	75,000	93,885
Accruals, prepayments and sundry assets	11	2,302,460	2,221,532
Non-current assets held for sale		13,882	0
Deferred profit-sharing		0	0
Equity method investments	12	210,821	207,534
Investment property	13	535,177	581,135
Property, plant and equipment	14	242,544	235,251
Intangible assets	15	418,622	336,192
Goodwill	16	542,246	448,633
<b>TOTAL ASSETS</b>		<b>120,392,926</b>	<b>110,111,801</b>

(In thousands of euros)

		31.12.2016	31.12.2015
LIABILITIES	NOTES	IFRS	IFRS
Due to central banks	17	0	0
Financial liabilities at fair value through profit or loss	18	614,623	570,479
Derivatives used for hedging purposes	3	512,490	504,095
Due to banks	17	7 087,004	6 455,557
Customer accounts	19	47,173,126	41,450,622
Debt securities	20	12,869,775	13,779,820
Remeasurement adjustment on interest-rate risk hedged portfolios		45,132	19,229
Current tax liabilities	9	96,360	163,170
Deferred tax liabilities	10	167,297	133,466
Accruals, deferred income and sundry liabilities	21	4,684,818	3,296,487
Liabilities associated with non-current assets held for sale		0	0
Insurance companies' technical reserves	22	39,781,787	37,214,272
Provisions	23	397,256	366,385
Subordinated debt	24	890,301	381,953
<b>TOTAL EQUITY</b>		<b>6,072,957</b>	<b>5,776,266</b>
Shareholders' equity, group share		6,070,210	5,773,723
Share capital and reserves	25	2,203,108	2,202,620
Consolidated reserves	25	3,239,290	2,980,801
Gains and losses recognised directly in equity	26	291,625	293,987
Net income		336,187	296,315
Minority interests		2,747	2,543
<b>TOTAL LIABILITIES</b>		<b>120,392,926</b>	<b>110,111,801</b>

## Income statement

(In thousands of euros)

		31.12.2016	31.12.2015
	NOTES	IFRS	IFRS
Interest and similar income	30	1,868,534	1,961,850
Interest and similar expense	30	- 1,314,254	- 1,341,198
Fee and commission income	31	601,304	608,898
Fee and commission expense	31	- 215,740	- 192,745
Net gain (loss) on financial instruments at fair value through profit or loss	32	26,413	25,617
Net gain (loss) on available-for-sale financial instruments	33	142,710	46,562
Income from other activities	34	6,535,435	6,701,201
Expense from other activities	34	- 5,792,414	- 6,030,354
<b>NET BANKING INCOME</b>		<b>1,851,988</b>	<b>1,779,831</b>
General operating expenses	35	- 1,171,597	- 1,136,737
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	36	- 110,695	- 98,549
<b>GROSS OPERATING INCOME</b>		<b>569,696</b>	<b>544,545</b>
Cost of risk	37	- 103,210	- 108,043
<b>OPERATING INCOME</b>		<b>466,486</b>	<b>436,502</b>
Share of earnings of companies carried under equity method	12	10,062	4,480
Net income on other assets	38	-3,346	2,064
Goodwill variations		0	0
<b>PRE-TAX INCOME</b>		<b>473,202</b>	<b>443,046</b>
Income tax	39	- 136,866	- 146,573
After-tax income from discontinued or held-for-sale operations		0	0
<b>NET INCOME</b>		<b>336,336</b>	<b>296,473</b>
O/w Minority interests		149	158
<b>NET INCOME - GROUP SHARE</b>		<b>336,187</b>	<b>296,315</b>

## Statement of net income and gains and losses recognised directly in equity

(In thousands of euros)

		31.12.2016	31.12.2015
	NOTES	IFRS	IFRS
<b>NET INCOME</b>		336,336	296,473
Actuarial gains and losses on defined-benefit plans		- 9,333	- 644
Gains and losses non recognised directly in equity for companies accounted for by the equity method		54	- 74
<b>ITEMS NOT TO BE RECYCLED IN PROFIT AND LOSS</b>		- 9,279	- 718
Revaluation of available-for-sale financial assets		-7,513	45,560
Revaluation of derivative hedging instruments		7,082	11,584
Gains and losses recognised directly in equity for companies accounted for by the equity method		7,349	14,002
<b>ITEMS TO BE RECYCLED IN PROFIT AND LOSS</b>		6,918	71,146
<b>TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY</b>	40	- 2,361	70,428
<b>NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY</b>		333,975	366,901
O/w group share		333,825	366,744
O/w minority interests		150	157

## Change in Shareholders' Equity

(In thousands of euros)

	SHARE CAPITAL	ADDITIONAL PAID-IN capital and consolidated reserves	
<b>POSITION AS OF JANUARY 1, 2015</b>	<b>2,211,473</b>	<b>2,758,102</b>	
Capital increase/reduction	- 14,291		
Cancellation of treasury shares			
Issuance of preferred shares			
Equity components of hybrid instruments			
Equity components whose payment is share-based		- 6,894	
Allocation of the previous year income		269,469	
Dividend paid in 2015 in respect of 2014		- 40,911	
Change in equity interests in subsidiaries with no loss of control		0	
<b>SUBTOTAL OF CHANGES INVOLVING TRANSACTIONS WITH SHAREHOLDERS</b>	<b>2,197,182</b>	<b>2,979,766</b>	
Changes in gains and losses recognized directly in equity			
2015 net income			
<b>SUBTOTAL</b>	<b>2,197,182</b>	<b>2,979,766</b>	
Impact of acquisitions and disposals on non-controlling interests		1,418	
Share of changes in shareholders' equity from investments in associates and joint ventures		- 1,122	
Change in accounting methods		6,654	
Other changes		- 477	
<b>POSITION AS OF DECEMBER 31, 2015</b>	<b>2,197,182</b>	<b>2,986,239</b>	
Capital increase/reduction	488		
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		296,315	
Dividend paid in 2016 in respect of 2015		- 39,174	
Change in equity interests in subsidiaries with no loss of control		74	
<b>SUBTOTAL OF CHANGES INVOLVING TRANSACTIONS WITH SHAREHOLDERS</b>	<b>2,197,670</b>	<b>3,243,452</b>	
Changes in gains and losses recognized directly in equity			
2016 net income			
<b>SUBTOTAL</b>	<b>2,197,670</b>	<b>3,243,452</b>	
Impact of acquisitions and disposals on non-controlling interests		1,349	
Share of changes in shareholders' equity from investments in associates and joint ventures		- 91	
Change in accounting methods			
Other changes		18	
<b>POSITION AS OF DECEMBER 31, 2016</b>	<b>2,197,670</b>	<b>3 244 728</b>	

	TOTAL GAINS AND LOSSES recognized directly in equity	NET INCOME GROUP SHARE	SHAREHOLDERS' EQUITY, group share	NON-CONTROL- LING INTERESTS IN EQUITY	TOTAL EQUITY
	223,558	269,469	5,462,602	5,734	5,468,336
			- 14,291		- 14,291
			0		0
			0		0
			0		0
			- 6,894	- 2,038	- 8,932
		- 269,469	0		0
			- 40,911	- 1,305	- 42,216
			0	- 12	- 12
	223,558	0	5,400,506	2,379	5,402,885
	70,429		70,429		70,429
		296,315	296,315	158	296,473
	293,987	269,315	5,767,250	2,537	5,769,787
			1,418		1,418
			- 1,122		- 1,122
			6,654	3	6,657
	- 495		- 477	3	- 474
	293,987	296,315	5,773,723	2,543	5,776,266
			488		488
			0		0
			0		0
			0		0
			0		0
		- 269,315	0		0
			- 39,174	- 5	- 39,179
			74	- 10	64
	293,987	0	5,735,109	2,528	5,737,637
	- 2,362		- 2,362	1	- 2,361
		336,187	336,187	149	336,336
	291,625	336,187	6,068,934	2,678	6,071,612
			1,349		1,349
			- 91		- 91
			0		0
			18	69	87
	291,625	336,187	6,070,210	2,747	6,072,957

**Net cash flow statement****Cash flows from operating activities**

(in thousands of euros)

	<b>31.12.2016</b>	<b>31.12.2015</b>
Net income	336,336	296,473
Tax	136,866	146,573
<b>PRE-TAX INCOME</b>	<b>473,202</b>	<b>443,046</b>
Depreciation and amortization of property, plant and equipment and intangible assets	108,200	95,844
Impairment of goodwill and other non-current assets	241	- 2,215
Net allocations to provisions	2,602,019	3,415,643
Share of income (loss) from investments in associates	- 10,062	- 4,480
Net loss (gain) from investing activities	- 73,271	- 19,607
(Income)/expense from financing activities	0	-
Other changes	542,861	60,096
<b>TOTAL NON-CASH ITEMS included in net income and other adjustments</b>	<b>3,169,988</b>	<b>3,545,281</b>
Interbank transactions	1,297,961	1,889,192
Customer transactions	455,879	203,173
Transactions involving other financial assets/liabilities	- 3,775,799	- 3,839,852
Transactions involving other non-financial assets/liabilities	1,339,386	- 267,720
Dividends from investments in associates	524	535
Taxes paid	- 181,518	- 154,915
<b>NET DECREASE/(INCREASE) in operating assets and liabilities</b>	<b>- 863,567</b>	<b>- 2,169,587</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2,779,623</b>	<b>1,818,740</b>

**Cash flows from investing activities**

Financial assets and investments	- 328,154	- 133,310
Investment property	22,503	- 68,234
Property, plant and equipment and intangible assets	- 319,729	- 93,876
Other	0	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>- 625,380</b>	<b>- 295,420</b>

## Cash flows from financing activities

(in thousands of euros)

Cash flows from/to shareholders	- 39,562	- 33,165
Other cash flows from financing activities	- 414,500	- 648,507
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>- 454,062</b>	<b>- 68,672</b>
<b>NET INCREASE/(DECREASE) in cash and cash equivalents</b>	<b>1,700,181</b>	<b>841,648</b>
Cash flows from operating activities	2,779,623	1,818,740
Cash flows from investing activities	- 625,380	- 295,420
Cash flows from financing activities	- 454,062	- 681,672
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>2,114,121</b>	<b>1,272,473</b>
Cash, central banks (assets & liabilities) (Notes 1 and 17)	2,112,531	1,340,308
Deposits (assets and liabilities) and net demand loans with credit institutions (Notes 1 and 17)	1,590	- 67,835
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<b>3,814,302</b>	<b>2,114,121</b>
Cash, central banks (assets & liabilities) (Notes 1 and 17)	3,617,196	2,112,531
Deposits (assets and liabilities) and net demand loans with credit institutions (Notes 1 and 17)	197,106	1,590
<b>CHANGE IN NET CASH AND CASH EQUIVALENTS</b>	<b>1,700,181</b>	<b>841,648</b>

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 from operations record the cash flow generated by the Group's lines businesses including such flows arising from negotiable debt securities.

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

# Notes

## to the consolidated financial statements at December 31, 2016

### Major events

Crédit Mutuel Arkéa acquired exclusive control of the Keytrade Bank group on June 6, 2016.

This transaction, which is fully in line with the guidelines of the Arkéa 2020 business plan, enables Crédit Mutuel Arkéa to grow at a faster pace in the online banking and digital financing services market while significantly strengthening its positions throughout Europe. The acquisition of Keytrade Bank allows it to create a major European player in online banking, with nearly 600,000 customers in four countries (France, Belgium, Luxembourg and Switzerland) and €20 billion in assets under management.

In addition, Crédit Mutuel Arkéa and the Primonial group's shareholders entered into exclusive negotiations with Bridgepoint for the purpose of acquiring an approximately 50% majority interest in the group. Crédit Mutuel Arkéa, a Primonial partner since 2011 and a shareholder since 2014, would retain a significant equity interest of approximately 35%. The group applied IFRS 5 «Non-Current Assets Held for Sale» for the assets in question.

Despite a particularly challenging economic environment for retail banking activities, the performance of the Crédit Mutuel Arkéa group as a whole was strong, which attests to the strength of its diversified business model. Net banking income, up 4%, and control of operating expenses allowed net income attributable to equity holders of the parent company to increase by 13% to €336 million.

The income statement shows an exceptional capital gain of €26 million on the sale of the equity interest in Visa Europe, acquired by Visa Inc. The transaction was paid by Visa Inc. in cash, preferred stock and a three-year deferred cash payment.

In terms of balance sheet structure and solvency and liquidity ratios, Crédit Mutuel Arkéa's fundamentals remain strong.

The group's continued development also resulted in the issuance of €500 million in Tier 2 subordinated debt in the second quarter of 2016.

### 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 interim consolidated financial statements for the period ending December 31, 2016 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of that date. These statements are presented in accordance with ANC recommendation 2013-04.

As of December 31, 2016, the Group is subject to new standards, applicable at January 1, 2016, which are presented in the following table:

IAS / IFRS STANDARDS	TOPIC	APPLICATION DATE	IMPACT OF APPLICATION
Amendments to IAS 19 - Employee Contributions	The purpose of the amendments is to clarify and simplify the accounting for contributions that are independent of an employee's number of years of service.	01.01.2016	No impact
Annual improvements 2010-2012	As part of the IFRS annual improvement process, the IASB published a series of amendments relating to existing standards.	01.01.2016	No significant impact
Amendments to IFRS 11	These amendments further clarify accounting for the acquisition of an interest in a joint operation whose activity constitutes a business as defined in IFRS 3. These acquisitions must be recognized in accordance with the principles of IFRS 3 and other IFRS that do not conflict with the guidance in IFRS 11. Information required for business combinations must be disclosed in the notes to the financial statements.	01.01.2016	No significant impact
Amendments to IAS 16 and IAS 38	These amendments provide clarification on acceptable methods of depreciation and amortization. The amendments to IAS 16 specify that the depreciation and amortization methods based on revenues are inappropriate for intangible assets and property, plant and equipment. However, this presumption for intangible assets may be disregarded in certain cases.	01.01.2016	No impact
Amendments to IAS 16 and IAS 41	These amendments pertain to bearer biological assets that now fall under the scope of IAS 16 instead of IAS 41.	01.01.2016	No impact
Amendments to IAS 1 - Disclosure initiative	The amendments aim to strengthen the requirement for companies to use professional judgment in determining the disclosures to provide in their financial statements so that the disclosures are relevant and effective	01.01.2016	No significant impact
Annual improvements 2012-2014	As part of the IFRS annual improvements cycle, the IASB issued a series of amendments to existing standards.	01.01.2016	No significant impact
Amendments to IAS 27 - Use of the equity method in separate financial statements	The purpose of the amendments is to enable entities to use the equity method to account for their investments in subsidiaries, joint ventures and associates in their separate financial statements.	01.01.2016	No impact
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities - Applying the consolidation exception.	These amendments aim to clarify the consolidation exemption rules applicable to investment entities.	01.01.2016	No impact

The Group decided not to apply optional new standards and interpretations adopted by the European Union when application is only optional in 2016.

## IFRS 9 Financial instruments

### Date and methods of first-time application

Following the adoption by the European Union on November 29, 2016 of IFRS 9, the final version of which was published by the IASB (International Accounting Standards Board) in July 2014, the Crédit Mutuel Arkéa group decided to apply this standard as of January 1, 2018, the date for mandatory application.

Moreover, as permitted by IFRS 9, the Group does not plan to restate the consolidated financial statements for the period prior to the date of first-time application for comparison purposes.

To date, Crédit Mutuel Arkéa's Management does not believe that applying the hedging component of IFRS 9 (Phase 3) is a priority, as it would have no material impact on the Group's financial statements and can be applied at a later date in relation to the IASB's separate draft text on macro-hedging. The Group has therefore chosen to continue to apply the hedging principles of IAS 39 as of January 1, 2018.

### IFRS 9 project

Crédit Mutuel Arkéa group is completing the necessary work to adapt its information systems and its organizational and information gathering processes.

All the Group's internal stakeholders who are impacted by the application of the standard are involved in the project, and can take part in training programs offered until 2017.

The Executive Committee and the Financial Statements Committee are participating in this training program; the Executive Committee makes the main decisions about the project and accounting options, which are currently being defined.

## IFRS 9 accounting principles

Below are the main accounting principles applied by the Crédit Mutuel Arkéa group related to:

a) Classification and measurement of financial assets (Phase 1 of the standard), based on the three accounting categories:

- Financial assets at fair value through profit or loss
- Financial assets at fair value through equity
- Financial assets at amortized cost

b) Impairment of financial assets included in the scope (Phase 2 of the standard).

The changes impacting the classification and measurement of financial liabilities are not considered material for the Crédit Mutuel Arkéa group.

## Classification and measurement

IFRS 9 introduces two new criteria for determining the accounting category of debt instruments and loans and receivables:

- The business model, which summarizes the purpose for which financial instruments are held: «Collection of cash flows», «Collection and resale of cash flows» or «Resale»;
- 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».

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss will be broken down into debt securities (fixed- or variable-income) and loans to credit institutions and customers:

- held for trading («Resale» business model);
- 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;

- whose cash flows do not correspond to those of a basic loan («non-SPPI» cash flows).

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

As under IAS 39, derivatives will, by default, be considered trading instruments unless they can be classified as hedging instruments for accounting purposes.

The measurement principles at initial recognition and on the closing date will be the same as those under IAS 39.

### Financial assets at fair value through equity

Financial assets at fair value through equity will include debt securities (fixed- or variable-income) and loans to credit institutions and customers:

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

This category will also include shares resulting from the application of the irrevocable option made available under IFRS 9 at the time of initial recognition.

The measurement principles will be similar to those applied under IAS 39 to assets recognized as available-for-sale (AFS), except for shares, for which unrealized gains or losses recognized through equity will no longer be recognized through profit or loss in case of sale, but instead will be recognized through non-recyclable equity. Dividends will continue to be recognized through profit or loss.

### Financial assets at amortized cost

Financial assets at amortized cost will include debt securities (fixed- or variable-income) and loans to credit institutions and customers:

- held in order to collect the cash flows inherent in the instrument; and
- whose cash flows correspond to those of a basic loan («SPPI» cash flows).

Loans and receivables with credit institutions and loans and receivables with customers of the Crédit Mutuel Arkéa group will, for the most part, be recognized at amortized cost.

### Impairment

IFRS 9 introduces a new model based on expected losses (which will replace the IAS 39 impairment model based on known losses).

Provisions will take into account:

- Probability of the debtor's default
- Loss given the debtor's default
- The Crédit Mutuel Arkéa group's exposure (i.e. the loans outstanding related to this counterparty on and off the balance sheet).

Provisions must also take into account past, present and – new under IFRS 9 – forward-looking information.

When the financial asset is entered in the balance sheet, a provision for expected loss will be recorded. It will be calculated based on expected losses over one year.

If, after initial recognition of the financial instrument, the credit risk increases significantly, or if a known loss is identified, a provision will be recorded for the outstanding amount based on an expected loss calculated according to the residual maturity of the instrument.

### IFRS 15 Revenue from Contracts with Customers

This standard defines the principles for measuring revenue related to contracts with customers, with the exception of contracts governed by specific standards, such as those related to leases, insurance contracts and financial instruments. Five steps must be followed: identification of the contract with the customer, identification of the performance obligations in the contract, determination of the transaction price of the contract, allocation of the transaction price to the performance obligations and recognition of revenue when a performance obligation is satisfied.

Amendments have been issued to provide clarification on its implementation in the following areas: identification of performance obligations, agent/principal distinction, intellectual property licenses.

The European Union adopted IFRS 15 on October 29, 2016 and its application will be mandatory as of January 1, 2018. The Group will not apply the standard early.

The Group is currently reviewing the main impacts of this new standard. The impacts are not expected to be material.

### Principal standards not adopted by the European Union as of December 31, 2016

### IFRS 16 Leases

IFRS 16 Leases, published in January 2016, will replace IAS 17 Leases and the interpretations related to the recognition of such contracts.

The new definition of lease contracts implies the existence of an identified asset, on the one hand, and control by the lessee of the right to use the asset, on the other.

From the lessor's standpoint, the expected impact should be more limited, as the provisions applied are substantially unchanged relative to IAS 17.

For the lessee, the standard will require the recognition, on the assets side, of all leases in the form of a right to use the leased asset recorded under fixed assets and the recognition, on the liabilities side, of a financial liability for the lease payments and other payments to be made during the lease term.

Subject to its adoption by the European Union, IFRS 16 will become mandatory for fiscal years beginning on or after January 1, 2019.

Analysis of the standard and identification of its potential effects on the Group's financial statements began after publication.

The standards adopted by the European Union may be viewed on the European Commission web site:

[http://ec.europa.eu/internal\\_market/accounting/ias/index\\_fr.htm](http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm)

IAS / IFRS STANDARDS	TOPIC	APPLICATION DATE	IMPACT OF APPLICATION
Amendments to IAS 7	The purpose of these amendments is to provide additional information on financial statements (and more specifically in the notes) regarding changes in liabilities related to financing activities.	01.01.2017	No significant impact
Amendments to IAS 12	The purpose of these amendments is to list the conditions for calculating a deferred tax asset for an unrealized loss on a debt instrument measured at fair value.	01.01.2017	No significant impact

# Accounting principles and evaluation methods

## 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 realisation involves certain risks and uncertainties. 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,
- permanent impairment of financial assets classified as "available-for-sale,"
- impairment of loans and receivables,
- impairment tests of intangible assets,
- deferred tax assets,
- provisions.

The conditions for using any judgments or estimates are specified in the accounting principles and valuation methods described below.

### Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value 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 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 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 UCITS in which the management company is in the Group,
- certain structured or restructured products (CDOs, convertible bonds),
- issues of liabilities originated and structured on behalf of clients whose risks and any hedging thereof are managed as part of the same whole.

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

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 master agreements for each derivative transaction.

However, these derivatives are not netted on the balance sheet.

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). Moreover, the change in valuation techniques, which in particular takes into account the clarifications provided by this standard, led the Group to adjust the methods for measuring 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 credit valuation adjustment (CVA) calculation consists of multiplying the Group's expected positive exposure with regard to the counterparty, estimated using the so-called swaptions method, by the probability of default (PD) of the counterparty and

the loss given default (LGD) rate. The debt valuation adjustment (DVA) calculation consists of multiplying the Group's expected negative exposure with regard to the counterparty, estimated using the so-called swaptions method, by the Group's probability of default (PD) and loss given default (LGD) rate.

The calculation methodology uses market data, notably CDS curves to estimate the PD.

The funding valuation adjustment (FVA) is intended to materialize the cost to finance positions on derivative instruments that do not involve any posting of collateral. The FVA calculation consists of multiplying the Group's expected exposure with regard to the counterparty by the estimated market financing cost.

A negative amount of €20.8 million was recognized on the balance sheet for valuation adjustments as of December 31, 2016.

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 recognised at fair value. Not eliminated fixed-income securities totaled €391 million as of December 31, 2016 compared with €405 million as of December 31, 2015. Their elimination would have reduced pre-tax net income by €13 million as of December 31, 2016.

Initially, financial assets or liabilities at fair value through profit or loss are recognised at their fair value excluding acquisition costs and including accrued dividends. At the balance sheet date, they are measured at fair value and changes in fair value are recorded in the income statement for the period under the heading "net gain (loss) on financial instruments at fair value through profit or loss."

Dividends from variable-income securities and the gains or losses realised on such securities are also recorded in the income statement heading "net gain (loss) on financial instruments at fair value through profit or loss."

Accrued or earned income from fixed-income securities belonging to this category is recorded in the profit and loss account under the heading "Net gain (loss) on financial instruments at fair value through profit or loss". No impairment is recognised 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.

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

### Derivative financial hedging instruments - assets and liabilities

To classify a financial instrument as a hedging derivative, the Group prepares formalised 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%;
- 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.

### Fair value hedging

The goal of fair value hedging is to reduce the risk of a change in 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 transaction. The only impact on the income statement is the potential ineffectiveness of the hedge.

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 depreciations 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. Retrospectively, hedges must be discontinued when the underlyings to which they are linked become insufficient.

### 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 recognised directly in equity" while the ineffective portion is recognised in the profit and loss account 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)" synchronised with the cash flows of the hedged instrument impacting profit or loss. If the hedging relationship is discontinued or if it 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.

### Available-for-sale financial assets

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

Available-for-sale securities are recognised initially at their fair value i.e. the purchase price, including acquisition costs - if they are material - and accrued dividends. On the balance sheet date, such securities are measured at their fair value through equity "Gains and losses recognised directly in equity".

Such unrealised gains or losses recognised in equity are only recognised in the income statement if the securities are disposed or if there is permanent impairment.

The accrued or earned income from fixed-income securities is recognised 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 payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Dividends from variable-income securities are recognised in the income statement under the heading "Net gain (loss) on financial instruments available-for-sale."

### Impairment of securities

Impairment is recorded when objective signs of a decline in the value of securities exist. Objective signs of impairment are evidenced by a long-term, material decline in the value of equity shares or by the appearance of a material decline in credit risk

due to default risk on debt securities.

In the case of variable-income securities, the group employs a quantitative criterion to identify material and long-term declines: impairment is recognised 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. 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 recognised in the income statement under "Net gain (loss) on financial instruments available-for-sale". Any subsequent decline in value leads to an increase in impairment charged against net income. In the event of an increase in value, the provision may not be reversed through the income statement.

In the case of on debt securities, impairment is recorded in "Cost of risk," and may be written back through profit when the market value of the security has increased due to some objective event that has taken place since the last time it was written down.

#### **Held-to-maturity financial assets**

Held-to-maturity financial assets are primarily fixed-income or determinable income securities with a fixed maturity that the Group intends and is able to hold to maturity.

Initially, they are recognised at their acquisition price including acquisition costs – when material – and accrued dividends. On the balance sheet date, they are valued according to the amortised cost method at the effective interest rate and may be the subject of impairment when necessary.

#### **Loans and receivables due from financial institutions and customers**

"Loans and receivables" are financial assets with fixed or determinable payments that are not quoted on an active market. All loans and receivables owed to Crédit Mutuel Arkéa group by financial institutions and customers that are not intended for sale when extended are recognised in the "loans and receivables" category.

Initially, they are recognised at market value which is usually the net amount initially paid out including the transaction costs directly attributable to the transaction and fees analysed as an adjustment to the effective yield of the loan. On the balance

sheet date, loans and receivables are valued at amortised cost. Interest, transaction costs, and fees included in the initial value of the loans are amortised over the life of the loan. In this manner they contribute to the formation of income over the life of the loan.

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 fees received for commercial loan renegotiations are deferred. The renegotiation of the loan results in the derecognition or modification of the former loan. According to this principle, the fees remaining to be deferred on former loans are recognized immediately in income.

The restructuring of a loan following the debtor's financial difficulties results in the novation of the loan agreement. Based on the definition of this concept by the European Banking Authority (EBA) in its draft standards, published in late October 2013, the Group identified loan restructuring (Forbearance) on those loans held as of December 31, 2013. The accounting impact of the loan restructuring was integrated into the financial statements of 2014.

#### **Impairment of loans and receivables**

##### **Receivables written-down on an individual basis**

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

- there have been one or more delinquent payments lasting at least three months ;
- the position of a counterparty presents characteristics such that even if there has been no delinquency, we can conclude that there is an established risk;
- the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganisation/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy, liquidation of property, including assignments in 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, and this irrespective of the existence of guarantees or collateral. 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.

The loss due to impairment is the difference between amortised 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 amounts estimated conservatively. As a result, only the impairment on disputed receivables has been discounted. In the income statement, impairment loss movements are recorded under the heading "cost of risk" except for the add-backs for the effects of the reversal of discounting, which are recorded under "Interest and similar income."

#### **Receivables written-down on a collective basis**

Loans not individually impaired are grouped together based on their level of credit risk in order to form homogenous groups. The method for calculating group impairment is based primarily on the standards for measuring risks implemented as part of the Basel II reform.

This method entails recording impairment for the classes of risk corresponding to the highest probabilities of default. It takes into account the recalibration of the algorithms requested by the Autorité de Contrôle Prudentiel et de Résolution as part of the Basel II certification.

Furthermore, Crédit Mutuel Arkéa may be led to establish an additional collective reserve to cover the credit risk of a given economic sector or geographic region that is not covered by any individual impairment provisions.

#### **Customer finance leases**

Leasing operations are classified as finance leases when they transfer to the lessee substantially all the risks and rewards incidental to the ownership of the leased property. When this is not the case, leasing operations are classified as operating leases.

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

#### **Property, plant and equipment, intangible assets and investment property**

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

- it is likely that the future economic rewards from this asset will belong to the enterprise
- and if the cost of said asset can be measured reliably.

Pursuant to IAS 40, the Group's property is classified as "investment property" when it is held primarily to earn rentals or for 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 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 expenditures that do not satisfy the conditions for capitalisation (notably preliminary research and functional analysis expenses) are recognised as expenses in accordance with IAS 38;
- all software expenditures incurred after the start of the production process (detailed analysis, development, validation, documentation) are capitalized if they meet the criteria established by IAS 38.

In cases where the software is used in connection with a commercial contract the amortization period can exceed five years, and is defined in terms of the contract period.

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 "Property, plant and equipment" and "Investment property". The following components and amortization periods have been adopted by the Group:

COMPONENT	AMORTIZATION PERIOD
Land	Not amortised
Structural works	Head offices and investment property: 50 years Agencies: 25 years
Non-structural works	25 years
Plant and Equipment	20 years
Fixtures and fittings	3 to 10 years

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

COMPONENT	AMORTIZATION PERIOD
Furnitures	10 years
Computer equipment	3 to 5 years
Self-produced and acquired software	2 to 5 years
Portfolio of customer contracts acquired	6 to 13 years

Amortization is calculated using the straight-line method. For tangible and intangible non-current assets, amortization is recorded on the income statement under the heading "Depreciation, amortization and impairment of property, plant and equipment and intangible assets". For investment property, they are recorded under the heading "expense from other activities."

Indefinite-life assets are not depreciated but are the subject of impairment tests at least once a year.

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

Insofar as concerns goodwill, if the recoverable amount of the related cash-generating unit is less than its carrying amount, an irreversible provision for impairment loss of goodwill is recognised. The impairment loss 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 cash-generating unit.

The valuation calculations are largely based on the discounted cash flow (DCF) method, which relies on assumptions regarding future revenue and expense trends based on medium-term plans, extrapolated to infinity on the basis of discounted growth rates.

The cash flows used are determined on the basis of the business plans of each cash generating unit (CGU) over a defined horizon of between three and five years. The discount rates used correspond to the cost of capital calculated using the capital asset pricing model. This method is based on a risk-free interest rate to which a risk premium is applied that depends on the underlying activity of the corresponding cash generating unit. The discount rates used in 2016 range between 7.10% and 10.73% while the growth rates to infinity range between 2% 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 lead to 7.1% overall reduction in the recoverable amounts without engendering any impairment of the cash generating unit;
- a 50 basis point decrease in the growth rate to infinity would result in a 5.2% overall decrease in the recoverable amount without engendering any impairment of the cash generating unit.

#### **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 amortised.

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

Discontinued operations include operations which are held for sale or which 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."

#### **Amounts owed to credit institutions and customers**

At inception, amounts owed to credit institutions and customers are recognised at fair value, which is normally the net amount received initially less transaction costs that can be directly attributed to the transaction when they are significant. On the balance sheet date, such amounts are valued at their amortised 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.

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

#### **Debt securities**

Liabilities in the form of securities issued are broken down by type of security (certificates of deposit, interbank market securities and negotiable debt securities, bond issues and similar) except for subordinated debt securities which are classified as subordinated debt.

Initially, they are recognised at fair value i.e. at their issue price less any transaction costs that can be directly related to the transaction when they are significant. On the balance sheet date, said amounts are valued at amortised cost according to the effective interest rate method. Accrued interest or interest due on debt securities represented by a certificate are recorded in the income statement under the "Interest and similar expense."

#### **Provisions**

The Group's obligations for which it is probable that an outflow of resources will become necessary to settle them and whose amount or due date are uncertain but which may be estimated reliably are the subject of provisions. In particular, such provisions cover labor-related commitments, home savings product risks, disputes and liability guarantees.

#### **Pension commitments**

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 recognised as an expense, recorded in « personnel expenses ». Defined benefit plans are plans for which the Group has made a commitment to ensure a benefit amount or level. This commitment constitutes a medium- or long-term risk. Retirement commitments outside the scope of defined contribution plans are fully provisioned in the balance sheet under «Provisions». Retirement bonuses, supplementary retirement plans, time-savings accounts and long-term service awards are recorded in this account.

The Group's obligation is calculated with the projected unit credit method, and takes into account demographic and financial assumptions. Specifically, the calculations use a discount rate of 1.84% in December 2016, this rate is determined by reference to the iBoxx corporate AA 10+ euro zone index based on corporate bonds, index adjusted to take into account the specific rate context. The calculations also include an employee turnover rate of between 1.02% and 5.70% and a salary increase rate of between

2.41% and 3.07%. Commitments are calculated using the TH00-02 and TF00-02 life expectancy tables for the phase during which the commitment is being constituted and the TGH05 and TGF05 life expectancy tables for the phase during which pensions are paid out.

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

For others long-term benefits, differences are recognised immediately in the income statement for the year.

As for post-employment benefits, actuarial differences are recognised under "Gains and losses recognised 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 mandated interest rate that could 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.

Provision allocations and write-backs are recognised in the income statement under "Interest and similar income" and "Interest and similar expense".

#### Subordinated debt

Subordinated debt are fixed or indefinite term debt that may or may not be represented by a certificate and which differ from receivables or bonds because repayment will take place only in the event of the liquidation of the debtor and after all the secured creditors have been paid. They are valued according to the amortised cost method. The accrued interest or interest due on subordinated debt is recorded on the income statement under the heading "Interest and similar expense."

#### Equity

##### Difference between liabilities and equity

A debt instrument or a 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 interpretation and treated as such in the Group's consolidated financial statements.

#### Measurement of fair value of financial instruments

The fair value of assets and liabilities is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability during an arm's length transaction between market participants as of 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 at the first-time consolidation as well as at subsequent measurement dates. These assets and liabilities include:

<sup>1</sup> Arkade UES (Unité Economique et Sociale) and Arkéa-SCD rates representing 97 % of the commitment.

- Financial assets and liabilities at fair value through profit or loss;
- Available-for-sale financial assets;
- Derivatives used for hedging purposes.

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 due from banks and customers;
- Held-to-maturity financial assets;
- Liabilities to credit institutions and customers;
- Debt securities and Subordinated debt.

Assets and liabilities are furthermore broken down into three hierarchy levels, corresponding to the degree of observability of inputs used in the valuation techniques to determine their 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 as to provide price information on a continuous basis.

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

**Level 2: Assets and liabilities whose fair value is calculated 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 for swaps or the Black & Scholes model for options.

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 like swaps and options products;
- Structured products.

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

Two methods are used to measure banks loans and receivables deposits:

- 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, maturing in over one year is measured using the Black & Scholes model.

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

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

Signature cost of the Group is included in the rate curve held for the valuation of debt securities and subordinated debt.

The nominal value of short-term receivables and debt (under one year) is equivalent to their fair value.

**Level 3 : Assets and liabilities whose fair value is calculated using data on assets or liabilities that are 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;
- private equity funds;
- certain specialized financings;
- securities held by private equity companies.

Equity investments that are 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.

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 as null: transactions carried out by the Group for its own account are recognised at their fair value. Transactions carried out on behalf of customers generate a premium, which is recognised as revenue at inception.

### **Accounting principles for the insurance business**

The specific accounting policies and valuation methods applied to assets and liabilities arising from the issuance of insurance policies are established in accordance with IFRS 4. The latter is also applicable to reinsurance contracts entered into and financial

contracts that include a discretionary profit-sharing provision.

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.

### **Assets**

The accounting methods applied to financial assets, investment properties and other fixed assets are described elsewhere.

The financial assets representing the technical provisions on unit-linked contracts are presented in "Financial assets at fair value through profit or loss."

### **Liabilities**

Insurance liabilities, representing commitments to policyholders and beneficiaries, are reported on the line "Insurance companies' technical reserves". They are valued, recognised and consolidated in accordance with French GAAP.

The 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 insured. The risks covered include primarily death, disability and inability to work (for credit 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 premium (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 insured) 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 unrealised capital gains and losses on assets attributable to the insured. 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 recognised in income for the period (and would be reversed, if necessary, at a subsequent date).

### **Income statement**

Income and expenses arising on insurance contracts written by the Group are recognised in the Income statement under “Income from other activities” and “Expense from other activities”.

Income and expenses relating to the insurance entities’ proprietary activities are recognised under the appropriate headings.



# Consolidation principles and methods

## Consolidating entity

The consolidating entity of the Crédit Mutuel Arkéa group is Crédit Mutuel Arkéa as defined in the collective license issued by the "Autorité de Contrôle Prudentiel et de Résolution". This credit institution consists of:

- the Federations of Crédit Mutuel de Bretagne, of Crédit Mutuel du Sud-Ouest and of Crédit Mutuel Massif Central,
- 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 has 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.

Shareholdings owned by private equity companies over which joint control or significant influence is exercised are excluded from the scope of consolidation. 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 to 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 such control and ends on the date when 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 minority interests in equity and in the profit and loss account is recorded separately on the liabilities side of the consolidated balance sheet and in the consolidated income statement.

## Investments in associates and joint ventures

An associate is an entity over which the Group exercises significant influence. Such influence is characterized by the ability to participate in decisions involving the entity's financial and operating policies, even though control or joint control over these policies has not been obtained.

Significant influence is presumed if the Group owns, 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 can be shown through the lack of representation on governing bodies or the absence of participation in the process for determining company policies.

A joint venture is a partnership in which the parties exercising joint control over the entity have claims on the entity's net assets.

Joint control is determined by the contractually agreed upon control exercised over an entity, which only exists in cases where decisions affecting the relevant activities require the unanimous consent of the parties sharing control.

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

Under this method, investments in associates and joint ventures are initially recognized at their acquisition cost, subsequently adjusted to reflect the Group's share in the earnings and other com-

prehensive income of the associates or joint ventures.

An investment is recognized using the equity method as of the date when 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. In cases where the fair value of the entity's identifiable net assets and liabilities exceeds the cost of the investment, the difference is shown through profit and loss.

#### **Investment in joint operations**

A joint operation is a partnership in which the parties exercising joint control over the entity have direct claims over the assets as well as obligations with respect to the liabilities related to this operation.

#### **Main changes in scope of consolidation**

In June 2016, the Group acquired 100% of the Keytrade group, an online bank specializing in banking and investment products. This acquisition resulted in the full consolidation of four new entities:

- Keytrade Bank SA: Online bank located in Belgium. This entity merged with Arkéa Direct Bank in November 2016. The merger was carried out with retroactive effect to July 1;
- Keytrade Bank Luxembourg SA: Subsidiary of Keytrade Bank SA in Luxembourg;
- Strateo: Swiss branch of Keytrade Bank SA;
- RealLease SA: Company specializing in leasing. This company was sold on October 28, 2016.

The consolidation scope also grew with the addition of SMSPG, a new legal entity held mainly by the managers of SPG, which is fully consolidated.

The consolidated entities of Crédit Mutuel Arkéa are presented in note 45. Note 46 describes the business combinations that occurred during the year.

# Consolidation principles

## Balance sheet date

The balance sheet date for nearly all the consolidated companies is December 31.

## Inter-company transactions

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

## Accounting for acquisitions and goodwill

The Group applies Revised IFRS 3 for business combinations. The acquisition cost is the sum of the fair values, at the business combination date, of the assets given, liabilities incurred or assumed, and equity instruments issued by the acquiree.

Revised IFRS 3 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 (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 recognised immediately in the income statement, through "Goodwill variations".

Goodwill is subject to an impairment test at least once per year and when there is evidence of an impairment loss.

Each goodwill item is allocated to a cash generating unit 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 organisational and management method and take into account the independent nature of these units.

When the Group increases its percentage stake in a company that is already controlled, the difference between the purchase price of the stock and the additional share of the consolidated shareholders' equity that these securities represent on the acquisition date is recognised in shareholders' equity.

In the event of a reduction in the equity interest without any loss of control, the impact of the change in equity interest is also recognized directly in equity.

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

Rental, leases with a buy-out clause and financial leases are re-processed in such a way as to take financial accounting into consideration.

### **Translation of foreign currency denominated financial statements**

The balance sheets of entities whose accounts are kept in a foreign currency are translated on the basis of the official foreign translation rate on the balance sheet date. The difference on share capital, reserves and retained earnings is recorded in shareholders' equity in the "Translation Reserves" account. The income statement is translated on the basis of the average translation rate during the fiscal year. Translation differences are recorded directly in the "Translation Reserves" account.

### **Taxes**

IFRIC 21 "levies charged by a public authority" specifies the conditions for recognizing a liability for a levy. 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 that minimum threshold is reached.

### **Deferred taxes**

Deferred taxes are recognised 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 « contribution économique territoriale » (CET) and the "cotisation sur la valeur ajoutée des entreprises" (CVAE) are treated as operating expenses, it does not entail the recognition of deferred taxes in the consolidated financial statements.

# Notes on the balance sheet

## Note 1. Cash, due from central banks Loans and receivables due from banks

(in thousands of euros)

	31.12.2016	31.12.2015
<b>CASH, DUE FROM CENTRAL BANKS</b>		
Central banks	3,496,003	1,974,987
Cash	121,193	137,544
Related receivables	- 16	0
<b>TOTAL</b>	<b>3,617,180</b>	<b>2,112,531</b>
<b>LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>		
Crédit Mutuel network accounts	729,769	601,688
Other regular accounts	306,106	259,964
Loans	5,159,165	5,606,697
Securities not listed on an active market	3,000	10,000
Repurchase agreements	702,823	500,939
Individually impaired receivables	0	0
Related receivables	43,026	60,964
Impairment	0	0
<b>TOTAL</b>	<b>6,943,889</b>	<b>7,039,982</b>
of which deposits and demand loans with credit institutions	472,268	352,923

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

(in thousands of euros)

	31.12.2016	31.12.2015
Assets classified at fair value option	17,875,207	14,214,563
Assets held for trading purposes	494,500	474,877
<b>TOTAL</b>	<b>18,369,707</b>	<b>14,689,440</b>

**Note 2a. Assets classified at fair value option**

(in thousands of euros)

	31.12.2016	31.12.2015
Securities	17,862,074	14,198,757
Treasury bills, notes and government bonds	0	0
Bonds and other fixed-income securities	5,203,006	4,179,123
Listed	4,906,383	4,114,081
Unlisted	296,623	65,042
Stocks and other variable-income securities	12,659,068	10,019,634
Listed	6,947,497	6,436,835
Unlisted	5,711,571	3,582,799
Other financial assets <sup>(1)</sup>	13,133	15,806
of which repurchase agreements	0	0
<b>TOTAL</b>	<b>17,875,207</b>	<b>14,214,563</b>

(1) Other financial assets at fair value option consist of loans and receivables due from customers and credit institutions

The maximum non-recoverable amount of loans classified at fair value option was €12,940 thousand. This amount was not hedged through the use of credit derivatives.

**Note 2b. Financial assets held for trading purposes**

(in thousands of euros)

	31.12.2016	31.12.2015
Securities	3,056	3,112
■ Treasury bills, notes and government bonds	0	0
■ Bonds and other fixed-income securities	3,056	3,112
Listed	3,045	3,098
Unlisted	11	14
■ Stocks and other variable-income securities	0	0
Listed	0	0
Unlisted	0	0
Derivatives held for trading purposes	491,444	471,765
Other financial assets	0	0
of which repurchase agreements	0	0
<b>TOTAL</b>	<b>494,500</b>	<b>474,877</b>

Derivative trading instruments are held as economic hedges on customer transactions.

**Note 3. Derivatives used for hedging purposes**

(in thousands of euros)

	31.12.2016		31.12.2015	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Cash flow hedges (CFH)	1,636	8,640	2,057	24,897
Fair value hedges (FVH)	831,519	503,850	812,056	479,198
<b>TOTAL</b>	<b>833,155</b>	<b>512,490</b>	<b>814,113</b>	<b>504,095</b>

The value of changes in cash flows recycled through profit or loss was equal to €814 thousand.

**Note 4. Available-for-sale financial assets**

(in thousands of euros)

	31.12.2016	31.12.2015
TREASURY BILLS, NOTES AND GOVERNMENT BONDS	14,888,465	14,049,036
BONDS AND OTHER FIXED-INCOME SECURITIES	20,904,609	18,956,963
Listed	18,692,782	17,860,524
Unlisted	2,211,827	1,096,439
STOCKS AND OTHER VARIABLE-INCOME SECURITIES	1,941,892	2,343,231
Listed	1,260,848	1,361,683
Unlisted	681,044	981,548
INVESTMENT SECURITIES	786,620	549,775
Long-term investments	413,121	276,849
Other long-term investments	275,957	180,418
Shares in associates	97,542	92,508
Translation adjustments	0	0
Loaned securities	0	0
RELATED RECEIVABLES	451,121	369,350
<b>TOTAL</b>	<b>38,972,707</b>	<b>36,26,355</b>
Of which unrealized capital gains/losses recognized in equity	447,957	438,961
Of which securities sold under repurchase agreements	0	0
Of which impaired assets	0	0
Of which risky bonds	32,554	40,655
Of which impairment loss	- 53,573	- 57,762
Of which listed long-term investments	0	0

**Note 5. Loans and receivables due from customers**

(in thousands of euros)

	31.12.2016	31.12.2015
Performing receivables	44,186,442	42,062,147
■ Commercial receivables	134,554	141,608
■ Other loans to customers	43,938,031	41,794,130
Housing loans	23,666,666	22,232,478
Other loans and various receivables, including repurchase agreements	20,271,365	19,561,652
■ Related receivables	113,857	126,409
■ Securities not listed on an active market	0	0
Insurance and reinsurance receivables	141,279	131,761
Individually impaired receivables	1,530,703	1,513,100
<b>GROSS RECEIVABLES</b>	<b>45,858,424</b>	<b>43,743,008</b>
Individual impairment loss	- 839,943	- 854,549
Collective impairment loss	- 145,211	- 108,596
<b>SUBTOTAL I</b>	<b>44,873,270</b>	<b>42,743,863</b>
Finance leases (net investment)	1,824,920	1,663,460
■ Movable goods	993,621	863,672
■ Real property	759,432	725,080
■ Individually impaired receivables	71,867	74,708
Impairment	- 42,646	- 39,124
<b>SUBTOTAL II</b>	<b>1,782,274</b>	<b>1,624,336</b>
<b>TOTAL</b>	<b>46,655,544</b>	<b>44,368,199</b>
Of which equity loans with no voting rights	12,165	12,165
Of which subordinated debt	0	0

**Note 6a. Information on delinquent payments**

(in thousands of euros)

	DELINQUENT PAYMENTS			GUARANTEES RELATED TO IMPAIRED ASSETS AND DELINQUENT PAYMENTS
	LESS THAN 30 DAYS	30 TO 60 DAYS	60 TO 90 DAYS	
<b>EQUITY INSTRUMENTS</b>				0
<b>DEBT INSTRUMENTS</b>	0	0	0	0
Central governments	0	0	0	0
Credit institutions	0	0	0	0
Other financial companies	0	0	0	0
Non-financial companies	0	0	0	0
Retail customers	0	0	0	0
<b>LOANS AND ADVANCES</b>	170,336	46,155	26,241	170,945
Central governments	0	0	0	0
Credit institutions	0	0	0	0
Other financial companies	0	0	0	0
Non-financial companies	35,099	10,091	6,185	32,539
Retail customers	135,237	35,254	20,056	138,407
<b>OTHER FINANCIAL ASSETS</b>	0	0	0	0
<b>TOTAL</b>	<b>170,336</b>	<b>46,155</b>	<b>26,241</b>	<b>170,945</b>
<b>Unallocated guarantees</b>				<b>0</b>

This table includes outstandings considered performing but on which one or more delinquent payments have been observed.

The reported amount consists of the total value of the commitment on which a delinquent payment has been observed, not merely the delinquent payment amount.

The age of the delinquent payment is calculated from the date on which the first delinquent payment was observed on the outstanding amount in question.

**Note 6b. Restructured outstandings by type**

(in thousands of euros)

RESTRUCTURED OUTSTANDINGS BY TYPE AS OF 12/31/2016	RENEGOTIATION OF CONTRACT	TOTAL OR PARTIAL REFINANCING OF OUTSTANDING	TOTAL
<b>PERFORMING OUTSTANDINGS</b>	34,186	19,917	54,103
Non-performing outstandings - gross amounts	204,841	150,599	355,440
Restructured non-performing outstandings - impairment loss	- 88,909	- 80,065	- 168,974
<b>NET NON-PERFORMING OUTSTANDINGS</b>	<b>115,932</b>	<b>70,534</b>	<b>186,466</b>

**Note 7. Held-to-maturity financial assets**

(in thousands of euros)

	31.12.2016	31.12.2015
Securities	115,814	149,967
■ Treasury bills, notes and government bonds	59,114	59,225
■ Bonds and other fixed-income securities	56,700	90,742
Listed	55,204	78,253
Unlisted	1,496	12,489
Related receivables	1,022	1,577
<b>GROSS TOTAL</b>	<b>116,836</b>	<b>151,544</b>
Impairment	0	0
<b>NET TOTAL</b>	<b>116,836</b>	<b>151,544</b>

**Note 8. Impairment and provisions**

(in thousands of euros)

	31.12.2015	DOTATION	REPRISE	AUTRE	31.12.2016
Loans and receivables - credit institutions	0	0	0	0	0
Loans and receivables due from customers	- 1,002,269	- 322,505	298,320	- 1,346	- 1,027,800
Available-for-sale securities	- 57,762	- 3,401	7,753	- 163	- 53,573
Held-to-maturity securities	0	0	0	0	0
<b>TOTAL</b>	<b>- 1,060,031</b>	<b>- 325 906</b>	<b>306,073</b>	<b>- 1,509</b>	<b>- 1,081,373</b>

**Note 9. Current tax assets**

(in thousands of euros)

	31.12.2016	31.12.2015
Assets (through profit or loss)	180,631	216,872
Liabilities (through profit or loss)	96,360	163,170

**Note 10. Deferred tax assets**

(in thousands of euros)

	31.12.2016	31.12.2015
Assets (through profit or loss)	66,111	87,733
Assets (through equity)	8,889	6,152
Liabilities (through profit or loss)	51,123	35,357
Liabilities (through equity)	116,174	98,109

**Deferred taxes by major category**

(in thousands of euros)

	31.12.2016	31.12.2015
Loss carryforwards	13,948	9,322
Temporary differences on:		
Deferred capital gains or losses on available-for-sale securities	- 136,521	- 120,010
Unrealized gains or losses on cash flow hedges	2,330	6,048
Unrealized gains or losses on actuarial differences	26,908	22,008
Provisions for non-deductible contingencies and charges	64,490	51,056
Unrealized reserves of finance leases	- 37,827	- 31,458
Other temporary differences	- 25,625	23,453
<b>TOTAL NET DEFERRED TAXES</b>	<b>- 92,297</b>	<b>- 39,581</b>

Deferred taxes are netted on the balance sheet by tax entity

**Note 11. Accruals, prepayments and sundry assets**

(in thousands of euros)

	31.12.2016	31.12.2015
<b>ACCRUALS – ASSETS</b>		
Receivables collection	439,092	493,670
Foreign currency adjustment accounts	53,529	34,010
Accrued income	96,793	83,741
Miscellaneous accrual accounts	187,641	195,536
<b>SUBTOTAL</b>	<b>777,055</b>	<b>806,957</b>
<b>OTHER ASSETS</b>		
Settlement accounts for securities transactions	90,957	113,376
Various debtors	518,593	427,599
Guarantee deposits	811,554	772,753
Inventories and similar	1,626	5,542
Other miscellaneous applications of funds	3,550	2
<b>SUBTOTAL</b>	<b>1,426,280</b>	<b>1,319,272</b>
<b>OTHER INSURANCE ASSETS</b>		
Technical provisions - Reinsurers' share	70,478	68,524
Other	28,647	26,779
<b>SUBTOTAL</b>	<b>99,125</b>	<b>95,303</b>
<b>TOTAL</b>	<b>2,302,460</b>	<b>2,221,532</b>

**Note 12. Equity method investments**

## Share of earnings of companies carried under equity method

	31.12.2016			31.12.2015		
	INVESTMENT AMOUNT	SHARE OF INCOME	DIVIDENDS RECEIVED	INVESTMENT AMOUNT	SHARE OF INCOME	DIVIDENDS RECEIVED
Caisse Centrale du Crédit Mutuel	127,951	1,679	524	123,063	2,333	535
Crédit Mutuel Cartes de Paiement	- 857	- 13	0	- 844	- 5	0
Primonial Holding	50,930	6,363	0	58,643	1,265	0
NEW PORT	32,798	2,033	0	26,672	887	0
<b>TOTAL BRUT</b>	<b>210,821</b>	<b>10,062</b>	<b>524</b>	<b>207,534</b>	<b>4,480</b>	<b>535</b>

## Supplementary information on main investments in associates (IFRS)

	TOTAL ASSETS	NBI	GROSS OPERATING INCOME	NET INCOME	OCI	SHAREHOLDERS' EQUITY
Caisse Centrale du Crédit Mutuel	4,295,430	17,247	11,914	7,701	117,158	607,992
Crédit Mutuel Cartes de Paiement	3,079	- 43	- 62	- 62	0	3,060
Primonial Holding	306,084	146,573	36,734	23,079	0	127,866
NEW PORT	168,726	6,628	6,571	6,571	45,153	107,416

**Note 13. Investment property**

(in thousands of euros)

	31.12.2015	INCREASE	DECREASE	OTHER	31.12.2016
Historical cost	791,680	5,720	- 40,324	0	757,076
Depreciation and amortization	- 210,545	- 26,005	14,651	0	- 221,899
<b>NET AMOUNT</b>	<b>581,135</b>	<b>- 20,285</b>	<b>- 25,673</b>	<b>0</b>	<b>535,177</b>

The fair value of investment real estate recognized at cost amounted to €848 million as of December 31, 2016 compared to €871 million one year earlier.

**Note 14. Property, plant and equipment**

(in thousands of euros)

	31.12.2015	INCREASE	DECREASE	OTHER (1)	31.12.2016
<b>HISTORICAL COST</b>					
Land	22,296	3	- 28	0	22,271
Plant	527,287	22,137	- 3,573	26	545,877
Other property, plant and equipment	197,119	32,287	- 9,591	479	220,294
<b>TOTAL</b>	<b>746,702</b>	<b>54,427</b>	<b>- 13,192</b>	<b>503</b>	<b>788,442</b>
<b>AMORTIZATION AND DEPRECIATION</b>					
Land	0	0	0	0	0
Plant	- 349,452	- 21,581	2,940	- 24	- 368,117
Other property, plant and equipment	- 161,999	- 19,575	4,182	- 389	- 177,781
<b>TOTAL</b>	<b>- 511,451</b>	<b>- 41,156</b>	<b>7,122</b>	<b>- 413</b>	<b>- 545,898</b>
<b>NET AMOUNT</b>	<b>235,251</b>	<b>13,271</b>	<b>- 6,070</b>	<b>92</b>	<b>242,544</b>

(1) Mainly corresponds to the addition of the Keytrade group to the scope of consolidation

**Note 15. Intangible assets**

(in thousands of euros)

	31.12.2015	INCREASE	DECREASE	OTHER <sup>(1)</sup>	31.12.2016
<b>HISTORICAL COST</b>					
Self-produced assets	312,621	46,504	- 655	17,479	375,949
Acquired assets	590,187	65,358	- 38,073	72,323	689,795
Software	321,491	20,396	- 3,165	123	338,845
Other	268,696	44,962	- 34,908	72,200	350,950
<b>TOTAL</b>	<b>902,808</b>	<b>111,862</b>	<b>- 38,728</b>	<b>89,802</b>	<b>1,065,744</b>
<b>AMORTIZATION AND DEPRECIATION</b>					
Self-produced assets	- 202,798	- 55,314	351	0	- 257,761
Acquired assets	- 363,818	- 30,290	4,829	- 82	- 389,361
Software	- 289,159	- 17,724	2,509	- 82	- 304,456
Other	- 74,659	- 12,566	2,320	0	- 84,905
<b>TOTAL</b>	<b>- 566,616</b>	<b>- 85,604</b>	<b>5,180</b>	<b>- 82</b>	<b>- 647,122</b>
<b>MONTANT NET</b>	<b>336,192</b>	<b>26,258</b>	<b>- 33,548</b>	<b>89,720</b>	<b>418,622</b>

(1) Mainly corresponds to the addition of the Keytrade group to the scope of consolidation

Self-produced assets correspond mainly to software.

Aside from software, intangible assets include mainly assets acquired through business combinations resulting from contract law (indefinite useful life brands, customer relations).

**Note 16. Goodwill**

(in thousands of euros)

	31.12.2015	INCREASE	DECREASE	OTHER	31.12.2016
Gross goodwill	448,633	93,613	0	0	542,246
Impairment	0	0	0	0	0
<b>NET GOODWILL</b>	<b>448,633</b>	<b>93,613</b>	<b>0</b>	<b>0</b>	<b>542,246</b>

**Allocation by Division**

(in thousands of euros)

DIVISION	ENTITY	31.12.2016	31.12.2015(*)
Retail customers	Arkéa Direct Bank	259,757	166,144
Entreprises et Institutionnels	CFCAL Banque CFCAL SCF	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	Leasecom Leasecom Car	32,723	32,723
B2B and Specialized Services	Leetchi SA Mangopay	25,682	25,682
Products	Schelcher Prince Gestion	11,649	11,649
Products	Suravenir Assurances	10,969	10,969
<b>NET GOODWILL</b>		<b>542,246</b>	<b>448,633</b>

(\*) Pro forma to include the group's new organization

In accordance with IAS 36, the Service to investors and online savings CGU was split during the year to reflect the Group's new organization. In fact, each of these activities is now allocated to a different division: retail customers for ADB (Fortuneo) and B2B and Specialized Services for Procapital.

The breakdown was based on each entity's fair value: of the €229,144,000 in goodwill previously allocated to this CGU, €63,000,000 was allocated to the B2B and Specialized Services division (Procapital) and €166,144,000 to the Retail Customers division (Arkéa Direct Bank).

**Note 17. Due to central banks - Due to banks**

(in thousands of euros)

	31.12.2016	31.12.2015
<b>DUE TO CENTRAL BANKS</b>	<b>0</b>	<b>0</b>
<b>DUE TO CREDIT INSTITUTIONS</b>	<b>7,087,004</b>	<b>6,455,557</b>
Crédit Mutuel network accounts	37,095	10,214
Other regular accounts	127,061	249,561
Loans	1,759,466	1,724,779
Other liabilities	45,056	51,143
Repurchase agreements	5,112,360	4,407,717
Related liabilities	5,966	12,143
<b>TOTAL</b>	<b>7,087,004</b>	<b>6,455,557</b>
of which deposits and demand loans with credit institutions	275,162	351,333

**Note 18. Financial liabilities at fair value through profit or loss**

(in thousands of euros)

	31.12.2016	31.12.2015
<b>FINANCIAL LIABILITIES HELD FOR TRADING PURPOSES</b>	600,985	564,946
Derivatives	600,985	564,946
<b>FAIR VALUE OPTION FINANCIAL LIABILITIES THROUGH PROFIT OR LOSS</b>	13,638	5,533
Liabilities to credit institutions	41	18
Liabilities to customers	13,597	5,515
Debt securities	0	0
Subordinated debt	0	0
<b>TOTAL</b>	<b>614,623</b>	<b>570,479</b>

The redemption value of liabilities measured at fair value amounted to €614,585 thousand at December 31, 2016, against €570,473 thousand at December 31, 2015. Given the terms applicable to the Group's offerings, fair value changes due to changes in the Cr dit Mutuel Ark a Group's issuer risk were negligible as of December 31, 2016.

**Note 18a. Financial liabilities at fair value option through profit or loss**

(in thousands of euros)

	31.12.2016			31.12.2015		
	CARRYING AMOUNT	AMOUNT DUE AT MATURITY	DIFFE- RENCE	CARRYING AMOUNT	AMOUNT DUE AT MATURITY	DIFFE- RENCE
Due to credit institutions	41	10	31	18	13	5
Liabilities to customers	13,597	13,590	7	5,515	5,514	1
Debt securities	0	0	0	0	0	0
Subordinated debt	0	0	0	0	0	0
<b>TOTAL</b>	<b>13,638</b>	<b>13,600</b>	<b>38</b>	<b>5,533</b>	<b>5,527</b>	<b>6</b>

**Note 18b. Financial assets and liabilities subject to netting, an enforceable master netting agreement or a similar agreement**

31.12.2016

	GROSS AMOUNT OF FINANCIAL ASSETS		
	LIABILITIES RECOGNIZED	LIABILITIES RECOGNIZED AND NETTED ON THE BALANCE SHEET	LIABILITIES SHOWN ON THE BALANCE SHEET
<b>ASSETS</b>			
Derivatives	1,324,599	0	1,324,599
Reverse repurchase agreements of securities, securities borrowing or similar agreements	702,823	0	702,823
Other financial instruments	0	0	0
<b>TOTAL ASSETS</b>	<b>2,027,422</b>	<b>0</b>	<b>2,027,422</b>
<b>LIABILITIES</b>			
Derivatives	1,113,475	0	1,113,475
Repurchase agreements of securities, securities lending or similar agreements	5,108,406	0	5,108,406
Other financial instruments	0	0	0
<b>TOTAL LIABILITIES</b>	<b>6,221,881</b>	<b>0</b>	<b>6,221,881</b>

31.12.2015

	GROSS AMOUNT OF FINANCIAL ASSETS		
	LIABILITIES RECOGNIZED	LIABILITIES RECOGNIZED AND NETTED ON THE BALANCE SHEET	LIABILITIES SHOWN ON THE BALANCE SHEET
<b>ASSETS</b>			
Derivatives	1,285,878	0	1,285,878
Reverse repurchase agreements of securities, securities borrowing or similar agreements	500,939	0	500,939
Other financial instruments	0	0	0
<b>TOTAL ASSETS</b>	<b>1,786,817</b>	<b>0</b>	<b>1,786,817</b>
<b>LIABILITIES</b>			
Derivatives	1,069,041	0	1,069,041
Repurchase agreements of securities, securities lending or similar agreements	4,409,469	0	4,409,469
Other financial instruments	0	0	0
<b>TOTAL LIABILITIES</b>	<b>5,478,510</b>	<b>0</b>	<b>5,478,510</b>

(in thousands of euros)

31.12.2016

RELATED AMOUNTS NOT NETTED ON THE BALANCE SHEET				MONTANT NET
IMPACT OF MASTER NETTING AGREEMENTS	FINANCIAL INSTRUMENTS RECEIVED/GIVEN AS GUARANTEES	CASH COLLATERAL		
- 387,847	0	- 550,600	386,152	
0	- 692,075	0	10,748	
0	0	0	0	
<b>- 387,847</b>	<b>- 692,075</b>	<b>- 550,600</b>	<b>396,900</b>	
- 387,847	0	- 636,235	89,393	
0	- 5,048,333	- 52,135	7,938	
0	0	0	0	
<b>- 387,847</b>	<b>- 5,048,333</b>	<b>- 688,370</b>	<b>97,331</b>	

31.12.2015

RELATED AMOUNTS NOT NETTED ON THE BALANCE SHEET				MONTANT NET
IMPACT OF MASTER NETTING AGREEMENTS	FINANCIAL INSTRUMENTS RECEIVED/GIVEN AS GUARANTEES	CASH COLLATERAL		
- 357,852	0	- 546,465	381,561	
0	- 500,939	0	0	
0	0	0	0	
<b>- 357,852</b>	<b>- 500,939</b>	<b>- 546,465</b>	<b>381,561</b>	
- 357,852	0	- 643,035	68,154	
0	- 4,327,898	- 57,141	24,430	
0	0	0	0	
<b>- 357,852</b>	<b>- 4,327,898</b>	<b>- 700,176</b>	<b>92,584</b>	

**Note 19. Liabilities to customers**

(in thousands of euros)

	31.12.2016	31.12.2015
Savings accounts governed by special regulations	23,972,466	20,989,441
Sight accounts	18,862,734	16,179,123
Term accounts	5,109,732	4,810,318
Liabilities related to savings accounts	210,485	9,290
<b>SUBTOTAL</b>	<b>24,182,951</b>	<b>20,998,731</b>
Regular accounts	15,540,647	12,682,257
Term accounts and term loans	7,318,101	7,671,706
Repurchase agreements	0	0
Insurance and reinsurance liabilities	49,297	46,818
Related liabilities	82,130	51,110
<b>SUBTOTAL</b>	<b>22,990,175</b>	<b>20,451,891</b>
<b>TOTAL</b>	<b>47,173,126</b>	<b>41,450,622</b>

**Note 20. Debt securities**

(in thousands of euros)

	31.12.2016	31.12.2015
Certificates of deposit	20,364	21,971
Interbank market securities and negotiable debt securities	3,217,291	3,202,656
Bond issues	9,353,691	10,287,338
Related liabilities	278,429	267,855
<b>TOTAL</b>	<b>12,869,775</b>	<b>13,779,820</b>

**Note 21. Accruals, deferred income and sundry liabilities**

(in thousands of euros)

	31.12.2016	31.12.2015
<b>ACCRUALS, -, LIABILITIES</b>		
Blocked, accounts, for, collection, operations	435,985	398,328
Foreign, currency, adjustment, accounts	49,520	41,279
Accrued, expenses	155,690	145,760
Deferred, income	264,623	270,868
Miscellaneous, accrual, accounts	35,332	110,333
<b>SUBTOTAL</b>	<b>941,150</b>	<b>966,568</b>
<b>OTHER, LIABILITIES</b>		
Settlement, accounts, for, securities, transactions	214,029	193,153
Outstanding, payments, on, securities	7,782	3,047
Miscellaneous, creditors	3,497,678	2,112,076
<b>SUBTOTAL</b>	<b>3,719,489</b>	<b>2,308,276</b>
<b>OTHER, INSURANCE, LIABILITIES</b>		
Security, deposits, and, guarantees, received	24,179	21,643
Other	0	0
<b>SUBTOTAL</b>	<b>24,179</b>	<b>21,643</b>
<b>TOTAL</b>	<b>4,684,818</b>	<b>3,296,487</b>

**Note 22. Insurance companies' technical reserves**

(in thousands of euros)

	31.12.2016	31.12.2015
Life insurance, excluding unit-linked contracts	30,988,092	29,533,979
of which profit-sharing	2,539,634	2,327,128
Non-life insurance	454,998	433,264
Unit-linked contracts	8,197,175	7,108,811
Other	141,522	138,218
<b>TOTAL</b>	<b>39,781,787</b>	<b>37,214,272</b>
Active deferred profit-sharing	0	0
Reinsurers' share	- 70,478	- 68,524
<b>NET TECHNICAL PROVISIONS</b>	<b>39,711,309</b>	<b>37,145,748</b>

**Note 23. Provisions**

(in thousands of euros)

	31.12.2015	ALLOCATIONS	Reversals (used)	Reversals (unused)	OTHER	31.12.2016
Provisions for pension obligations	253,091	19,838	- 13,840	- 280	- 108	258,701
Provisions for home savings accounts and plans	35,865	8,518	0	0	0	44,383
Provisions for execution of guarantee commitments	23,493	9,577	- 313	- 6,879	0	25,878
Provisions for taxes	3,660	13,774	- 390	- 148	0	16,896
Provisions for legal proceedings	8,343	2,009	- 2,190	- 1,036	265	7,391
Provisions for contingencies	10,697	3,272	- 3,170	- 40	0	10,759
Other	31,236	12,370	- 5,714	- 4,859	215	33,248
<b>TOTAL</b>	<b>366,385</b>	<b>69,358</b>	<b>- 25,617</b>	<b>- 13,242</b>	<b>372</b>	<b>397,256</b>

**Note 23a. Pension obligations and similar benefits****Defined benefit and similar pension obligations excluding pension fund**

(in thousands of euros)

	31.12.2015	ALLOCATIONS	REVERSALS	OTHER	31.12.2016
Retirement benefits	50,782	2,535	- 2,032	135	51,420
Retirement pension supplements	98,980	15,994	- 6,943	-243	107,788
Length-of-service awards	38,660	1,309	- 1,910	0	38,059
Time savings accounts	64,669	0	- 3,235	0	61,434
<b>TOTAL</b>	<b>253,091</b>	<b>19,838</b>	<b>- 14,120</b>	<b>-108</b>	<b>258,701</b>

**Note 23b. Home savings accounts and plans during the savings period - deposits and provisions**

(in thousands of euros)

	31.12.2016		31.12.2015	
	DEPOSITS	PROVISIONS	DEPOSITS	PROVISIONS
Home savings plans	4,735,996	43,377	4,405,023	34,386
Under 4 years old	2,829,556	11,579	2,412,870	6,283
Between 4 and 10 years old	987,786	8,087	1,013,869	5,065
Over 10 years old	918,654	23,711	978,284	23,038
Home savings accounts	656,508	84	681,813	1
<b>TOTAL</b>	<b>5,392,504</b>	<b>43,461</b>	<b>5,086,836</b>	<b>34,387</b>

**Loans granted under home savings accounts and plans - deposits and provisions**

(in thousands of euros)

	31.12.2016		31.12.2015	
	DEPOSITS	PROVISIONS	DEPOSITS	PROVISIONS
Home savings plans	8,716	37	13,340	60
Home savings accounts	81,364	884	121,988	1,418
<b>TOTAL</b>	<b>90,080</b>	<b>921</b>	<b>135,328</b>	<b>1,478</b>

**Note 24. Subordinated debt**

(in thousands of euros)

	31.12.2016	31.12.2015
Subordinated debt	774,020	274,743
Equity loans with no voting rights	2,693	2,693
Undated subordinated debt	97,211	97,217
Other liabilities	0	0
Related liabilities	16,377	7,300
<b>TOTAL</b>	<b>890,301</b>	<b>381,953</b>

**Subordinated debt representing more than 10% of total subordinated debt as of December 31, 2016**

ISSUER	ISSUE DATE	AMOUNT	CURRENCY	RATE	DUE
Crédit Mutuel Arkéa	05.07.2004	97,314	Euro	10-year CMS + 0.10	Undated
Crédit Mutuel Arkéa	18.09.2008	300 000	Euro	6.75 %	18.09.2018
Crédit Mutuel Arkéa	01.06.2016	500 000	Euro	3.25 %	01.06.2016
<b>TOTAL</b>		<b>897,314</b>			

**Note 25. Share capital and reserves - Consolidated reserves**

(in thousands of euros)

	31.12.2016	31.12.2015
Share capital	2,197,670	2,197,182
Additional paid-in capital	5,438	5,438
Consolidated reserves	3,239,290	2,980,801
Statutory reserves	401,658	379,475
Reserves provided for in the by-laws and contractual reserves	1,705,169	1,605,412
Regulated reserves	0	0
Translation adjustments	0	0
Other reserves	1,070,629	933,040
Profit carried forward	61,834	62,874
<b>TOTAL</b>	<b>5,442,398</b>	<b>5,183,421</b>

The group's share capital consists of the shares held by the depositors/shareholders of the banking institution.

The group's regulatory capital amounted to €5,251 million at December 31, 2016 compared to €4,784 million at December 31, 2015.

The primary regulatory ratios are discussed in the group management report.

**Note 26. Gains and losses recognised directly in equity**

(in thousands of euros)

	31.12.2016	31.12.2015
Available-for-sale assets	347,308	347,473
Cash flow hedge derivatives	- 4,432	- 11,514
Real property	0	0
Other	- 51,253	- 41,973
<b>TOTAL</b>	<b>291,625</b>	<b>293,987</b>

**Note 27. Breakdown of financial liabilities according to maturity**

(in thousands of euros)

	RESIDUAL MATURITY					TOTAL
	LESS THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	INDEFINITE	
Financial liabilities at fair value through profit or loss	10,649	16,352	91,137	496,485		614,623
Derivative hedge instruments					512,490	512,490
Due to credit institutions	3,260,791	2,031,359	525,887	1,268,871		7,086,908
Liabilities to customers	36,161,776	1,406,947	5,085,268	4,519,127		47,173,118
Debt securities	2,540,315	2,903,002	4,330,152	3,096,306		12,869,775
Subordinated debt	95	143	273,587	519,625	97,211	890,301

The different elements in this table are broken down according to their contractual maturity and not discounted.

## Note 28a. Ranking of fair value

(in thousands of euros)

31.12.2016	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>FINANCIAL ASSETS</b>				
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	<b>32,531,000</b>	<b>3,983,968</b>	<b>2,457,739</b>	<b>38,972,707</b>
- Treasury bills and similar securities <sup>(1)</sup>	14,944,079	117,831	0	15,061,910
- Bonds and other fixed-income securities <sup>(2) (3)</sup>	16,373,813	3,865,559	936,380	21,175,752
- Stocks and other variable-income securities	1,213,108	241	735,076	1,948,425
- Equity investments and other long-term investments	0	337	688,741	689,078
- Shares in affiliated undertakings	0	0	97,542	97,542
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>8,407,475</b>	<b>4,877,514</b>	<b>5,084,718</b>	<b>18,369,707</b>
- Bonds and other fixed-income securities - Held for trading	0	3,056	0	0
- Bonds and other fixed-income securities - FVO <sup>(4)</sup>	556,303	4,369,881	276,822	5,203,006
- Stocks and other variable-income securities - Held for trading	0	0	0	0
- Stocks and other variable-income securities - FVO <sup>(5)</sup>	7,851,172	0	4,807,896	12,659,068
- Loans and receivables due from credit institutions - FVO	0	41	0	41
- Loans and receivables due from customers - FVO	0	13,092	0	13,092
- Derivatives and other financial assets - Held for trading	0	491,444	0	491,444
<b>DERIVATIVES USED FOR HEDGING PURPOSES</b>	<b>0</b>	<b>833,155</b>	<b>0</b>	<b>833,155</b>
<b>TOTAL</b>	<b>40,938,475</b>	<b>9,694,637</b>	<b>7,542,457</b>	<b>58,175,569</b>
<b>FINANCIAL LIABILITIES</b>				
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>0</b>	<b>614,623</b>	<b>0</b>	<b>614,623</b>
- Liabilities to credit institutions - FVO	0	41	0	41
- Liabilities to customers - FVO	0	13,597	0	13,597
- Debt securities - FVO	0	0	0	0
- Derivatives and other financial liabilities - Held for trading	0	600,985	0	600,985
<b>DERIVATIVES USED FOR HEDGING PURPOSES</b>	<b>0</b>	<b>512,490</b>	<b>0</b>	<b>512,490</b>
<b>TOTAL</b>	<b>0</b>	<b>1,127,113</b>	<b>0</b>	<b>1,127,113</b>

(1) €5 million have been removed from level 2 to level 1. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 1.

(2) €79 million have been removed from level 2 to level 1. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 1.

(3) €167 million have been removed from level 1 to level 2. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 2.

(4) €25 million have been removed from level 1 to level 2. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 2.

(5) €543 million have been removed from level 1 to level 3. They primarily relate to stocks with characteristics corresponding to criteria defined for Level 3.

## Note 28a. (suite)

(in thousands of euros)

31.12.2015	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>FINANCIAL ASSETS</b>				
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	30,168,554	2,171,093	3,928,708	36,268,355
- Treasury bills and similar securities <sup>(1)</sup>	14,018,802	194,380	0	14,213,182
- Bonds and other fixed-income securities <sup>(2) (3)</sup>	14,853,005	1,975,585	2,333,114	19,161,704
- Stocks and other variable-income securities	1,296,747	794	1,046,153	2,343,694
- Equity investments and other long-term investments	0	334	456,933	457,267
- Shares in affiliated undertakings	0	0	92,508	92,508
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	8,695,502	3,622,855	2,371,083	14,689,440
- Bonds and other fixed-income securities - Held for trading	0	3,112	0	3,112
- Bonds and other fixed-income securities - FVO <sup>(4)</sup>	1,021,189	3,132,172	25,762	4,179,123
- Stocks and other variable-income securities - Held for trading	0	0	0	0
- Stocks and other variable-income securities - FVO <sup>(5)</sup>	7,674,313	0	2,345,321	10,019,634
- Loans and receivables due from credit institutions - FVO	0	659	0	659
- Loans and receivables due from customers - FVO	0	15,147	0	15,147
- Derivatives and other financial assets - Held for trading	0	471,765	0	471,765
<b>DERIVATIVES USED FOR HEDGING PURPOSES</b>	0	814,113	0	814,113
<b>TOTAL</b>	<b>38,864,056</b>	<b>6,608,061</b>	<b>6,299,791</b>	<b>51,771,908</b>
<b>FINANCIAL LIABILITIES</b>				
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	0	570,479	0	570,479
- Liabilities to credit institutions - FVO	0	18	0	18
- Liabilities to customers - FVO	0	5,515	0	5,515
- Debt securities - FVO	0	0	0	0
- Derivatives and other financial liabilities - Held for trading	0	564,946	0	564,946
<b>DERIVATIVES USED FOR HEDGING PURPOSES</b>	0	504,095	0	504,095
<b>TOTAL</b>	<b>0</b>	<b>1,074,574</b>	<b>0</b>	<b>1,074,574</b>

(1) €442 million have been removed from level 1 to level 2. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 2.

(2) €90 million have been removed from level 1 to level 2. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 2.

(3) €417 million have been removed from level 1 to level 3. They involve mutual funds (UCITS) whose valuation corresponds to the criteria defined for level 3.

**Note 28b. Fair value ranking - Details of level 3**

(in thousands of euros)

	<b>31.12.2015</b>	PURCHASES	ISSUES	DISPOSALS	REPAYMENTS	TRANSFERS
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	3,928,708	1,285,565	67,805	- 499,065	- 2,285,092	0
- Bonds and other fixed-income securities	2,333,114	809,142	0	- 251,815	- 2,267,119	0
- Stocks and other variable-income securities	1,046,153	309,609	0	- 234,861	- 9,178	0
- Equity investments and other long-term investments	456,933	166,813	67,805	- 12,389	- 8,653	0
- Shares in affiliated undertakings	92,508	1	0	0	- 142	0
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	2,371,083	2,624,783	0	- 583,169	- 15,001	542,505
- Bonds and other fixed-income securities - FVO	25,762	193,211	0	- 22,871	- 10,059	0
- Stocks and other variable-income securities - FVO	2,345,321	2,431,572	0	- 560,298	- 4,942	542,505
- Derivatives and other financial assets - Held for trading	0	0	0	0	0	0
<b>TOTAL</b>	<b>6,299,791</b>	<b>3,910,348</b>	<b>67,805</b>	<b>- 1,082,234</b>	<b>- 2,300,093</b>	<b>542,505</b>

	GAINS AND LOSSES			<b>31.12.2016</b>	TRANSFERS L1, L2 => L3	TRANSFERS L3 => L1, L2
	THROUGH PROFIT OR LOSS	IN EQUITY	OTHER MOVE- MENTS			
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>	- 24,449	6 740	- 22,473	2,457,739	0	0
- Bonds and other fixed-income securities	764	1 868	310,426	936,380	0	0
- Stocks and other variable-income securities	- 12,529	- 2 276	- 361,842	735,076	0	0
- Equity investments and other long-term investments	- 12,663	1 952	28,943	688,741	0	0
- Shares in affiliated undertakings	- 21	5 196	0	97,542	0	0
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	102,618	0	41,899	5,084,718	542,505	0
- Bonds and other fixed-income securities - FVO	751	0	90,028	276,822	0	0
- Stocks and other variable-income securities - FVO	101,867	0	- 48,129	4,807,896	542,505	0
- Derivatives and other financial assets - Held for trading	0	0	0	0	0	0
<b>TOTAL</b>	<b>78,169</b>	<b>6,740</b>	<b>19,426</b>	<b>7,542,457</b>	<b>542,505</b>	<b>0</b>

**Note 29. Fair value of financial assets and liabilities recognised at amortised cost**

(in thousands of euros)

<b>31.12.2016</b>						
	MARKET VALUE	CARRYING AMOUNT	UNREALIZED CAPITAL GAINS AND LOSSES	LEVEL 1	LEVEL 2	LEVEL 3
<b>ASSETS</b>	<b>55,138,182</b>	<b>53,716,269</b>	<b>1,421,913</b>	<b>17,260</b>	<b>6,745,626</b>	<b>48,375,296</b>
Loans and receivables due from banks	6,644,930	6,943,889	-298,959		6,644,930	0
Loans and receivables due from customers	48,375,296	46,655,544	1,719,752		0	48,375,296
Held-to-maturity financial assets	117,956	116,836	1,120	17,260	100,696	0
<b>LIABILITIES</b>	<b>70,457,756</b>	<b>68,020,206</b>	<b>2,437,550</b>	<b>0</b>	<b>23,267,965</b>	<b>47,189,791</b>
Liabilities to credit institutions	8,464,979	7,087,004	1,377,975		8,464,979	0
Liabilities to customers	47,189,791	47,173,126	16,665		0	47,189,791
Debt securities	13,897,666	12,869,775	1,027,891		13,897,666	0
Subordinated debt	905,320	890,301	15,019		905,320	0

(in thousands of euros)

<b>31.12.2015</b>						
	MARKET VALUE	CARRYING AMOUNT	UNREALIZED CAPITAL GAINS AND LOSSES	LEVEL 1	LEVEL 2	LEVEL 3
<b>ASSETS</b>	<b>52,880,039</b>	<b>51,559,725</b>	<b>1,320,314</b>	<b>41,790</b>	<b>6,853,153</b>	<b>45,985,096</b>
Loans and receivables due from banks	6,736,190	7,039,982	-303,792		6,736,190	0
Loans and receivables due from customers	45,985,096	44,368,199	1,616,897		0	45,985,096
Held-to-maturity financial assets	158,753	151,544	7,209	41,790	116,963	0
<b>LIABILITIES</b>	<b>66,562,499</b>	<b>62,067,952</b>	<b>4,494,547</b>	<b>0</b>	<b>25,093,144</b>	<b>41,469,355</b>
Liabilities to credit institutions	7,565,126	6,455,557	1,109,569		7,656,126	0
Liabilities to customers	41,469,355	41,450,622	18,733		0	41,469,355
Debt securities	17,129,966	13,779,820	3,350,146		17,129,966	0
Subordinated debt	398,052	381,953	16,099		398,052	0



# Notes on the income statement

## Note 30. Interest and similar income/expense

(in thousands of euros)

	31.12.2016		31.12.2015	
	INCOME	EXPENSE	INCOME	EXPENSE
Credit institutions and central banks	87,717	- 83,569	90,671	- 85,127
Customers	1,419,435	- 596,089	1,480,195	- 586,773
Derivative hedge instruments	260,080	- 257,023	239,693	- 252,974
Available-for-sale financial assets	99,034	0	147,359	0
Held-to-maturity financial assets	2,268	0	3,932	0
Debt securities	0	- 376,806	0	- 415,219
Subordinated debt	0	- 767	0	- 1,105
<b>TOTAL</b>	<b>1,868,534</b>	<b>- 1,314,254</b>	<b>1,961,850</b>	<b>- 1,341,198</b>

In 2016, the decline in interest rates resulted in certain financial assets having a negative interest rate. The IFRS interpretations committee noted that interest related to a negative interest rate on a financial asset does not satisfy the definition of interest revenue in accordance with IAS 18 Revenue. This interest expense related to a financial asset should not be presented on the interest revenue line but in an appropriate expense line item.

## Note 31. Fee and commission income/expense

(in thousands of euros)

	31.12.2016		31.12.2015	
	INCOME	EXPENSE	INCOME	EXPENSE
Credit institutions	6,428	- 4,124	5,954	- 2,905
Customers	106,611	- 387	129,791	- 750
Derivatives	7,372	- 560	7,698	- 8
Foreign exchange	4,016	- 501	2,735	- 315
Financing and guarantee commitments	592	- 1,965	667	- 1,411
Securities and services	476,285	- 208,203	462,053	- 187,356
<b>TOTAL</b>	<b>601,304</b>	<b>- 215,740</b>	<b>608,898</b>	<b>- 192,745</b>

**Note 32. Net gain (loss) on financial instruments at fair value through profit or loss**

(in thousands of euros)

	31.12.2016	31.12.2015
Instruments held for trading	2,968	1,708
Fair value option instruments	25,147	12,447
Hedging ineffectiveness	- 203	- 2 087
cash flow hedges	15	44
fair value hedges	- 218	- 2,131
■ change in fair value of hedged items	8,464	24,536
■ change in fair value of hedges	- 8,682	- 26,667
Foreign exchange gains (losses)	- 1,499	3,549
<b>TOTAL OF CHANGES IN FAIR VALUE</b>	<b>26,413</b>	<b>25,617</b>

**Note 33. Net gain (loss) on financial instruments available-for-sale**

(in thousands of euros)

	31.12.2016				31.12.2015			
	DIVIDENDS	REALIZED GAINS/LOSSES	IMPAIRMENT	TOTAL	DIVIDENDS	REALIZED GAINS/LOSSES	IMPAIRMENT	TOTAL
Treasury bills, notes, government bonds, bonds and other fixed-income securities	0	38,420	0	<b>38,420</b>	0	12,180	0	<b>12,180</b>
Stocks and other variable-income securities	6,924	23,054	- 392	<b>29,586</b>	1,353	10,314	1,652	<b>13,319</b>
Equity securities held for long-term investment	3,470	71,762	- 528	<b>74,704</b>	4,151	13,213	3,699	<b>21,063</b>
Other	0	0	0	<b>0</b>	0	0	0	<b>0</b>
<b>TOTAL</b>	<b>10,394</b>	<b>133,236</b>	<b>- 920</b>	<b>142,710</b>	<b>5,504</b>	<b>35,707</b>	<b>5,351</b>	<b>46,562</b>

**Note 34. Income/expense from other activities**

(in thousands of euros)

	31.12.2016		31.12.2015	
	INCOME	EXPENSE	INCOME	EXPENSE
Insurance business	6,301,443	- 5,687,170	6,477,779	- 5,929,574
Investment property	3,378	- 27,426	11,374	- 33,241
Other income	230,614	- 77,818	212,048	- 67,539
<b>TOTAL</b>	<b>6,535,435</b>	<b>- 5,792,414</b>	<b>6,701,201</b>	<b>- 6,030,354</b>

**Note 34a. Gross margin on insurance activities**

(in thousands of euros)

	31.12.2016	31.12.2015
Premiums earned	4,612,995	4,763,064
Cost of claims and benefits	- 165,756	- 165,586
Change in provisions	- 20,940	- 27,226
Other technical and non-technical income and expenses	- 4,706,770	- 4,670,329
Net investment income	894,744	648,282
<b>TOTAL</b>	<b>614,273</b>	<b>548,205</b>

**Note 35. General operating expenses**

(in thousands of euros)

	31.12.2016	31.12.2015
Personnel expenses	- 736,336	- 725,638
Other expense	- 435,261	- 411,099
<b>TOTAL</b>	<b>- 1,171,597</b>	<b>- 1,136,737</b>

### Note 35a. Personnel expenses

(in thousands of euros)

	31.12.2016	31.12.2015
Salaries, wages and compensation	- 409,781	- 408,716
Payroll taxes	- 207,506	- 197,467
Mandatory and optional employee profit-sharing	- 58,714	- 61,562
Taxes, levies and similar payments on compensation	- 60,457	- 57,893
Other	122	0
<b>TOTAL</b>	<b>- 736,336</b>	<b>- 725,638</b>

The French tax credit for competitiveness and employment (Crédit d'impôt pour la Compétitivité et l'Emploi - CICE) was recognized as a deduction from personnel expenses in the amount of €11,402 thousand.

### Note 35b. Average staff

	31.12.2016	31.12.2015
Employees	3,780	3,597
Management and supervisors	5,035	4,882
<b>TOTAL</b>	<b>8,815</b>	<b>8,479</b>

### Note 35c. Post-employment benefits, defined-benefit plans

#### Defined contribution post-employment benefit plans

Defined contribution plans are those for which the group's commitment is limited to the payment of a contribution but do not include any commitment by the group with respect to the level of services provided.

The main defined contribution post-employment benefit plans include mandatory social security and the Agirc and Arrco retirement plans, as well as the supplementary retirement plans established by some entities and for which they are only required to make contributions.

In 2016, expenses related to these plans totaled €75,350 thousand, compared to €68,236 thousand in 2015.

#### Defined benefit plans and other long-term benefits

These defined benefit plans expose the Group to certain risks such as interest rate risk and market risk.

These benefits are based on the final salary for end of service awards and on the average salary over the past 10 years for the supplementary retirement benefit. When the annuity for the additional voluntary pension contribution is liquidated, the risk is transferred to Suravenir in the form of an insurance contract.

## Change in actuarial liability

(in thousands of euros)

	POST-EMPLOYMENT BENEFITS		OTHER LONG-TERM BENEFITS <sup>(1)</sup>	Total 31.12.2016	Total 31.12.2015
	SUPPLEMENTARY PLAN	RETIREMENT BENEFITS			
<b>GROSS ACTUARIAL LIABILITY AT THE BEGINNING OF THE PERIOD</b>	98,980	50,782	103,328	253,090	242,258
Cost of services rendered during the period	5,624	3,385	2,743	11,752	11,550
Net interest	2,181	1,071	2,290	5,542	4,783
Modification/ reduction/ liquidation of the plan				0	0
Acquisition, disposal (change in consolidated scope)		134		134	130
Benefits paid	- 6,943	- 2,032	- 2,990	- 11,965	- 11,630
Actuarial gains/losses	11,860	- 1,903	- 5,877	4,080	5,999
of which actuarial gains/losses due to changes in demographic assumptions	8,333	2,644	3,880	14,857	8,960
of which gains/losses related to changes in financial assumptions	1,688	- 461	- 936	291	- 7,109
of which actuarial gains/losses due to differences between estimates and actual experiences	1,840	- 4,086	- 8,821	- 11,068	4,148
<b>GROSS ACTUARIAL LIABILITY AT THE END OF THE PERIOD</b>	111,702	51,437	99,493	262,633	253,090

(1) Other long-term benefits concerned long-term service awards and time savings account.

## Expense recognized on the income statement

(in thousands of euros)

	POST-EMPLOYMENT BENEFITS		OTHER LONG-TERM BENEFITS <sup>(1)</sup>	Total 31.12.2016	Total 31.12.2015
	SUPPLEMENTARY PLAN	RETIREMENT BENEFITS			
Cost of services rendered during the period	- 5,624	- 3,385	- 2,743	- 11,752	- 11,550
Net interest	- 268	- 118	- 1,825	- 2,211	- 1,945
Impact of any reduction or liquidation of the plan				0	0
Actuarial gains/losses			5,726	5,726	- 4,000
of which actuarial gains/losses due to changes in demographic assumptions recognized on the income statement			- 3,880	- 3,880	- 6,841
of which gains/losses due to changes in financial assumptions recognized on the income statement			936	936	1,120
of which actuarial gains/losses due to differences between estimates and actual experiences			8,671	8,671	1,721
<b>EXPENSE RECOGNIZED ON THE INCOME STATEMENT</b>	- 5,892	- 3,504	1,159	- 8,236	- 17,495

## Change in fair value of plan assets and reimbursement rights

(in thousands of euros)

	POST-EMPLOYMENT BENEFITS		RETIREMENT BENEFITS	Total 31.12.2016	Total 31.12.2015
	SUPPLEMENTARY PLAN	RETIREMENT BENEFITS			
<b>FAIR VALUE OF ASSETS AT THE BEGINNING OF THE PERIOD</b>	<b>90,749</b>	<b>44,483</b>	<b>21,256</b>	<b>156,489</b>	<b>149,973</b>
Net interest	1,913	952	465	3,331	2,838
Employer contributions	16,591	1,994		18,584	11,449
Acquisition, disposal (change in consolidated scope)				0	0
Benefits paid	- 6,809	- 1,191	- 4	- 8,804	- 8,785
Actuarial gains/losses	- 1,561	- 2,680	- 151	- 4,391	1,016
of which actuarial gains/losses due to changes in demographic assumptions				0	0
of which actuarial gains/losses on plan assets due to changes in financial assumptions				0	0
of which actuarial gains/losses due to differences between estimates and actual experiences	- 1,561	- 2,680	- 151	- 4,391	1,016
<b>FAIR VALUE OF ASSETS AT THE END OF THE PERIOD</b>	<b>100,883</b>	<b>42,759</b>	<b>21,567</b>	<b>165,209</b>	<b>156,491</b>

## Net position

(in thousands of euros)

	SUPPLEMENTARY PLAN	RETIREMENT BENEFITS	OTHER LONG-TERM BENEFITS	Total 31.12.2016	Total 31.12.2015
<b>ACTUARIAL LIABILITY AT THE END OF THE PERIOD</b>	<b>111,702</b>	<b>51,437</b>	<b>99,493</b>	<b>262,633</b>	<b>253,090</b>
Fair value of assets/reimbursement rights	- 100,883	- 42,759	- 21,567	- 165,209	- 156,491
<b>NET POSITION</b>	<b>10,819</b>	<b>8,679</b>	<b>77,926</b>	<b>97,599</b>	<b>96,599</b>

## Items recognized immediately in comprehensive income

(in thousands of euros)

	31.12.2016	31.12.2015
Actuarial differences generated on post-employment benefit plans	- 14,152	- 1,093
Adjustments to the asset ceiling		
<b>TOTAL ITEMS RECOGNIZED IMMEDIATELY DURING THE YEAR</b>	<b>- 14,152</b>	<b>- 1,093</b>
<b>TOTAL ACCUMULATED ACTUARIAL GAINS AND LOSSES AT YEAR END</b>	<b>- 78,163</b>	<b>- 64,011</b>

## Information on plan assets

The amounts included in the fair value of plan assets concern financial instruments issued by the Group and the properties occupied by the Group are not material.

The hedging assets are held by Suravenir.

As of December 31, 2016, the weighted average term of defined benefit obligations was 12.9 years (13.6 years in 2015).

The employer contributions to be paid for 2017 in respect of defined benefit post-employment benefits are estimated at €8,100 thousand.

## Composition of hedging assets

(in thousands of euros)

31.12.2016				
FAIR VALUE OF PLAN ASSETS	DEBT SECURITIES	EQUITY INSTRUMENTS	REAL PROPERTY	OTHER
Assets listed on an active market	104,103	6,148	254	0
Assets not listed on an active market	24,518	889	7,731	0
<b>TOTAL</b>	<b>128,621</b>	<b>7,037</b>	<b>7,985</b>	<b>0</b>

31.12.2015				
FAIR VALUE OF PLAN ASSETS	DEBT SECURITIES	EQUITY INSTRUMENTS	REAL PROPERTY	OTHER
Assets listed on an active market	103,472	6,712	0	0
Assets not listed on an active market	17,135	531	7,385	0
<b>TOTAL</b>	<b>120,607</b>	<b>7,243</b>	<b>7,385</b>	<b>0</b>

## Analysis of commitments' sensitivity to changes in main actuarial assumptions

(En pourcentage de l'élément mesuré)

31.12.2016				
	SUPPLEMEN- TARY PLAN	RETIREMENT BENEFITS	LENGTH- OF-SERVICE AWARDS	TIME SAVINGS ACCOUNT
<b>+0.5% CHANGE IN DISCOUNT RATE</b>				
Impact on present value of obligations as of December 31	- 7 %	- 7 %	- 6 %	- 5 %
<b>+0.5% CHANGE IN NET SALARY</b>				
Impact on present value of obligations as of December 31	6 %	6 %	6 %	5 %

The sensitivities shown are weighted averages of observed changes relative to the present value of the commitments.

### Note 35d. Share-based payment

IFRS 2 "Share-based payment" requires share-based payments to be recognized in the company's income statement and balance sheet.

This standard applies to transactions with employees, and specifically:

- transactions whose payment is based on shares and settled in equity instruments;
- transactions whose payment is based on shares and settled in cash.

For transactions settled in equity instruments, an expense is charged against shareholders' equity. This expense is spread over the vesting period.

The Group is affected mainly by transactions whose settlement is performed in cash. For these transactions, the fair value of the liability, measured initially on the grant date, must be remeasured on each closing date and until the liability settlement date. Fair value changes are recorded through profit or loss on the income statement until the liability has been settled.

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5
Type of plan	Cash settled	Cash settled	Cash settled	Equity settled	Cash settled
Award date	15/10/2015	18/09/2015	01/04/2014	03/09/2013	30/06/2015
Exercise period	Q1 2018 / Q1 2020	HY1 2019	Q4 2016 until Q3 2017	03/09/2016	T4 2020
Valuation method	Net position + Multiple of outstandings	Multiple of revenue	EBITDA + Multiple of outstandings	EBITDA + Multiple of outstandings	Q4 2020
Impact 2016 income	- 3,103	- 2,064	- 1,237	- 13	Discounted cash flow
Liabilities on the balance sheet	11,858	4,829	3,300		19,450

### Note 35e. Other expenses

(in thousands of euros)

	31.12.2016	31.12.2015
Taxes other than on income	- 69,413	- 57,974
External services	- 357,594	- 352,787
Other miscellaneous expenses	- 8,254	- 338
<b>TOTAL</b>	<b>- 435,261</b>	<b>- 411,099</b>

The independent auditor's fee recognised on the income statement for the year totaled €3,688 thousand. The invoiced fees pertaining to the legal audit of individual and consolidated financial statements totaled €3,594 thousand, while those pertaining to other services totaled €94 thousand.

**Note 36. Depreciation, amortization and impairment of property, plant and equipment and intangible assets**

(in thousands of euros)

	31.12.2016	31.12.2015
Amortization	- 110,454	- 98,059
Property, plant and equipment	- 33,323	- 33,047
Intangible assets	- 77,131	- 65,012
Impairment	- 241	- 490
Property, plant and equipment	- 241	- 490
Intangible assets	0	0
<b>TOTAL</b>	<b>- 110,695</b>	<b>- 98,549</b>

**Note 37. Cost of risk**

(in thousands of euros)

	ALLOCA-TIONS	REVERSALS	LOANS AND RECEIVABLES		COLLECTION ON FULLY IMPAIRED LOANS AND RECEIVABLES	31.12.2016
			PROVISIONED UNRECOVERABLE	UNPROVISIONED UNRECOVERABLE		
Credit institutions	0	0	0	0	0	0
Customers	- 281,450	264,418	- 80,144	- 9,593	2,845	- 103,924
Finance leases	- 12,820	11,619	- 2,404	- 2,740	0	- 6,345
Loans to customers	- 258,059	242,441	- 77,740	- 6,853	2,845	- 97,366
Commitments - other	- 10,571	10,358	0	0	0	- 213
Available-for-sale assets	0	2,137	- 550	- 68	1,387	2,906
Held-to-maturity assets	0	0	0	0	0	0
Other	- 5,675	3,797	- 348	0	34	- 2,192
<b>TOTAL</b>	<b>- 287,125</b>	<b>270,352</b>	<b>- 81,042</b>	<b>- 9,661</b>	<b>4,266</b>	<b>- 103,210</b>

**Note 38. Net income on other assets**

(in thousands of euros)

	31.12.2016	31.12.2015
Property, plant and equipment and intangible assets	- 452	5,484
Capital losses on disposals	- 1,959	- 1,206
Capital gains on disposals	1,507	6,690
Expenses related to business combinations	- 2,894	- 3,420
<b>TOTAL</b>	<b>- 3,346</b>	<b>2,064</b>

**Note 39. Income tax**

(in thousands of euros)

BREAKDOWN OF TAX EXPENSE	31.12.2016	31.12.2015
Current tax expense	- 156,094	- 125,157
Net deferred tax expense or revenue	19,228	- 21,416
<b>NET INCOME TAX EXPENSE</b>	<b>- 136,866</b>	<b>- 146,573</b>
Income before taxes and income contribution from associates	463,140	438,566
<b>EFFECTIVE TAX RATE</b>	<b>29.55 %</b>	<b>33.42 %</b>

ANALYSIS OF EFFECTIVE TAX RATE:	31.12.2016	31.12.2015
Statutory tax rate	34.43 %	38.00 %
Permanent differences	- 0.38 %	1.13 %
Income taxed at a reduced rate or exempt	- 7.70 %	- 4.59 %
Impact of fiscal losses	- 0.29 %	- 0.13 %
Tax credits	- 0.80 %	- 1.26 %
Special	3.78 %	0.30 %
Other	0.51 %	- 0.03 %
<b>EFFECTIVE TAX RATE</b>	<b>29.55 %</b>	<b>33.42 %</b>

The 2017 finance act provides for a gradual reduction in the corporate tax rate from 33.33% to 28% over the 2017-2020 period depending on companies' revenues.

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

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 restatement is not material with respect to the Crédit Mutuel Arkéa group.

# Notes

on gains and losses recognised directly in equity

## Note 40a. Information on the recycling in income of gains and losses recognised directly in equity

(in thousands of euros)

	CHANGES IN 2016	CHANGES IN 2015
ACTUARIAL GAINS AND LOSSES ON DEFINED BENEFIT PLANS	- 9,333	-644
■ Reclassification to profit or loss		0
■ Other changes	- 9,333	- 644
SHARE OF ASSOCIATES' NON-RECYCLABLE GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	54	- 74
ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS	- 9,279	- 718
REVALUATION OF AVAILABLE-FOR-SALE FINANCIAL ASSETS	- 7,513	45,560
■ Reclassification to profit or loss	- 48,610	- 9,656
■ Other changes	41,098	55,216
REVALUATION OF AVAILABLE-FOR-SALE FINANCIAL ASSETS	7,082	11,584
■ Reclassification to profit or loss	534	1,195
■ Other changes	6,548	10,389
SHARE OF ASSOCIATES' RECYCLABLE GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	7,349	14,002
ITEMS TO BE RECYCLED TO PROFIT OR LOSS	6,918	71,146
<b>TOTAL</b>	<b>- 2,361</b>	<b>70,428</b>

**Note 40b. Tax on each component of gains or losses recognised directly in equity**

(in thousands of euros)

	31.12.2016			31.12.2015		
	GROSS	TAX	NET	GROSS	TAX	NET
Actuarial gains and losses on defined benefit plans	- 14,233	4,900	- 9,333	- 983	339	- 644
Share of unrealized or deferred gains or losses of associates	82	- 28	54	- 112	38	- 74
<b>ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS</b>	<b>- 14,151</b>	<b>4,872</b>	<b>- 9,279</b>	<b>- 1,095</b>	<b>377</b>	<b>- 718</b>
Revaluation of available-for-sale financial assets	8,994	- 16,507	- 7,513	46,185	- 625	45,560
Revaluation of hedging derivatives	10,800	- 3,718	7,082	17,666	- 6,082	11,584
Share of unrealized or deferred gains or losses of associates	8,492	- 1,143	7,349	14,855	- 853	14,002
<b>ITEMS TO BE RECYCLED TO PROFIT OR LOSS</b>	<b>28,286</b>	<b>- 21,368</b>	<b>6,918</b>	<b>78,706</b>	<b>- 7,560</b>	<b>71,146</b>
<b>TOTAL CHANGES IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY</b>	<b>14,135</b>	<b>- 16,496</b>	<b>- 2,361</b>	<b>77,611</b>	<b>- 7,183</b>	<b>70,428</b>

# Other notes

## Note 41. Commitments given and received

(in thousands of euros)

	31.12.2016	31.12.2015
<b>COMMITMENTS GIVEN</b>	<b>11,818,550</b>	<b>10,898,488</b>
Financing commitments given	8,416,184	7,931,006
to credit and similar institutions	50,050	50,050
to customers	8,366,134	7,880,956
Guarantees given	3,157,655	2,769,235
to credit and similar institutions	1,769	76,197
to customers	3,155,886	2,693,038
Commitments on securities	244,711	198,247
repurchase agreements	0	0
other commitments given	244,711	198,247
<b>COMMITMENTS RECEIVED</b>	<b>38,001,379</b>	<b>34,502,209</b>
Financing commitments given	9,753,228	8,491,975
from credit and similar institutions	9,753,228	8,491,975
from customers	0	0
Guarantees received	26,819,690	25,274,076
from credit and similar institutions	167,985	29,467
from customers	26,651,705	25,244,609
Commitments on securities	1,428,461	736,158
Reverse repurchase agreements	0	0
Other commitments received	1,428,461	736,158

Financing commitments given include the €50,050 thousand cash advance made to CRH to fund it.

(in thousands of euros)

	31.12.2015	31.12.2014
<b>RECEIVABLES PLEDGED AS COLLATERAL</b>	<b>13,689,711</b>	<b>12,357,037</b>
Banque de France	10,865,692	9,407,645
European Investment Bank	475,301	581,297
Caisse de Refinancement de l'Habitat	1,392,113	1,391,758
Caisse des Dépôts et Consignations	952,243	976,337
Other	4,362	0
<b>LOANED SECURITIES</b>	<b>0</b>	<b>0</b>
<b>DEPOSITS ON MARKET TRANSACTIONS</b>	<b>811,554</b>	<b>772,753</b>
<b>SECURITIES SOLD UNDER REPURCHASE AGREEMENTS</b>	<b>5,112,360</b>	<b>4,407,717</b>

For its refinancing activity, the group entered into repurchase agreements of debt and/or equity securities. These agreements involve the transfer of ownership of the securities, which the beneficiary may in turn lend out, with interest or dividends going to the

borrower. These transactions are subject to margin calls.

As of December 31, 2016, the fair value of assets provided in repurchase agreements totaled €5,074 million.

## Note 42. Segment reporting

(in thousands of euros)

	BANKING		INSURANCE AND ASSET MANAGEMENT		GROUP	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Internal income <sup>(1)</sup>	227,202	209,488	- 227,202	- 209,488	0	0
External income <sup>(1)</sup>	1,169,645	1,147,261	682,343	632,570	1,851,988	1,779,831
<b>NET BANKING INCOME</b>	<b>1,396,847</b>	<b>1,356,749</b>	<b>455,141</b>	<b>423,082</b>	<b>1,851,988</b>	<b>1,779,831</b>
General operating expenses and depreciation and amortization	- 1,133,759	- 1,093,488	- 148,533	- 141,798	- 1,282,292	- 1,235,286
<b>GROSS OPERATING INCOME</b>	<b>263,088</b>	<b>263,261</b>	<b>306,608</b>	<b>281,284</b>	<b>569,696</b>	<b>544,545</b>
Cost of risk	- 102,721	- 107,984	- 489	- 59	- 103,210	- 108,043
<b>OPERATING INCOME</b>	<b>160,367</b>	<b>155,277</b>	<b>306,119</b>	<b>281,225</b>	<b>466,486</b>	<b>436,502</b>
Share of income from associates	3,699	3,215	6,363	1,265	10,062	4,480
Other	- 3,327	- 3,594	- 19	5,658	- 3,346	2,064
<b>RECURRING INCOME BEFORE TAX</b>	<b>160,739</b>	<b>154,898</b>	<b>312,463</b>	<b>288,148</b>	<b>473,202</b>	<b>443,046</b>
Corporate income tax	- 29,848	- 44,282	- 107,018	- 102,291	- 136,866	- 146,573
<b>NET INCOME</b>	<b>130,891</b>	<b>110,616</b>	<b>205,445</b>	<b>185,857</b>	<b>336,336</b>	<b>296,473</b>
O/w non-controlling interests	73	60	77	98	149	158
<b>NET INCOME, GROUP SHARE</b>	<b>130,818</b>	<b>110,556</b>	<b>205,369</b>	<b>185,759</b>	<b>336,187</b>	<b>296,315</b>
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Segment Assets and Liabilities</b>	<b>73,216,547</b>	<b>67,055,024</b>	<b>47,176,379</b>	<b>43,056,777</b>	<b>120,392,926</b>	<b>110,111,801</b>

(1) Sectoral income arising on transactions with other sectors

(2) Sectoral income arising on sales to external customers

Segment reporting is based on two business lines:

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

An analysis by geographical region is not relevant for the group as nearly all of its business is carried out in France.

**Note 43. Information on related parties**

The related parties of Crédit Mutuel Arkéa group are the consolidated companies including those companies consolidated using the equity method. Transactions between the Group and its related parties are conducted at arm's length terms at the time the transactions are completed.

The list of companies consolidated by Crédit Mutuel Arkéa group is contained in note 45. The transactions carried out and the outstanding balances at the end of the fiscal year between fully consolidated companies are completely eliminated during the consolidation process. As a result, only the portion of the data that is not eliminated in the consolidation process and that relates to reciprocal transactions is presented in the following table, provided such data involve companies over which the group exercises a significant influence (equity method of consolidation).

(in thousands of euros)

	31.12.2016	31.12.2015
	INVESTMENTS IN ASSOCIATES <sup>(1)</sup>	
<b>ASSETS</b>		
Loans and receivables due from credit institutions	633,481	549,575
Loans and receivables due from customers	3,986	-
Assets at fair value through profit or loss	-	-
Available-for-sale assets	52,480	51,688
Held-to-maturity assets	-	-
Derivatives used for hedging purposes	-	-
Other assets	35,564	28,177
<b>LIABILITIES</b>		
Liabilities to credit institutions	-	-
Derivatives used for hedging purposes	-	-
Liabilities at fair value through profit or loss	-	-
Liabilities to customers	35,228	15,387
Debt securities	-	-
Subordinated debt	-	-
Other liabilities	-	-

(1) Mainly Primonial and CCCM.

	31.12.2016	31.12.2015
	INVESTMENTS IN ASSOCIATES <sup>(1)</sup>	
Interest and similar income	1,472	1,055
Interest and similar expense	-	-
Fee and commission income	1,056	1,494
Fee and commission expense	- 19,815	- 17,782
Net gain (loss) on financial instruments at fair value through profit or loss	-	-
Net gain (loss) on available-for-sale financial assets	524	535
Income from other activities	4,832	2,508
Expense from other activities	-	- 829
<b>NET BANKING INCOME</b>	<b>- 11,931</b>	<b>- 13,019</b>

(1) Mainly Primonial and CCCM.

(in thousands of euros)

	31.12.2016	31.12.2015
	INVESTMENTS IN ASSOCIATES	
<b>FINANCING COMMITMENTS</b>	-	-
Financing commitments given		
Financing commitments received		
<b>GUARANTEES</b>	-	-
Guarantees given		
Guarantees received		
<b>COMMITMENTS ON SECURITIES</b>	-	-
Other securities to be received		
Other securities to be delivered		

#### Relations with the main corporate officers of Crédit Mutuel Arkéa group

The Boards of Directors of Crédit Mutuel Arkéa is currently composed by twenty members, elected for 3 years:

- eighteen administrators representatives of the depositors, elected by the Regular Shareholders' Meeting ;
- two administrators representatives of the employees, designated by the Central Employee Works Committee.

One representative of the Central Employee Works Committee participates in the Board of Directors meetings as non-voting member.

Total remuneration allocated to members of the Board of Directors for 2016 is €1,820 thousand (compared with €1,057 thousand the previous year).

Total gross compensation paid to the Group's main corporate officers for the year ended December 31, 2016 was €4,843 thousand (compared with €2,877 thousand the previous year).

For the Chairman and Chief Executive Officer of Crédit Mutuel Arkéa Group, their employment contracts were suspended from the time of their appointment in those capacities and for the duration of their respective terms of office, and will be resumed automatically at the conclusion of said terms. The employment contract suspension period is taken into account for the calculation of their rights, as stipulated by law, under the collective bargaining agreement and employment contract.

In the event of the termination of their employment contracts, the Chairman and Chief Executive Officer of Crédit Mutuel Arkéa Group

are eligible to receive severance benefits, in addition to the legal or contractual provisions, in an amount equal to two years compensation, in accordance with AFEP-MEDEF Code recommendations.

At the time of their retirement, if they have at least five years' seniority, the corporate officers receive a retirement benefit equal to seven-twelfths of their annual compensation. They are also entitled to receive a retirement benefit equivalent to 23 days of leave for each year served in these functions.

In addition, retirement and similar obligations exist on behalf of the Managers in the form of defined benefit supplementary retirement plans (known as «Article 39»).

The annuity paid to the Managers under the defined benefit plan is set at 0.35% of the benchmark compensation for each year of service, with a cap of 10% of the benchmark compensation. The benchmark compensation corresponds to the compensation, which is reassessed annually, prior to the liquidation date by the beneficiary of the old age pension under the basic pension plan, taking into account fixed and variable compensation components, including in-kind benefits (company vehicle and housing), pursuant to Article L. 242-1 of the French Social Security Code.

The total amount of provisions established by the Group as of December 31, 2016 pursuant to IAS 19 in connection with post-employment benefits, other long-term benefits and severance benefits was €366 thousand (compared with €409 thousand as of December 31, 2015).

**Note 44. Investments in unconsolidated special purpose entities**

(in thousands of euros)

<b>31.12.2016</b>	SECURITIZATION VEHICLES	ASSET MANAGEMENT (MUTUAL FUNDS/REAL ESTATE INVESTMENT FUNDS)	OTHER STRUCTURED ENTITIES
Total assets	118,486	2,165,598	0
Carrying amount of financial assets <sup>(1)</sup>	33,177	648,629	0
Carrying amount of financial liabilities <sup>(1)</sup>	0	0	0
Maximum exposure to risk of loss	33,177	648,629	0

(1) Carrying amount of assets and liabilities that Crédit Mutuel Arkéa group recognizes with respect to the structured entities.

Les participations dans des entités non consolidées concernent des participations détenues dans le cadre de contrats d'assurance vie en unité de compte sur lesquelles Crédit Mutuel Arkéa n'exerce pas de contrôle. Il s'agit principalement de lignes d'OPCVM.

(in thousands of euros)

<b>31.12.2015</b>	SECURITIZATION VEHICLES	ASSET MANAGEMENT (MUTUAL FUNDS/REAL ESTATE INVESTMENT FUNDS)	OTHER STRUCTURED ENTITIES
Total assets	61,278	2,006,340	0
Carrying amount of financial assets <sup>(1)</sup>	20,487	526,945	0
Carrying amount of financial liabilities <sup>(1)</sup>	0	0	0
Maximum exposure to risk of loss	20,487	526,945	0

(1) Carrying amount of assets and liabilities that Crédit Mutuel Arkéa group recognizes with respect to the structured entities.



## Note 45. Scope of consolidation

NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST	
			31.12.2016	31.12.2015	31.12.2016	31.12.2015
Crédit Mutuel Arkéa + Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel du Massif Central federations and savings banks	France	Banking / Mutual banking			Consolidating entity	
<b>FULLY CONSOLIDATED COMPANIES</b>						
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 GESTION	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 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 (formerly Fortuneo SA)	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
CAISSE DE BRETAGNE DE CREDIT MUTUEL AGRICOLE	France	Banking / Mutual banking	93.1	93.0	93.1	93.0
COMPAGNIE EUROPEENNE D'OPERATIONS IMMOBILIERES	France	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
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE SCF	France	Banking / Refinancing entity	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	100.0	97.3	97.0	97.2
FINANCO	France	Banking / Specialized networks banking	100.0	100.0	100.0	100.0
GICM	France	Banking / Services	100.0	100.0	97.0	97.2
KEYTRADE BANK (branch) <sup>(2)</sup>	Belgique	Banking / Financial and stock market intermediation	100.0	/	100.0	/
KEYTRADE BANK Luxembourg SA <sup>(2)</sup>	Luxembourg	Banking / Financial and stock market intermediation	100.0	/	100.0	/
LEASECOM	France	Banking / Finance leasing	100.0	100.0	100.0	100.0
LEASECOM CAR	France	Banking / Finance leasing	100.0	100.0	100.0	100.0
LEETCHI SA	France	Banking / Services	100.0	100.0	100.0	100.0
MANGOPAY SA (formerly Leetchi Corp)	Luxembourg	Banking / Services	100.0	100.0	100.0	100.0
MONEXT	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/Belgique	Banking / Financial and stock market intermediation	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 <sup>(2)</sup>	France	Insurance and asset management / Holding	100.0	/	100.0	/
STRATEO (Branch)	Swiss	Banking / Financial and stock market intermediation	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

NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST	
			31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>COMPANIES CONSOLIDATED USING THE EQUITY METHOD</b>						
AIBO GESTION <sup>(2)</sup>	France	Insurance and asset management / mutual funds	100.0	/	44.6	/
ALTAROCCA AM AS	France	Insurance and asset management / mutual funds	87.1	87.1	31.2	31.5
CAISSE CENTRALE DU CREDIT MUTUEL	France	Banking / Mutual banking	21.5	21.5	21.5	21.5
CREDIT MUTUEL CARTES DE PAIEMENTS	France	Banking / Mutual banking	25.0	25.0	26.7	26.7
CODABEL MANAGEMENT	Belgium	Insurance and asset management / mutual funds	35.0	35.0	15.6	15.8
DERIVATIVES SOLUTIONS <sup>(2)</sup>	France	Insurance and asset management / mutual funds	80.0	/	35.7	/
EC ADVISORS GMBH <sup>(2)</sup>	Germany	Insurance and asset management / mutual funds	51.0	/	22.7	/
LINK BY PRIMONIAL <sup>(2)</sup>	France	Insurance and asset management / mutual funds	100.0	/	44.6	/
MATA CAPITAL	France	Insurance and asset management / mutual funds	40.0	40.0	17.8	18.0
NEW PORT	France	Banking / Holding	31.0	31.0	31.0	31.0
PARISII GESTION PRIVEE	France	Insurance and asset management / mutual funds	100.0	100.0	44.6	45.0
PRIMONIAL	France	Insurance and asset management / mutual funds	100.0	100.0	44.6	45.0
PRIMONIAL COURTAGE (EX-PATRIMMOFI)	France	Insurance and asset management / mutual funds	100.0	100.0	44.6	45.0
PRIMONIAL HOLDING	France	Insurance and asset management / mutual funds	44.6	45.0	44.6	45.0
PRIMONIAL INVESTMENT MANAGERS <sup>(1)</sup>	France	Insurance and asset management / mutual funds	/	100.0	/	45.0
PRIMONIAL Luxembourg	Luxembourg	Insurance and asset management / mutual funds	100.0	100.0	44.6	45.0
PRIMONIAL PARTENAIRES (EX-PATRIMMOFI)	France	Insurance and asset management / mutual funds	100.0	100.0	44.6	45.0
PRIMONIAL REIM	France	Insurance and asset management / mutual funds	66.7	66.7	27.0	27.2
PRIMONIAL TI	Canada	Insurance and asset management / mutual funds	100.0	100.0	44.6	45.0
ROCHE BRUNE AM SAS	France	Insurance and asset management / mutual funds	67.8	67.8	30.2	30.5
ROCHE BRUNE INVESTISSEMENT	France	Insurance and asset management / mutual funds	67.8	100.0	30.2	30.5
SEFAL PROPERTY	France	Insurance and asset management / mutual funds	100.0	100.0	44.6	45.0
SPORTINVEST	France	Insurance and asset management / mutual funds	100.0	100.0	44.6	45.0
STAMINA ASSET MANAGEMENT (EX-PATRIMONIAL AM)	France	Insurance and asset management / mutual funds	100,0	100,0	44,6	45,0
UPSTONE SAS	France	Insurance and asset management / mutual funds	100,0	100,0	44,6	45,0
VOLTAIRE CAPITAL	France	Insurance and asset management / mutual funds	100,0	100,0	44,6	45,0

NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST	
			31.12.2015	31.12.2014	31.12.2015	31.12.2014
<b>COMPANIES CONSOLIDATED USING THE SHORTCUT METHOD</b>						
ALTAROCCA RENDEMENT 2022 <sup>(2)</sup>	France	Insurance and mutual funds / asset management	25.6	/	25.6	/
ARKEA CAPITAL 1	France	Banking / mutual funds	100.0	100.0	100.0	100.0
AUTOFOCUS 7	France	Insurance and mutual funds / asset management	/	84.8	/	84.3
AUTOFOCUS 8	France	Insurance and mutual funds / asset management	/	77.8	/	77.8
AUTOFOCUS AIRBAG OCTOBRE 2015 <sup>(2)</sup>	France	Insurance and mutual funds / asset management	93.9	/	93.9	/
AUTOFOCUS CROISSANCE JUIN 2015	France	Insurance and mutual funds / asset management	93.9	/	93.9	/
AUTOFOCUS CROISSANCE MARS 2015 <sup>(2)</sup>	France	Insurance and mutual funds / asset management	78.2	/	78.2	/
AUTOFOCUS RENDEMENT DECEMBRE 2014	France	Insurance and mutual funds / asset management	93.7	93.8	93.7	93.8
AUTOFOCUS RENDEMENT JUIN 2014	France	Insurance and mutual funds / asset management	87.3	87.5	87.3	87.5
AUTOFOCUS RENDEMENT MARS 2015 <sup>(2)</sup>	France	Insurance and mutual funds / asset management	93.5	/	93.5	/
AUTOFOCUS RENDEMENT OCTOBRE 2014	France	Insurance and mutual funds / asset management	91.7	91.9	91.7	91.9
AUTOFOCUS RENDEMENT SEPTEMBRE 2015 <sup>(2)</sup>	France	Insurance and mutual funds / asset management	93.9	/	93.9	/
BPE RENDEMENT 2018	France	Insurance and mutual funds / asset management	40.2	43.0	40.2	43.0
FCPI SWEN EUROPA 4	France	Insurance and mutual funds / asset management	46.5	46.5	46.5	46.5
FCPR FUNERAIRE A	France	Insurance and mutual funds / asset management	35.4	35.2	35.4	35.2
FCT SP EUROCREANCES	France	Insurance and mutual funds / asset management	44.0	44.0	44.0	44.0
FCT SURAVENIR PRIVAT <sup>(2)</sup>	France	Insurance and mutual funds / asset management	100.0	/	100.0	/
FEDERAL CAPITAL INV <sup>(2)</sup>	France	Insurance and mutual funds / asset management	100.0	/	100.0	/
FEDERAL ACTIONS ETHIQUES	France	Insurance and mutual funds / asset management	63.7	61.9	63.7	61.9
FEDERAL ACTIONS RENDEMENT	France	Insurance and mutual funds / asset management	96.6	97.4	96.6	97.4
FEDERAL APAL	France	Insurance and mutual funds / asset management	68.2	61.6	68.2	61.6
FEDERAL CAPITAL INVESTISSEMENT EUROPE	France	Insurance and mutual funds / asset management	/	100.0	/	100.0
FEDERAL CONVICTION GRANDE ASIE <sup>(2)</sup>	France	Insurance and mutual funds / asset management	97.4	/	97.4	/
FEDERAL CONVICTION ISR EURO	France	Insurance and mutual funds / asset management	61.7	60.6	61.7	60.6
FEDERAL CROISSANCE	France	Insurance and mutual funds / asset management	87.4	87.2	87.4	87.2
FEDERAL ESSOR INTERNATIONAL	France	Insurance and mutual funds / asset management	51.6	53.6	51.6	53.6
FEDERAL INDICIEL JAPON	France	Insurance and mutual funds / asset management	65.1	56.7	65.1	56.7
FEDERAL INDICIEL US	France	Insurance and mutual funds / asset management	62.8	59.5	62.8	59.5
FEDERAL MULTI ACTIONS EUROPE	France	Insurance and mutual funds / asset management	71.9	72.0	71.9	72.0
FEDERAL MULTI OR ET MATIERES 1 <sup>ERES</sup>	France	Insurance and mutual funds / asset management	88.7	87.2	88.7	87.2
FEDERAL MULTI PATRIMOINE	France	Insurance and mutual funds / asset management	89.3	89.8	89.3	89.8
FEDERAL MULTI PME	France	Insurance and mutual funds / asset management	85.0	85.8	85.0	85.8
FEDERAL OBLIGATAIRE	France	Insurance and mutual funds / asset management	/	44.5	/	44.5
FEDERAL OBLIGATIONS INTERNATIONALES ISR <sup>(2)</sup>	France	Insurance and mutual funds / asset management	40.0	/	40.0	/
FEDERAL OPPORTUNITE EQUILIBRE	France	Insurance and mutual funds / asset management	99.7	99.7	99.7	99.7
FEDERAL OPPORTUNITE MODERE	France	Insurance and mutual funds / asset management	98.3	98.2	98.3	98.2
FEDERAL OPPORTUNITE TONIQUE	France	Insurance and mutual funds / asset management	98.9	98.4	98.9	98.4
FEDERAL OPTIMAL	France	Insurance and mutual funds / asset management	44.4	53.1	44.4	53.1
FEDERAL PEA SECURITE	France	Insurance and mutual funds / asset management	/	48.4	/	48.4
FEDERAL SUPPORT TRESORERIE IR	France	Insurance and mutual funds / asset management	29.3	39.5	29.3	39.5

## Short cut method consolidated companies (end)

NAME	COUNTRY	SECTOR / ACTIVITY	% CONTROL		% EQUITY INTEREST	
			31.12.2015	31.12.2014	31.12.2015	31.12.2014
FORMUL ACTION 2017 FP	France	Insurance and mutual funds asset management /	82.4	82.8	82.4	82.8
FORMUL'ACTION 2017	France	Insurance and mutual funds asset management /	94.0	94.3	94.0	94.3
FORMUL'ACTION SECURITE	France	Insurance and mutual funds asset management /	93.3	93.1	93.3	93.1
KALEIDOSCOPE	France	Insurance and mutual funds asset management /	98.5	98.8	98.5	98.8
LFP MULTIMMO PHILOSO <sup>(2)</sup>	France	Insurance and mutual funds asset management /	46.8	/	46.8	/
OPCI CLUB FRANCE RET	France	Insurance and mutual funds asset management /	46.3	46.3	46.3	46.3
OPCI PREIM DEFENSE 2 <sup>(2)</sup>	France	Insurance and mutual funds asset management /	35.5	35.5	35.5	35.5
OPCI PREIM EUROS 2 <sup>(2)</sup>	France	Insurance and mutual funds asset management /	100.0	100.0	100.0	100.0
OPCI PREIMS EUROS	France	Insurance and mutual funds asset management /	100.0	100.0	100.0	100.0
OPCI PREIMIUM <sup>(2)</sup>	France	Insurance and mutual funds asset management /	100.0	/	100.0	/
OPCI TIKEHAU RET PRO	France	Insurance and mutual funds asset management /	39.3	41.3	39.3	41.3
PRIMO ELITE	France	Insurance and mutual funds asset management /	100.0	100.0	100.0	100.00
PRO FEDERAL LIQUIDITES <sup>(2)</sup>	France	Insurance and mutual funds asset management /	43.4	/	43.4	/
SCHELCHER EURO RENDEMENT	France	Insurance and mutual funds asset management /	/	24.6	/	24.6
SCI PERENNITE PIERRE <sup>(2)</sup>	France	Insurance and mutual funds asset management /	81.8	/	81.8	/
SCI PR2 PREIM RET 2	France	Insurance and mutual funds asset management /	38.0	38.0	38.0	38.0
SCI USUFRUIMMO	France	Insurance and mutual funds asset management /	100.0	100.0	100.0	100.0
SCPI PATRIMMO CROISSANCE	France	Insurance and mutual funds asset management /	54.0	68.0	54.0	68.0
SCPI PIERRE EXPANSIO <sup>(2)</sup>	France	Insurance and mutual funds asset management /	57.0	/	57.0	/
SCPI PRIMONIA CAP IM <sup>(2)</sup>	France	Insurance and mutual funds asset management /	42.1	/	42.1	/
SP CONVERT. GLOBAL EUROPE <sup>(2)</sup>	France	Insurance and mutual funds asset management /	23.9	/	23.9	/
SP CONVERTIBLES ISR EUROPE	France	Insurance and mutual funds asset management /	25.6	35.9	25.6	35.9
SP HAUT RENDEMENT <sup>(2)</sup>	France	Insurance and mutual funds asset management /	41.4	/	41.4	/
STEREO 3	France	Insurance and mutual funds asset management /	96.9	97.1	96.9	97.1
SURAVENIR INITIATIVE ACTIONS	France	Insurance and mutual funds asset management /	100.0	100.0	100.0	100.0
SURAVENIR REFERENCE ACTIONS	France	Insurance and mutual funds asset management /	100.0	100.0	100.0	100.0
SYNERGIE FINANCE INVESTISSEMENT	France	Banking / mutual funds	100.0	100.0	100.0	100.0
UBS ARCHMOE IDF <sup>(2)</sup>	France	Insurance and mutual funds asset management /	53.2	/	53.2	/
WE POSITIVE INVEST <sup>(2)</sup>	France	Insurance and mutual funds asset management /	100.0	/	100.0	/
WEST WEB VALLEY <sup>(2)</sup>	France	Insurance and mutual funds asset management /	38.6	/	38.6	/

(1) Merger of assets and liabilities

(2) Companies first-time consolidated in 2016

Recognition using the short-cut method is based on the use of the fair value option for all assets held through UCITS to be consolidated.

The short-cut method consists of:

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

#### Note 46. Business Combinations

In June 2016, the Group acquired 100% of the Keytrade group, an online bank specializing in banking and investment products. This acquisition resulted in the full consolidation of four new entities::

- Keytrade Bank SA: Online bank located in Belgium. This entity merged with Arkéa Direct Bank in November 2016. The merger was carried out with retroactive effect to July 1;
- Keytrade Bank Luxembourg SA: Subsidiary of Keytrade Bank SA in Luxembourg;
- Strateo: Swiss branch of Keytrade Bank SA;
- RealLease SA: Company specializing in leasing. This company was sold on October 28, 2016.

The transaction generated a goodwill €93.6 million recognized on the balance sheet.

The business combination accounting is definitive.

#### Note 47. Events after the reporting period

In December 2016, Crédit Mutuel Arkéa entered into exclusive negotiations with Bridgepoint with a view to acquiring a majority interest in the Primonial group.

The addition of a new investor will enable Primonial to continue its strong growth in France and consolidate its position as an independent leader in the distribution of wealth management and asset management solutions. It will also allow Primonial to expand internationally.

Crédit Mutuel Arkéa, a Primonial partner since 2011 and a shareholder since 2014, will retain a significant equity interest, approximately 35%, to support the group's development projects.

No other material event occurred subsequent to the December 31, 2016 close.

# 3.6

## Aggregate financial statements at December 31, 2016

The aggregate financial statements correspond to the parent company financial statements of Crédit Mutuel Arkéa (the group's consolidating entity). They include the financial statements of the Crédit Mutuel Arkéa legal entity itself and of the local savings banks and federations of Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central. The aggregate financial statements are prepared in accordance with French generally accepted accounting practices.

### Balance sheet

#### Balance sheet structure

As of December 31, 2016, total assets for the aggregate scope rose by 4% from €66.1 billion to €68.7 billion.

On the assets side, in the context of managing the LCR, there was a €1.5 billion increase in cash and amounts due from central banks. Receivables due from credit institutions decreased mainly owing to the €1.2 billion decline in funds deposited with Caisse des Dépôts et Consignation. Loans to customers increased by €1.6 billion, primarily as a result of the sustained increase in new housing loans. Equity securities rose by €0.6 billion.

On the liabilities side, amounts due to credit institutions increased by €2.2 billion as a result of the increase in outstandings reinvested by the subsidiaries following the favorable commercial performance with respect to savings intake and in light of participation in the TLTRO.

#### The credit institution's shareholders' equity

Shareholders' equity totaled €4.8 billion, and comprised share capital, additional paid-in capital and reserves, as well as provisions for general banking risks (FRBG). Share capital was stable at €2.2 billion. It consisted almost entirely of shares subscribed at the local savings banks.

The provisions for general banking risks totaled €300.3 million, compared with €245.6 million in 2015. In addition to amounts allocated to cover general risks, this item included the federal fund created by the local savings bank networks to provide support through financial solidarity mechanisms.

## Balance sheet

In thousands of euros

Assets	12.31.2016	12.31.2015
Cash, due from central banks	3,584,351	2,091,745
Treasury bills and similar notes	3,567,331	3,834,416
Due from credit institutions	19,345,640	20,525,057
Customer loans	29,649,109	28,073,267
Bonds and other fixed-income securities	6,106,788	5,406,793
Equities and other variable-income securities	209,645	202,993
Investments, equity securities held for long-term investment	236,347	109,972
Other participating interests	4,011,352	3,469,372
Intangible assets	12,926	324,318
Property, plant and equipment	202,656	197,562
Other assets	889,564	985,359
Accrued income	897,453	860,415
<b>TOTAL</b>	<b>68,713,662</b>	<b>66,081,268</b>
Liabilities	31.12.2016	31.12.2015
Liabilities to credit institutions	24,820,514	22,650,299
Liabilities to customers	28,759,737	27,956,519
Debt securities	7,512,645	8,319,841
Other liabilities	927,348	1,065,952
Accrued expenses	887,230	951,128
Provisions	69,863	60,858
Subordinated debt	912,776	403,699
Provisions for general banking risks (FRBG)	300,347	245,630
Shareholders' equity excluding FRBG	4,523,202	4,427,341
Share capital	2,197,670	2,197,182
Additional paid-in capital	5,438	5,438
Reserves	2,165,866	2,043,926
Regulated provisions and investment subsidies	4,525	4,525
Profit carried forward	15,161	16,201
Net income for the year	134,542	160,069
<b>TOTAL</b>	<b>68,713,662</b>	<b>66,081,268</b>

## Income statement

### Net income

Net income for the aggregate scope totaled €134.5 million, down €25.5 million over the year.

### Net banking income

Net banking income for the aggregate scope totaled €833.0 million, down €8.3 million.

Net interest income rose by 1.8% to €445.1 million, although it was affected by a drop in the net interest margin on customer loans.

Dividends received in 2016 rose by €54 million to €201.8 million.

Net commission income rose by 2.0% to €420.0 million, mainly due to the increase in commissions from intermediaries (mainly insurance products) despite the decrease in commissions for early repayment of loans.

Other operating expense increased by €24.1 million to €32.2 million due to the payment of a portion of the Visa capital gain to the member institution <sup>7</sup>.

### Operating expenses

Operating expenses increased by €17.7 million, or 2.5%, to reach €717.0 million in 2016.

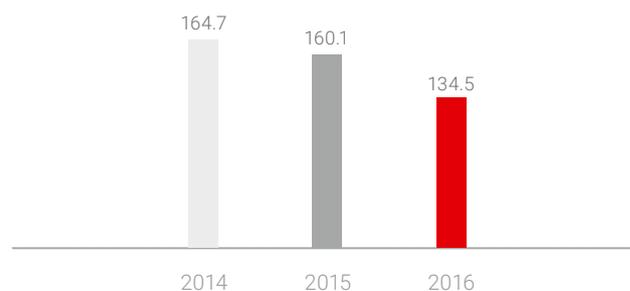
This change can be attributed mainly to the payment of the first contribution to the Fonds de Garantie des Dépôts et de Résolution (deposit and investment guarantee fund, or FGDR), the increase in the contribution to the Single Resolution Fund (SRF) and the rise in expenses incurred for the group's regulatory and development projects.

### Cost of risk

The cost of risk decreased by €17.7 million to €26.1 million. This decrease was mainly due to the credit risk at the local savings banks.

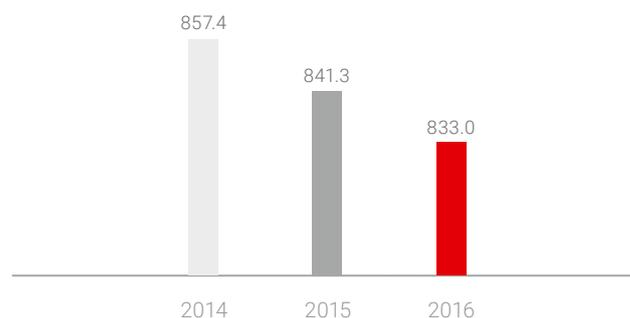
### Net income

In millions of euros



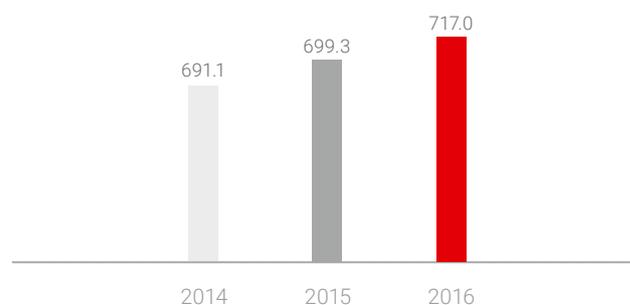
### Net banking income

In millions of euros



### Operating expenses

In millions of euros



<sup>7</sup> The Visa capital gain is recognized in gains and losses on other assets

## Income statement

In thousands of euros

	31.12.2016	31.12.2015
Interest and similar income	1,525,841	1,710,495
Interest and similar expense	- 1,334,520	- 1,447,329
Income on variable-income securities	202,511	147,931
Commission income	472,258	468,101
Commission expense	- 52,264	- 56,170
Net gains (losses) on trading account securities	- 2,287	3,152
Net gains (losses) on investment portfolio and similar securities	53,597	23,179
Other operating income from banking activities	2,024	3,047
Other operating expense from banking activities	- 34,184	- 11,123
<b>NET BANKING INCOME</b>	<b>832,976</b>	<b>841,282</b>
Operating expense	- 702,783	- 684,890
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	- 14,255	- 14,423
<b>GROSS OPERATING INCOME</b>	<b>115,938</b>	<b>141,969</b>
Cost of risk	- 26,136	- 43,830
<b>OPERATING INCOME</b>	<b>89,802</b>	<b>98,139</b>
Gains or losses on non-current assets	63,861	50,366
<b>RECURRING INCOME BEFORE TAX</b>	<b>153,663</b>	<b>148,504</b>
Net non-recurring income	0	126
Income tax	35,477	28,529
Allocations to/reversals from provisions for general banking risks (FRBG) and regulated provisions	- 54,598	- 17,090
<b>NET INCOME</b>	<b>134,542</b>	<b>160,069</b>

## Five year financial summary of Crédit Mutuel Arkéa

(in thousands of euros)

	2012	2013	2014	2015	2016
<b>SHAREHOLDERS'S EQUITY AT THE END OF THE YEAR</b>					
Share capital	2,018,906	2,132,865	2,211,473	2,197,182	2,197,670
Number of ordinary shares outstanding	2,017,896,344	2,131,845,134	2,192,127,760	2,196,901,280	2,197,251,242
Number of preferred shares (without right to vote) existing					
Maximum number of shares to be created:					
■ through exercise of convertible bonds					
■ through exercise of subscription bonds					
<b>OPERATIONS AND RESULTS FOR THE YEAR</b>					
Revenues (net of taxes)	2,634,588	2,479,278	2,384,916	2,329,573	2,202,634
Income before tax, employee profit sharing, and allocations to depreciation, amortization and provisions	91,598	165,187	158,735	174,395	155,048
Income tax <sup>(*)</sup>	- 75,770	- 57,465	- 46,806	- 28,529	- 35,476
Employee profit sharing due for the year <sup>(*)</sup>	13,780	1,496	523	1,459	4,079
Income after tax, employee profit sharing and allocations to depreciation, amortization and provisions	164,909	215,103	164,713	160,069	134,542
Earnings per share (in euros)	49,833	49,778	40,913	39,175	37,456
<b>DIVIDENDS</b>					
Earnings after tax and employee profit sharing but before allocations to depreciation, amortization and provisions	0,08	0,10	0,09	0,09	0,08
Earnings after tax, employee profit sharing, allocations to depreciation, amortization and provisions	0,08	0,10	0,08	0,07	0,06
Dividend per share	0,02	0,02	0,02	0,02	0,02
<b>EMPLOYEES</b>					
Average number of employees during the year	5,684	5,624	5,538	5,479	6,176
Total payroll for the year	246,172	226,751	237,676	234,919	243,598
Employee benefits (Social Security and other)	159,395	112,066	132,570	121,127	120,960

(\*) Positive amounts = expense, negative amounts = income

4

Risk  
factors

- 4.1 Credit risk
- 4.2 Market risks
- 4.3 Structural interest rate and liquidity risks
- 4.4 Foreign exchange risk
- 4.5 Risk to equities and other variable income securities and risk to investment securities
- 4.6 Operational risk
- 4.7 Legal risk
- 4.8 Compliance risk, including money-laundering risk
- 4.9 Risks specific to the insurance business

# Crédit Mutuel Arkéa's risk management function

In accordance with regulatory requirements (administrative order of November 3, 2014), the general purpose of the risk management function is to ensure the implementation of Crédit Mutuel Arkéa group's risk measurement and oversight systems.

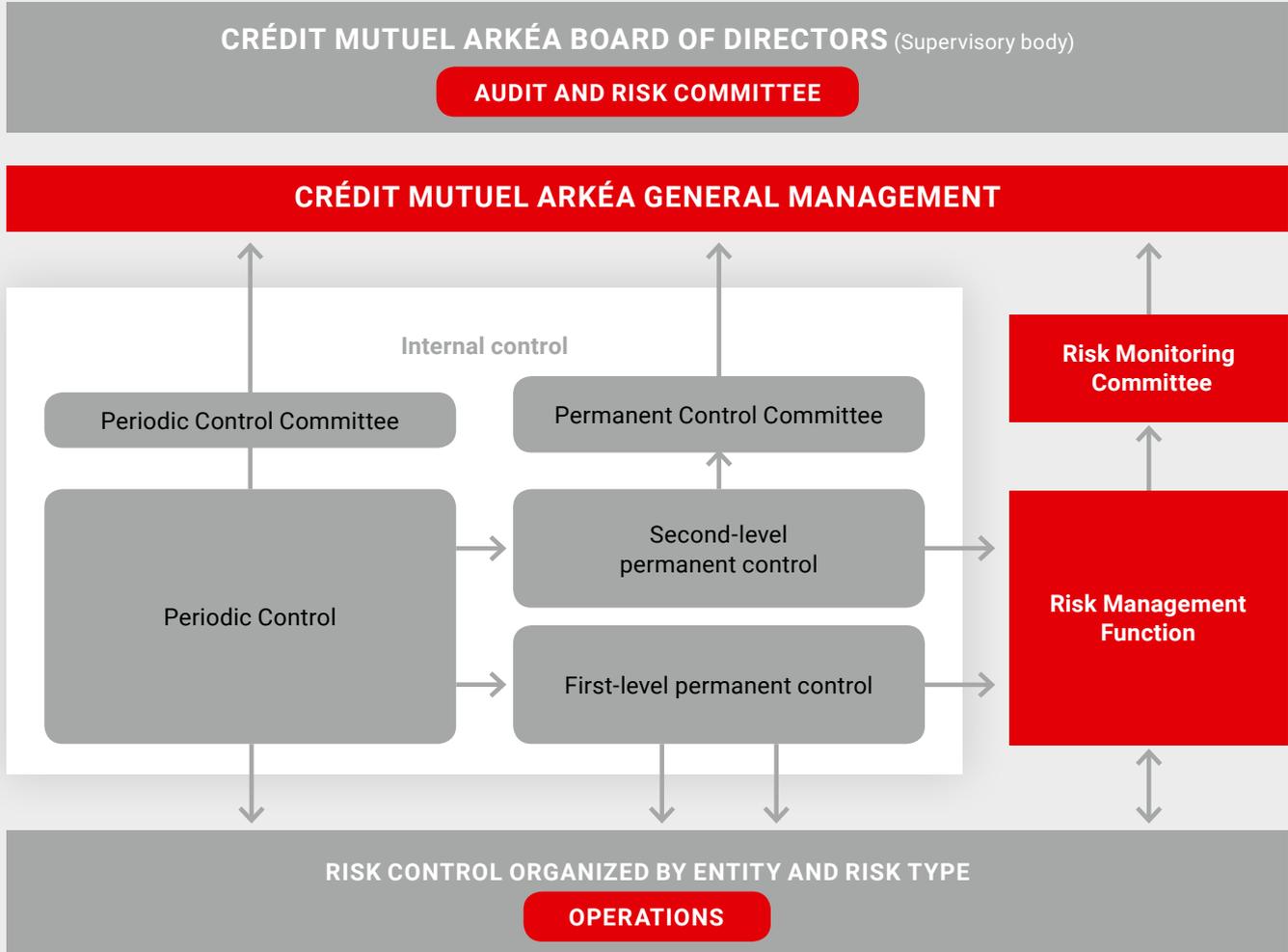
The organization for this function, which was established in mid-2010 following initial regulatory changes in this area (concept of "risk function"), covers all risks for all Group entities. It assesses the overall risks, on a consolidated basis, related to the Group's banking and non-banking activities using a cross-functional and forward-looking approach.

The mission of the risk management function is to ensure that risk exposure levels are compatible with the guidance set by Crédit Mutuel

Arkéa's supervisory body, which has established the following priority objectives in this area :

- exercise its activities within limits compatible with its development strategy, financial capabilities and the corresponding regulatory requirements with respect to risk ;
- provide high-quality, relevant and verified information to the Group's supervisory body and so-called effective managers (dirigeants effectifs) as well as to the supervisory authorities, with each Group entity responsible for managing its own risks.

The risk management function fits into the overall risk management and internal control system, which is depicted below :



Responsibility for Crédit Mutuel Arkéa Group's risk function is assigned to the Head of Risk Management of Crédit Mutuel Arkéa, who is not affiliated with the business lines and reports directly to the Head of the Development Support division, who in turn reports to the Group's Chief Executive Officer. The effective managers of each entity bear ultimate responsibility for risk management at the operating level, regardless of whether this entity's activities have been outsourced.

The Group risk management function head is responsible for ensuring that the function operates properly and that the Group's effective managers and supervisory body are well informed, and it oversees and/or participates in the application of Group procedures within its remit.

Acting both upstream and downstream from the operational risk management by the entities, the risk management function head monitors consolidated risks at the Group level. Through appropriate means and at timely intervals, results are submitted to the group Risk Monitoring Committee, the group's General Management, the Risk and Internal Control Committee and the Board of Directors of Crédit Mutuel Arkéa. The Head of the risk management function is supported in these endeavors by the network of correspondents appointed at each group entity (see below) and by a consolidated information system.

The risk management function is organized along functional lines that complement direct management reporting lines. Each Group entity, including both banking and non-banking entities, appoints a risk management function head for its scope, and a person responsible for each type of risk is also appointed.

Functional ties therefore exist at three levels :

- between the head of the group's risk management function and the head of the risk management function of each entity ;
- between the head of the risk management function of each entity and the heads designated for each type of risk within this entity ;
- between the head of the group's risk management function and the group's heads of risk by type of risk.

Crédit Mutuel Arkéa has a consolidated vision of risk thanks to :

- a consistent governance approach to the risk management function replicated using the same model regardless of the group entity or risk ;
- common methods, procedures and tools that enable both "local" management at the level of individual entities and global management at the group level.

This organization of the risk management function and resources available to it helps ensure that Crédit Mutuel Arkéa's risk exposure is consistent with the risk appetite framework and risk management policy defined by its supervisory body. In that regard, all of the documents that make up the "Risk management system" constitute the rules for the Group's system of limits. First validated by the Risk Monitoring Committee and subsequently by the group's Executive Committee, these rules are then presented to the Risk and Internal Control Committee and submitted to the Crédit Mutuel Arkéa Board of Directors for adoption.

## 4.1

## Credit risk

Credit risk involves the risk of non-repayment in the event of a default by a borrower or borrowers considered a single beneficiary in the regulatory sense of the term.

#### 4.1.1 Customer credit risk

##### 4.1.1.1 Selection, limit setting and monitoring procedures

All procedures implemented in selecting, setting limits on and monitoring risk are governed by a regulatory framework. They notably comply with the administrative order of November 3, 2014 relating to the internal control of companies in the banking, payments and investment services sector subject to supervision by the French Prudential Supervisory and Resolution Authority.

##### Risk selection system

In compliance with current regulations, internal ratings are the basis of loan approval processes and are used to determine both decision-making limits and caps on commitments for each Group entity.

Loans are granted based on procedures specific to each lending entity within the Group, within the framework of the limits system defined by the Board of Directors of Crédit Mutuel Arkéa. Loan requests exceeding the limits of each network or entity are referred to the Group's Credit Committee. If the decision-making limits of this Committee are exceeded, a waiver is requested of the Board of Directors of Crédit Mutuel Arkéa.

The loan approval procedures used by the Group's entities are based on detailed analyses of the borrowers' creditworthiness and ability to repay the loans requested.

Whether the loan request comes from an individual, business or institutional customer, these analyses may include, depending on the context :

- external data (registration with the French National Database on Household Credit Repayment Incidents, suspended banking privileges, Banque de France rating, Banque de France risk centralization, overdue payments, existence of bankruptcy proceedings, company registration certificate, etc.) ;
- personal data about the applicant's financial situation (account operations, accounting documents, etc.) ;
- qualitative contextual information (marriage settlement, legal form, analysis of business sector, etc.).

##### Monitoring of customer loans

In compliance with current regulations, Crédit Mutuel Arkéa ensures that the units tasked with undertaking transactions and those tasked with supervising them are strictly independent.

The group has introduced tools that allow it to quickly identify situations that involve risk (overdue or irregular payments, ratings downgrades, etc.).

The Risk Control units of the Group's lending entities guarantee that risky applications are properly handled by managers, both in terms of assessing the customers' situation and swiftly taking any measures that become necessary, and in terms of ensuring that the customer's situation is being restored to normal.

At a higher level, oversight of the total risks is handled by Crédit Mutuel Arkéa's Risk department (monitoring of major risks, identification of loans with downgraded ratings, analysis of key doubtful and disputed loans).

## Reporting

A customer credit risk dashboard is established monthly and sent to the members of Crédit Mutuel Arkéa's Executive Committee. The main indicators are calculated by market and Group entity.

A summary of customer credit risk exposure is provided at each Crédit Mutuel Arkéa Board of Directors meeting, as well as an update on compliance with credit limits.

Lastly, the group's credit risk situation is also presented to the group's Risk Monitoring Committee, which meets quarterly. It is also included in the quarterly summary of group risks sent and presented to the Crédit Mutuel Arkéa Executive Committee and subsequently to the group's Risk and Internal Control Committee.

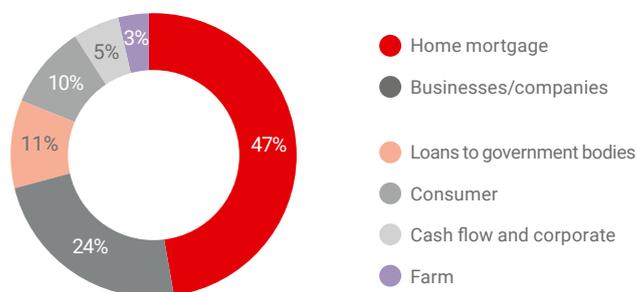
## 4.1.1.2 Breakdown of loans

### Outstanding customer loans

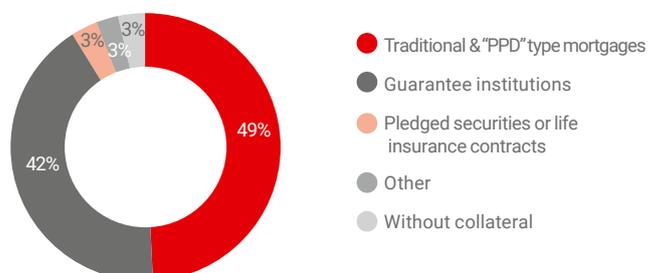
As of December 31, 2016, Crédit Mutuel Arkéa had €59.2 billion in outstanding loans to customers, both on- and off-balance sheet. Loans recognized on the balance sheet (including principal and related interest) totaled €47.7 billion, up 5.1%.

These loans have been granted primarily to moderate-risk customer segments, generally in limited amounts per loan. Home mortgage loans account for nearly half of total outstandings. The density of the bank's regional networks also favors close ties and a good understanding of the borrowers.

### Outstanding loans on the balance sheet



### Home mortgage and similar loans by type of collateral



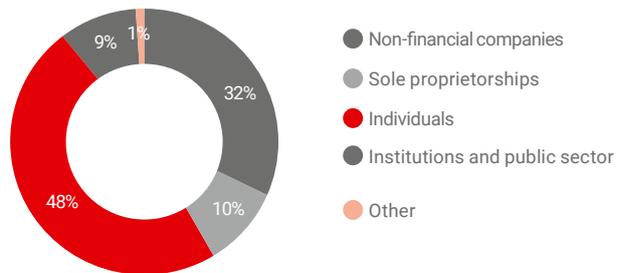
Diversification of outstanding customer loans

The diversification of the customer loan portfolio is satisfactory from a risk perspective, whether measured by :

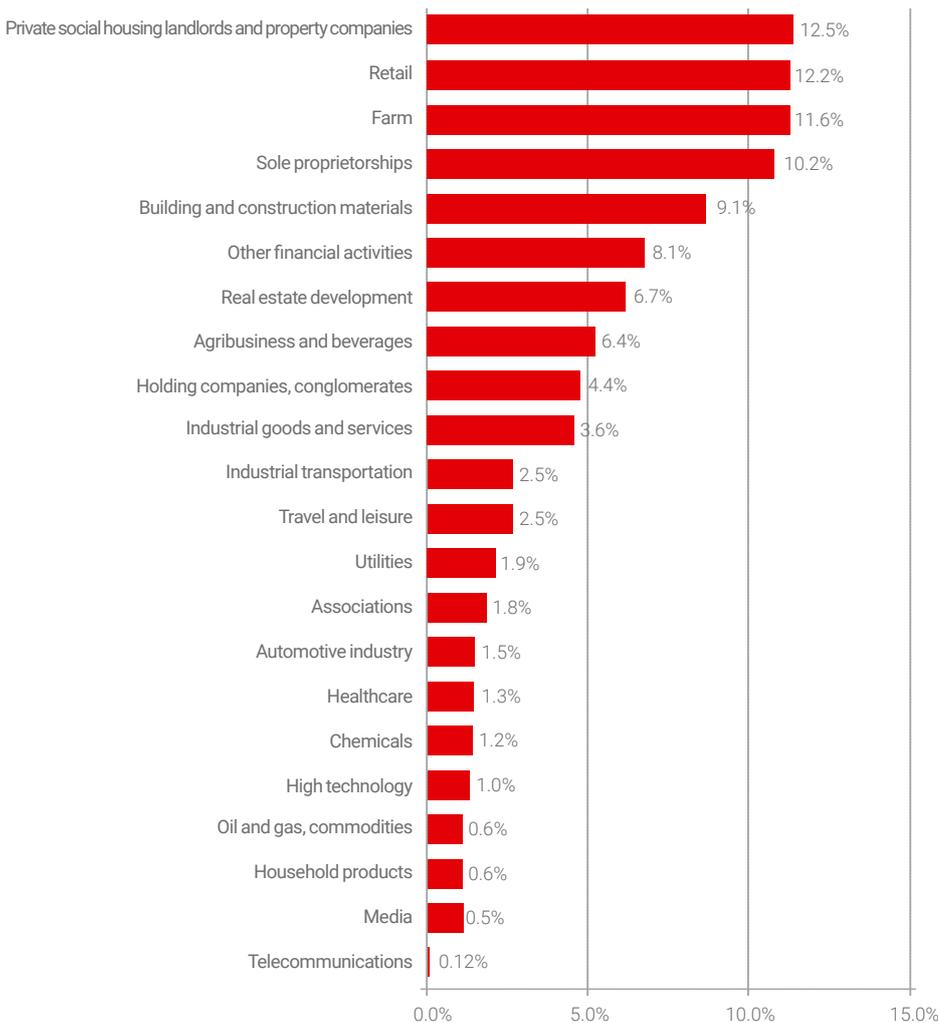
- type of counterparty ;
- business sector.

Outstandings to individuals account for nearly half of the outstandings on the balance sheet.

Total loans outstanding on the balance sheet by type of counterparty



Gross exposure (on- and off-balance sheet outstandings) of businesses and companies by sector



The gross exposure (on- and off-balance sheet outstandings) to businesses and companies totaled €22.6 billion (or 38% of the gross exposure). The most highly represented sectors were real estate (social housing landlords and property companies), retail, farming and sole proprietorships.

### Portfolio's credit risk quality

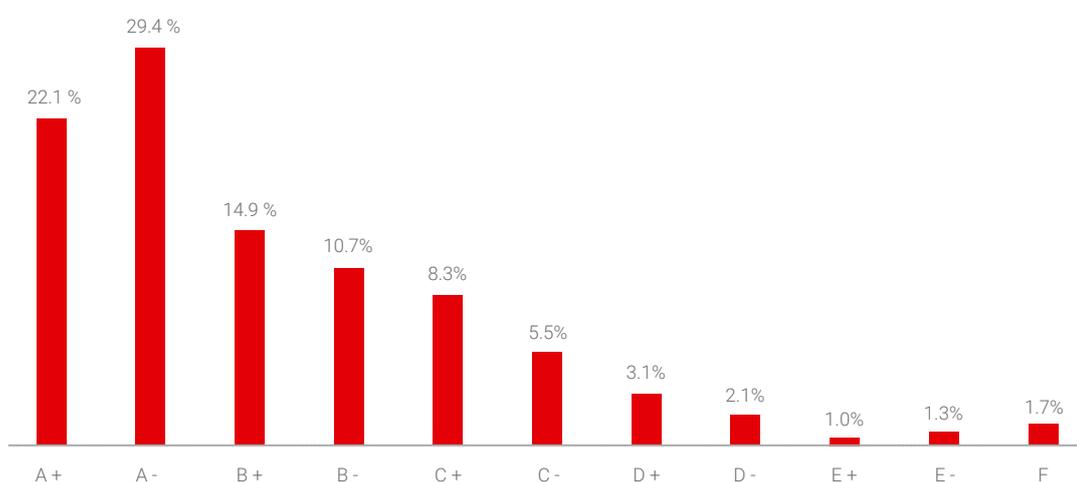
The credit risk quality of the customer loan portfolio is determined using an internal rating for customers.

The internal rating of a customer at a given point in time corresponds to an assessment of the risk that this customer might not satisfy his repayment commitments during the next 12 months. Updated daily to take into account potential risk events, this ratings system comprises 11 ratings, from the highest of A+ (lowest risk)

to the lowest of F (highest risk). The internal ratings E- and F correspond to doubtful and disputed loans, while the nine other ratings comprise performing loans.

Performing loans accounted for 97% of total outstandings. Doubtful and disputed loans (E- and F ratings) accounted for 3% (loan outstandings in principal only).

### Balance sheet outstandings (principal) by ratings level as of end-2016



### Presentation of doubtful and disputed loans

MARKETS	AMOUNT (€ M)	2015		2016	
		AMOUNT (€ M)	%	AMOUNT (€ M)	%
Individuals	630	621	40 %	621	39 %
Non-financial companies	762	795	48 %	795	50 %
Sole proprietorships	196	186	12 %	186	12 %
<b>TOTAL</b>	<b>1,588</b>	<b>1,602.6</b>	<b>100 %</b>	<b>1,602.6</b>	<b>100 %</b>

The amount of doubtful and disputed loans (including interest) totaled €1,603 million as of December 31, 2016, up from €1,588 million a year earlier. Doubtful and disputed loans rose by 0.9% in 2016.

The ratio of doubtful and disputed loans (including interest) to total outstandings dropped from 3.5% at the end of 2015 to 3.4%.

### Outstanding restructured loans

In accordance with the European regulations of October 21, 2013, restructured loans are contracts that have been the subject of "concessions toward debtors who have or will have difficulties honoring their debts." These concessions may be modifications in the contract's residual term or a refinancing of the debt, excluding commercial renegotiations.

The conditions for downgrading restructured loans to default status are stricter, since such downgrades occur automatically whenever a payment is late by more than 30 days or the loans are restructured again.

For debtors already in default at the time the restructuring occurs, the restructured loans continue to be classified as doubtful for at least one year, regardless of whether loan payments are in arrears.

Based on these definitions, restructured loans totaled €409.5 million, or 0.7% of total outstandings. Of that total, €354.6 million were downgraded to doubtful or disputed loans, while €55 million were performing.

#### 4.1.1.3 Provisioning and cost of risk

##### Provisioning

Provisioning of the risk on customer loans includes, first, doubtful and disputed loans (internal ratings of E- or F) for which allocated provisions are recorded and, second, certain performing loans (E+-rated and similar loans and, for the first time, corporate loans rated D-), the calculation base for the so-called collective provision, or even of a special provision on certain business segments (€12.2 million on farming, for example).

Provisions allocated to doubtful and disputed loans result primarily from the automatic application of the provisioning rules for doubtful loans in the Crédit Mutuel network. A case-by-case assessment then becomes the rule, particularly when loans transition to disputed status. Financo is unique in that it uses a statistical provisioning system for all its doubtful and disputed loans to individuals. For all of the Group's other doubtful and disputed loans, provisioning is based on a case-by-case evaluation of the chances for collection.

The so-called collective provision is based on a statistical observation of default rates and losses incurred in the event of a default.

Given a relatively unfavorable economic outlook, Crédit Mutuel Arkéa maintained a very conservative approach to customer credit risk in 2016. The provisioning rate for doubtful and disputed loans (principal and interest) was 55.1% at end-December 2016, compared with 56.3% the previous year. The respective rates were 58.1% for companies, 55.5% for sole proprietorships and 50.8% for individuals.

The provisioning rate for loans included in the calculation base for the so-called collective provision was 9.2% at end-2016 compared with 10.3% the previous year, a level that reflects the careful expansion of its scope of application.

##### Cost of risk

The cost of risk on customer loans corresponds to net provision allocations and losses not covered by provisions. The total cost of risk, including the collective provision, was €106.1 million in 2016, down from €107.7 million in 2015. The total cost in 2016 corresponded to a cost of risk on downgraded loans of €69.5 million, a €40.3 million net collective provision allocation, after the expansion of its calculation base, and a €3.7 million reversal of a provision on business segments.

The cost of risk on doubtful and disputed loans fell by 29% due to a sharp 53% decrease on the individuals market. As a percentage of customer outstandings, total cost of risk on customer loans at end-2016 was 0.22%, compared with 0.24% the previous year.

##### Recognition of cost of risk in rate setting

The cost of risk for lending is factored into the financial terms granted to customers using a widely accepted approach, in the spirit of the Basel III regulations. The average or statistically "expected" cost of risk is added to the cost of the loan, and has a direct influence on standard rates. The exceptional or "unexpected" cost of risk is in principle to be covered by shareholders' equity.

## 4.1.2 Market counterparty credit risk

### 4.1.2.1. Group-wide limits

Crédit Mutuel Arkéa group has a system of separate limits by type of counterparty (or group of “connected clients” pursuant to article 4-1-39 of the CRR), which applies independently to proprietary investments and third-party activities (assets representing euro-denominated funds of the life insurance business).

The separate limits by counterparty type are reviewed at least once a year by Crédit Mutuel Arkéa’s Board of Directors. They are determined on the basis of the internal ratings of the counterparties, which are ranked in four categories :

- sovereigns (states), public sector, supranationals and secured debt ;
- state-owned enterprises ;
- banks, insurance companies and securitizations (senior and subordinated debt) ;
- companies.

With respect to proprietary capital markets trading activities, individual limits are set, both with respect to amount and time period, by referring mainly to Crédit Mutuel Arkéa’s own shareholders’ equity and the counterparty’s “fundamentals” (shareholders’ equity, debt and ratings).

Limit requests for a specific counterparty are reviewed by Crédit Mutuel Arkéa group’s Counterparty Committee, which bases its decisions on the informed opinions of Crédit Mutuel Arkéa’s Risk Management department, which is responsible for second-level risk analysis, monitoring and control. The first-level control is performed by the entities carrying and/or managing the outstandings on the counterparty.

All financial market transactions giving rise to credit risk must involve an issuer or security referenced by the group Counterparty Committee.

In the event of a request for a waiver between revisions, the decision shall be made by Crédit Mutuel Arkéa’s Board of Directors.

### 4.1.2.2 Reporting

The credit risk position related to market transactions is reviewed on a regular basis by the Group’s Counterparty Committee.

A quarterly risk report is established and submitted to the members of Crédit Mutuel Arkéa’s Executive Committee. It includes an update on compliance with credit risk limits for capital markets counterparties.

The Crédit Mutuel Arkéa Board of Directors reviews credit limit compliance at every meeting.

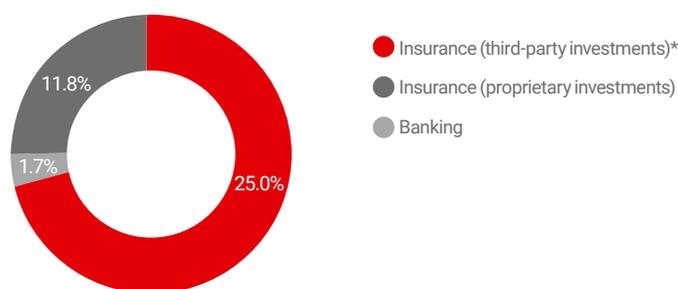
### 4.1.2.3 Analysis of credit risk on capital markets counterparties

#### For the entire consolidation scope

The group’s fixed income investment portfolio totaled €38.5 billion (unless otherwise stated, the amounts below are expressed at repayment value) as of December 31, 2016, broken down into the following categories :

#### Breakdown by entity

(€ billions)



\* Insurance (Third-party): assets representing euro-denominated funds.

The group's direct credit risk exposure is limited to the proprietary portfolios of the insurance (€1.7 billion) and banking (€11.8 billion) activities. In the latter case, the credit risk exposure results mainly from the reinvestment of surplus cash and guarantee commitments for funds managed by the asset management subsidiary Federal Finance Gestion.

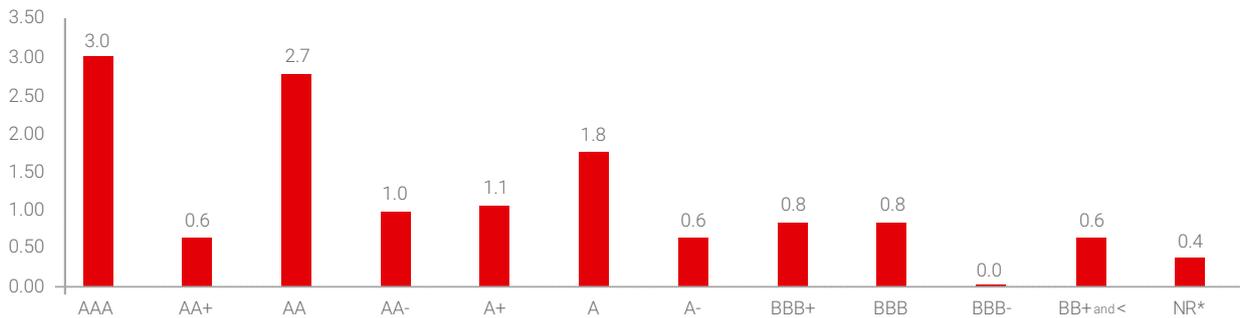
The credit risk related to the €25 billion third-party investment portfolio of the Suravenir insurance company is borne mainly by policyholders through the returns they earn on euro-denominated funds.

As part of its counterparty risk assessment, Crédit Mutuel Arkéa relies on its own internal rating system as well as that of the rating agencies.

**For the proprietary portfolio scope (insurance and banking)**

The €13.5 billion in proprietary portfolio investments for the banking and insurance activities mainly involve issuers with the highest external credit ratings: 80% have external ratings between AAA and A.

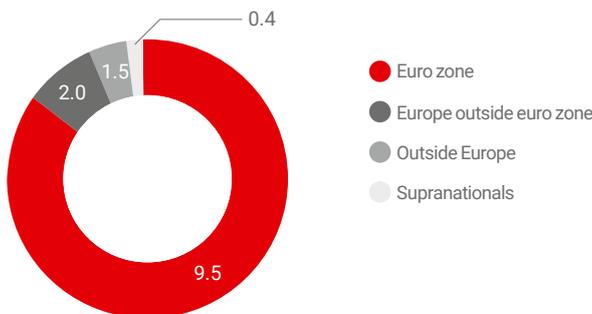
**Breakdown by external rating Proprietary investment portfolio (€ billions)**



\*NR: issuers not rated by one or more of the three main rating agencies (S&P, Moody's and Fitch).

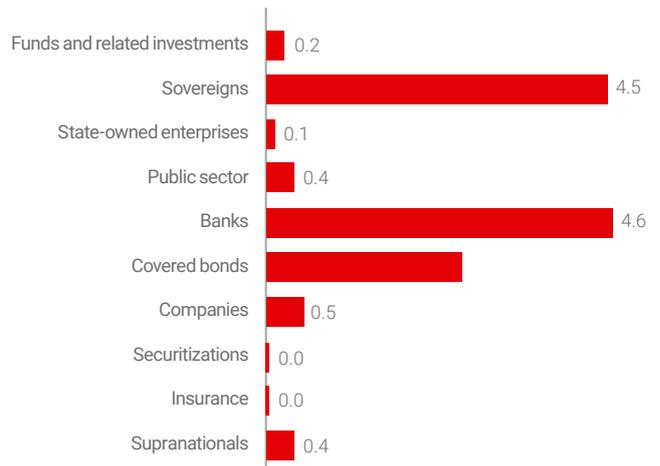
Of the investments in this scope, 85% are with European issuers and 44% are with French issuers.

**Breakdown by geographic area Proprietary investment portfolio (€ billions)**



54% of the investments are with bank counterparties.

**Breakdown by issuer category Proprietary investment portfolio (€ billions)**



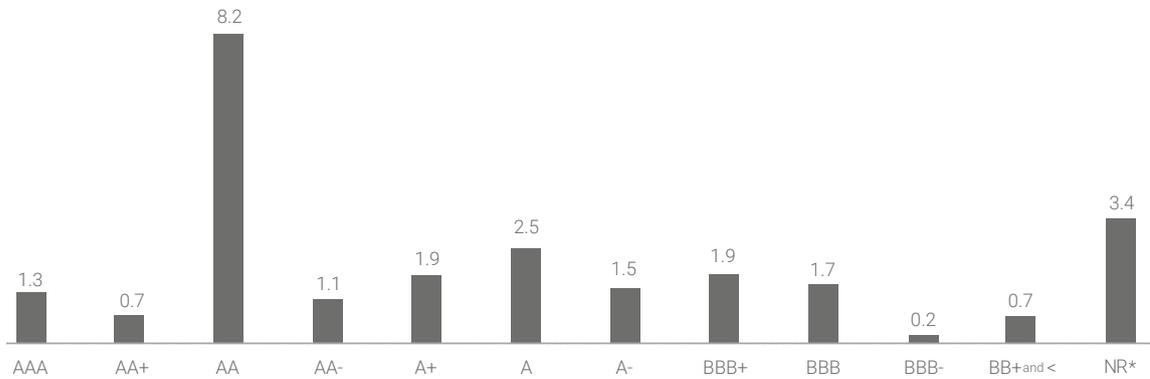
**For Suravenir's third-party portfolio scope**

The Suravenir insurance company's third-party investments (€25 billion) mainly involve issuers with the highest external credit ratings, as 69% of them are rated between AAA and A.

From a sector standpoint, Suravenir's third-party investments are mostly with two main types of issuers :

- the banking sector (banks and covered bonds) for 35% ;
- sovereigns, supranationals, state-owned companies and the public sector for 43%.

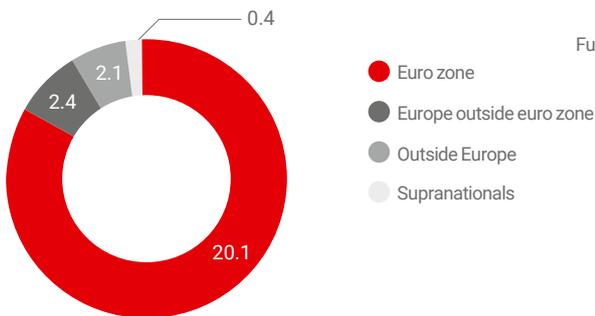
**Breakdown by external rating**  
**Suravenir third-party investment portfolio**  
 (€ billions)



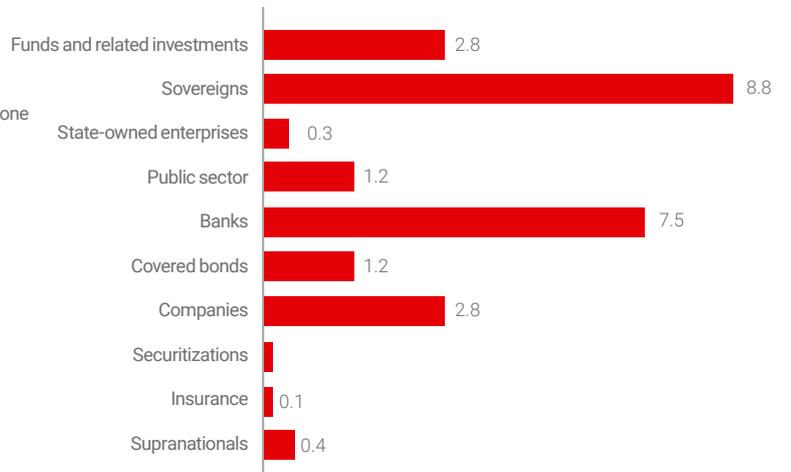
\*NR : issuers not rated by one or more of the three main rating agencies (S&P, Moody's and Fitch).

From a geographic standpoint, the third-party investment portfolio is mainly invested in European issuers (90%).

**Breakdown by geographic area**  
**Suravenir third-party investment portfolio**  
 (€ billions)



**Breakdown by issuer category**  
**Suravenir third-party investment portfolio**  
 (€ billions)



#### 4.1.2.4 Focus on sovereign risk exposure to countries covered by European Union financial assistance programs

Financial markets' concerns about some Euro zone countries' ability to service their debt going forward were allayed over the course of 2016. The ongoing economic recovery in the Euro zone remains fragile, however, and has been offset by the uncertainties surrounding the consequences of the Brexit camp's win in the UK's referendum.

As the concerns about Ireland's sovereign debt have been resolved, given the improvement in the country's economic and fiscal situation, exposures to Irish sovereign debt are not included in the tables below.

It should also be noted that Crédit Mutuel Arkéa group has no Greek sovereign debt exposure.

Portugal is the only country still included in the table as certain concerns remain, mostly about its debt level.

Exposures to Portugal are presented in the table below. These are the bank's proprietary commitments for short-term treasury transactions.

(€ millions)

	<1 YEAR	1 TO 2 YEARS	2 TO 5 YEARS	5 TO 10 YEARS	>10 YEARS	TOTAL	SHARE OF THESE SOVEREIGNS in total investments
<b>PORTUGAL</b>	600.0	-	-	-	-	600.0	
Insurance (third-party investments)	-	-	-	-	-	-	0 %
Proprietary (banking and insurance)	600.0	-	-	-	-	600.0	4.45 %
<b>TOTAL</b>	<b>600.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600.0</b>	<b>-</b>

#### **4.1.2.5 Focus on exposure to securitizations held within the banking scope**

The exposure to securitizations is being steadily reduced, as the portfolio is being wound down. No new investments have been made since 2008. However, the mid-2016 acquisition of Keytrade added €6.7 million in exposure to these products. Overall, the volume of outstandings on these assets fell by €23.8 million in 2016, to €62.9 million.

- The volume of guaranteed CDO outstandings declined by €20 million in 2016 to €18.6 million.
- The volume of non-guaranteed CDO outstandings consisted of one CDO held in the amount of €2.03 million, which has been fully provisioned since 2009, and one CDO in the amount of €5 million maturing on June 30, 2017 relating to the Keytrade acquisition.
- Securitization outstandings (CMBS, RMBS, CLO and ABS) fell from €45.8 million at the end of 2015 to €37.3 million at end-2016. The average credit quality of the securitization portfolio remained satisfactory, since 66% of the outstandings had an external credit rating of BBB or higher.



# 4.2

## Market risks

Market risk, or price risk, stems from unfavorable changes in market parameters that affect the value of financial instruments recognized on the balance sheet. Crédit Mutuel Arkéa is exposed primarily to significant spread, interest rate, exchange rate and equity risks. The exposure of the proprietary activities to options risk is non-significant.

From a management standpoint, the market risks for the banking scope covered in this section arise either from the financial instrument portfolios managed by Crédit Mutuel Arkéa's Financial Markets department or from Arkéa Direct Bank's portfolio. The latter, which results from the acquisition of Belgian online bank Keytrade in early June 2016, was immediately placed in runoff. The market

risk exposure of the group's other banking subsidiaries remains negligible as their treasury investments are almost always centralized at Crédit Mutuel Arkéa.

Interest rate risk is managed as a whole through a central interest rate entity the risk limits and management principles of which are defined by the Group Assets and Liabilities Management function. Effective management of this central interest rate entity falls under the responsibility of the Financial Markets department.

At end-2016, the market risk exposure of investments on the balance sheet totaled €10.4 billion, up €2.2 billion year over year due mainly to the Keytrade acquisition. It breaks down as follows :

### Exposure of banking scope to market risks as of 12/31/2016

(€ millions)

TOTAL INVESTMENTS	10,385
CRÉDIT MUTUEL ARKÉA LCR PORTFOLIO	5,694
OTHER INVESTMENTS	4,691
Crédit Mutuel Arkéa	2,995
■ Treasury investments with initial maturities of less than two years	2,697
■ Securities held in connection with the origination activity	40
■ Investment portfolio being wound down	133
■ Intra-Crédit Mutuel investments	125
Arkéa Direct Bank (Keytrade portfolio being wound down)	1,677
Other entities	19

The value of the investments on the balance sheet is exposed to the risk of a change in issuer spread due to the existence of long-term positions (the share of securities with a residual maturity of more than five years is 17%). This risk is more specifically concentrated in Crédit Mutuel Arkéa's LCR portfolio.

Interest rate-based changes in the value of Crédit Mutuel Arkéa's investments are transferred, through internal swaps, to the central interest rate unit, whose purpose is to manage the overall interest

rate risk within the sensitivity limits set by the Board of Directors. Changes in the value of Arkéa Direct Bank's investments, 98% of which are fixed-rate securities, are retained in their entirety by the subsidiary. Arkéa Direct Bank's interest rate risk is managed directly by matching assets recognized at fair value with liabilities recognized at amortized cost.

(1) The only exception is interest rate risk associated with the provision of investment services to customers, which is directly hedged through the market.

Derivative instruments negotiated with customers of the branch networks in connection with the provision of investment services represented a notional amount of €9.7 billion at December 31, 2016. The business's market risks are neutralized when these instruments are rolled over in the market, with the exception of the CVA-DVA and FVA risks described in point 4.2.2.

From a regulatory standpoint, Crédit Mutuel Arkéa's market risk is limited to the interest rate risk on the trading portfolio, CVA risk and currency risk. The trading portfolio is not significant since it is limited to market-making transactions for the group's debt. As for the currency risk, it should be noted that Crédit Mutuel Arkéa is not subject to the capital requirement calculation, as mentioned in point 4.4.

All of the aforementioned points relate to notes 2, 3, 4, 7 and 18 of the Crédit Mutuel Arkéa consolidated financial statements.

#### **4.2.1 Risk organization and monitoring**

##### **Organization**

Crédit Mutuel Arkéa executes market transactions by way of a trading floor that reports to the Financial Markets department. This floor is organized around three departments: treasury<sup>3</sup>-refinancing-currencies, derivatives-structuring solutions and corporate and institutional sales.

The Back Office department is responsible for account-keeping and transaction settlement.

The Middle Office department within the Risk department is responsible for the valuation of positions, the assessment of the management result and market risks and the calculation of capital requirements.

Each step in processing transactions is subject to permanent controls in accordance with regulations.

##### **Monitoring**

Crédit Mutuel Arkéa's Board of Directors, acting on the recommendation of the Chief Executive Officer and following a meeting of the Group Risk Monitoring Committee, sets the overall framework for the level of involvement in capital markets activities each year. The detailed limits system is then determined by General Management after a review by the Group Risk Monitoring Committee.

The system is based on limits or management thresholds applied to positions, sensitivity, losses, capital adequacy requirement and additional value adjustments.

In 2016, the limits for the different portfolios were adjusted, primarily to align with activity levels and the Keytrade acquisition in June.

The limits system is rounded out by a procedure to approve new products, which gives rise to a list of instruments authorized for trading.

##### **Reporting to General Management**

The Risk department provides the operating departments with daily reports on the level of the indicators subject to limits associated with market activities. In the event the limits are exceeded, a procedure for notifying the effective managers is activated. The Risk department also regularly prepares consolidated market risk overviews for these managers.

##### **Reporting to the supervisory body**

A report on risks related to capital markets activities is established for each meeting of Crédit Mutuel Arkéa's Board of Directors. It includes a presentation of exposures, results, risk indicators and an update on compliance with the limits set by the Board.

(1) The trading portfolio consists of positions held with the intention of being sold in the short term.

(2) Including the monitoring of the Crédit Mutuel Arkéa portfolio being wound down.

The consolidated risk overview, which includes market risk, is also presented regularly to the Risk and Internal Control Committee of Crédit Mutuel Arkéa.

#### 4.2.2 Sensitivity analyses

The valuations used as references in sensitivity analyses are obtained using various methods ranked by order of importance. If the asset is listed on an active market, fair value is determined using the listed price. If no such listing is available, the price is obtained using market valuation techniques based on the most frequently observed market data. In one instance, a specialized service provider was used. The valuations derived from models may be adjusted in order to take liquidity risk into account.

Also, the valuation of derivative instruments gives rise to two adjustments.

In accordance with IFRS 13, the first adjustment aims to integrate the market value of the counterparty risk. The adjustment takes into account the bilateral nature of this risk, i.e. counterparty risk (Credit Valuation Adjustment - CVA) on the one hand, and Crédit Mutuel Arkéa's own credit risk (Debit Valuation Adjustment – DVA) on the other.

The second adjustment aims to integrate the financing cost of derivative instruments not subject to margin calls, that is, negotiated with customers (Funding Valuation Adjustment - FVA).

Overall, a net expense of €1.6 million was charged against net banking income in 2016 <sup>1</sup>.

#### Value at Risk

The market risk of the trading portfolio is subjected to a VaR measurement.

The method applied uses a full revaluation of positions based on a history of 250 business days.

The model is calibrated with a 99% confidence interval and a time-

line of 10 business days. It was neither audited by the statutory auditors nor certified by the French Prudential Supervisory and Resolution Authority for the capital adequacy calculation. The amount obtained is therefore reported for information purposes.

The VaR amount remained zero in 2016.

#### Potential loss

Changes in the value of Crédit Mutuel Arkéa's portfolios recognized at fair value through profit and loss and of its available-for-sale (AfS) portfolios are controlled by sensitivity limits.

These daily measurements of sensitivity to modest standardized fluctuations in spreads and interest rates are accompanied by a monthly calculation of the potential loss.

The goal is to assess the impact on net income and shareholders' equity of tensions that might arise in markets under reasonably possible scenarios, with the impact determined on the basis of a complete revaluation of positions.

The choice of risk factors results from a detailed analysis of the portfolio composition, since a financial instrument can be sensitive to several factors.

The potential loss is estimated applying a VaR-type model based on historical data for the most recent sliding three-year period.

Two approaches can be taken :

- **spread, equity and currency risks** : the scenarios applied correspond to relative or absolute changes observed over a one-month period, with a 99% probability over three-year sliding periods ;
- **interest rate risk : the potential loss applied is the historical daily VaR at 99%, extrapolated to one month.**

The total potential loss is the sum of the impacts of shocks calculated for each risk.

(1) DVA-CVA: +€2.1 million, FVA: -€3.7 million.

The model implemented to calculate the potential loss offers three main simplifications :

- the scenarios applied to the positions are based exclusively on historical observations (stationarity assumption) ;
- given the difficulties in obtaining individualized historical data, aside from interest rates, the volatility of the portfolio's risk factors is estimated based on proxies, which are as granular as possible ;
- adding the results of the stress tests for each risk factor leads to a prudent total amount. In order to assess the model's relevance

periodically, the assumptions used are subject to an ex-post control<sup>1</sup>.

The potential loss calculation performed as of December 31, 2016 showed that adverse market changes would almost exclusively affect shareholders' equity (98% of total losses) and that the portfolio was primarily exposed to spread risk (76% of the total). This latter risk was concentrated on the bond and securitization portfolios.

### 99% potential loss as of 12/31/2016 (1 month horizon)

(€ millions)

RISK	SCENARIO	EXPOSURE	POTENTIAL LOSS	OF WHICH, IMPACT ON NET INCOME	OF WHICH, IMPACT ON EQUITY
<b>TOTAL</b>			<b>- 64.6</b>	<b>- 1.2</b>	<b>- 63.5</b>
INTEREST RATE	SCENARIO APPLIED BASED ON HISTORICAL DATA OBSERVED	10,357	- 1.4	0.1	- 14.3
Equity	11% decrease <sup>(1)</sup>	11	- 1.2	- 0.1	- 1.1
CURRENCY	7% increase/decrease <sup>(1)</sup>	1,7	- 0.1	- 0.1	-
Spread	<b>TOTAL</b>	<b>10,566</b>	<b>- 49.1</b>	<b>- 1.0</b>	<b>- 48.1</b>
	10 bp increase in French sovereigns	369	- 1.5	-	- 1.5
	10 bp increase in German sovereigns	4	- 0.0	-	- 0.0
	10 bp increase in Finnish sovereigns	111	- 0.4	-	- 0.4
	10 bp increase in Austrian sovereigns	107	- 0.6	-	- 0.6
	15 bp increase in French sovereigns	2,059	- 15.6	-	- 15.6
	15 bp increase in Dutch sovereigns	289	- 1.4	-	- 1.4
	15 bp increase in Belgian sovereigns	407	- 1.1	-	- 1.1
	30 bp increase in Spanish sovereigns	289	- 0.3	-	- 0.3
	30 bp increase in Portuguese sovereigns	600	- 0.6	-	- 0.6
	30 bp increase in Italian sovereigns	416	- 1.5	-	- 1.5
	10 bp increase in covered bonds	2,585	- 12.0	-	- 12.0
	30 bp increase in European financial institutions	2,803	- 9.1	- 0.1	- 9.0
	95 bp increase for redeemable subordinated debt for European financial institutions	17	- 1.0	-	- 1.0
	20 bp increase in US financial institutions	227	- 0.6	-	- 0.6
	20 bp increase in corporates	243	- 1.2	-	- 1.2
170 bp increase in securitizations	38	- 2.1	- 1.0	- 1.2	

(1) Except for interest rate risk.

(1) In relative value

**Stress scenarios**

The stress test calculation scope is identical to that of the potential loss. For each risk factor used, the shocks applied correspond to the most severe changes recorded over a one-year period using a historical baseline ranging from 7 to 13 years depending on available data.

It should be noted that the simplifications mentioned with respect to the potential loss also apply to crisis scenarios.

The results obtained are also subject to ex-post control.

**Crisis scenarios as of 12/31/2016 - (1 year horizon)**

(millions €)

RISK	SCENARIO	EXPOSURE	STRESS TEST	OF WHICH, IMPACT ON NET INCOME	OF WHICH, IMPACT ON EQUITY
<b>TOTAL</b>			<b>- 409.8</b>	<b>-11.3</b>	<b>- 398.6</b>
<b>INTEREST RATE</b>	<b>SHOCKS DIFFERENTIATED ACCORDING TO MATURITY<sup>(1)</sup></b>	<b>10,357</b>	<b>- 80.6</b>	<b>- 0.2</b>	<b>- 80.9</b>
Equity	51% decrease <sup>(1)</sup>	11	- 5.4	- 4.2	- 1.2
<b>CURRENCY</b>	<b>24% increase/decrease<sup>(1)</sup></b>	<b>1,7</b>	<b>- 0.4</b>	<b>- 0.4</b>	<b>-</b>
Spread	<b>TOTAL</b>	<b>10,566</b>	<b>- 323.4</b>	<b>- 6.9</b>	<b>- 316.5</b>
	Medium-/long-term	6,483	- 299.8	- 6.8	- 292.9
	70 bp increase in supnationals	357	- 10.4	-	-10.4
	40 bp increase in German sovereigns	4	- 0.1	-	- 0.1
	40 bp increase in Finnish sovereigns	111	- 1.5	-	- 1.5
	40 bp increase in Dutch sovereigns	239	- 4.2	-	- 4.2
	115 bp increase in Austrian sovereigns	107	- 6.6	-	- 6.6
	130 bp increase in French sovereigns	2,059	- 135.3	-	- 135.3
	215 bp increase in Belgian sovereigns	238	- 14.1	-	- 14.1
	295 bp increase in Spanish sovereigns	14	- 0.5	-	- 0.5
	315 bp increase in Italian sovereigns	15	- 2.7	-	- 2.7
	70 bp increase in covered bonds	2,292	- 67.6	-	- 67.6
	190 bp increase in European financial institutions	747	- 27.9	-	- 27.9
	365 bp increase for redeemable subordinated debt for European financial institutions	17	- 3.3	-	- 3.3
	545 bp increase in US financial institutions	146	- 12.9	- 2.4	- 10.5
	100 bp increase in corporates	104	- 5.2	-	- 5.2
	725 bp increase in securitizations	33	- 7.5	- 4.4	- 3.1
Short-term		4,082	- 23.6	- 0.0	- 23.6
125 bp increase in short-term securities		4,082	- 23.6	- 0.0	- 23.6

(1) In relative value.

# 4.3

## Structural interest rate and liquidity risks

### 4.3.1 Organization

The ALM function strives to manage the Group's key balance sheet ratios over a medium- to long-term horizon. In addition to allocating capital, its duties consist of measuring, monitoring and making recommendations to optimize liquidity and interest rate risk (the currency risk being marginal).

The ALM function is exercised by a dedicated and centralized unit – the Crédit Mutuel Arkéa ALM department, reporting to the Financial Steering department, which tracks the balance sheet health of Crédit Mutuel Arkéa as a group as well as the Crédit Mutuel Arkéa institution – and by the subsidiaries' financial departments, which carry out their activities within the limits set by the Group.

The main indicators for the banking sector are generated by the Crédit Mutuel Arkéa ALM department. Insurance risks are monitored at the level of the insurance companies, under the control of the Group's ALM Committee.

ALM steering is performed at three levels :

- group-wide ALM principles and limits are set annually by the Board of Directors of Crédit Mutuel Arkéa, acting on the recommendations of the group's ALM Committee. The subsidiaries' limits are adopted by their respective supervisory bodies in accordance with the framework defined at the Group level ;
- the ALM Committee executes strategic planning and controls the exposure of the Group and its components. Chaired by the Group's Chief Executive Officer, it met seven times in 2016 ;
- the Operational ALM committees of the group and the subsidiaries are responsible for the day-to-day ALM of the corresponding entity, by delegation of authority and based on guidelines defined by the group ALM Committee. The Group Operational ALM Committee meets monthly.

The reporting information related to the principal ALM indicators is integrated into the dashboards prepared for the General Management of Crédit Mutuel Arkéa, the Audit and Risk Committee and the

Board of Directors. Any breach of a Group limit must be notified to the Crédit Mutuel Arkéa Board of Directors and General Management and brought into compliance immediately (barring a specific reasoned decision to the contrary accompanied by a timeline for coming back into compliance with the limit where appropriate).

Financial market transactions are carried solely by Crédit Mutuel Arkéa, which enables it to control and optimize the Group's liquidity and interest rate risk management. Hedging decisions taken by banking entities are undertaken exclusively through Crédit Mutuel Arkéa.

### 4.3.2 Interest rate risk on the banking and insurance portfolio

Interest rate risk means the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates.

#### Banking portfolio

##### Assessment and monitoring

Interest rate risk is assessed and monitored for the consolidated banking scope and for each entity within that scope. All balance sheet and off-balance sheet positions, notably financial instruments (swaps, etc.) and forward-start facilities, are integrated into the risk assessment.

Three main indicators, calculated at least once every quarter, enable the Group to measure interest rate risk on a static basis :

- Net present value (NPV) sensitivity is an indicator provided for in the CRD IV directive. Expressed as a percentage of capital, it measures the change in the net present value of the balance sheet for a 200 basis point increase or decrease in interest rates. Applicable regulations set a 20% threshold for interest rate exposure.

Calculation methods take into account the guidelines published in May 2015 by the European Banking Authority. As of December 31, 2016, the group's NPV sensitivity was -2.4% of capital with a 200 bp decrease in interest rates and +8.8% for a 200 bp increase in rates.

- Interest rate gaps consist of projecting outstandings with a known interest rate based on their contractual characteristics (maturity date and type of amortization) or modeling their maturity flows.

A modeling of maturity flows is necessary when the amortization profile is not known (products with no contractual maturity such as current accounts, savings accounts and shareholders' equity) or when embedded options are included in the customer products (early loan repayments, extensions on home savings plans). With the exception of reserves, whose maturity flow is standardized, the modeling is based essentially on an analysis of past customer behavior. In the case of early repayments, it takes into account a possible correlation between market interest rates and early repayment rates.

Interest rate gaps are produced for the group using different interest rate scenarios, based on continuity of business or applying a stress factor.

As of end-2016, interest rate risk exposure was limited: the maximum transformation position resulting from the gap under the standard scenario represents nearly 2% of the bank balance sheet.

- Interest margin sensitivity reflects the gain or cost on the Group's net interest margin resulting from a change in interest rates. It may be expressed as a percentage of net banking income (NBI) using different changes in interest rates. It is constructed using interest rate gaps and the impact of options risks (measuring the effect of the activation of caps and floors on the net interest margin).

As of December 31, 2016, interest margin sensitivity remained under control; the maximum annual impact for a 100 basis point increase in interest rates was €9 million over the first five years, or less than 1% of NBI. This level is consistent with the Group's policy.

Other indicators are also produced to monitor basis risk (caused by a difference in benchmark indices between the sources and applications of funds), the risk associated with the exercise of explicit options on customer loans (capped interest rate) or the

impact of scenarios incorporating future production on the level of hedging or interest margin.

### Management

Crédit Mutuel Arkéa acts as the central interest rate unit for the entire banking scope. The interest rate position of the banking entities is fully backed by this central interest rate unit, which manages the Group's hedging levels on markets.

The various indicators, including interest rate gaps and the interest margin sensitivity indicator, are systematically presented to the Operational ALM committees and thereby serve as the basis for key hedging decisions.

When the risk arises from a difference in the type of interest rate (e.g. between assets with fixed rates and liabilities with adjustable rates), the hedge is performed mainly through macro-hedge swaps. If the risk is optional in nature, the hedge must be in the form of an option; hedging credits with capped variable rates is therefore ensured using interest rate caps.

Macro-hedge transactions are generally justified as fair value hedges under IFRS on the basis of credit and deposit portfolios. Accounting documentation and effectiveness tests are generated as soon as the hedge is established and updated regularly in order to ensure the quality of the hedge and limit the impact on the Group's IFRS results.

In the current low interest rate environment, the Group continues to adopt a conservative policy, with assets and liabilities well matched up in terms of interest rates. It therefore has low interest rate exposure in order to protect its margins, which is corroborated by the level of the standard gap and interest margin sensitivity indicator.

## Insurance portfolio

A change in interest rates directly affects the bond portfolio's valuation and returns, for both the proprietary and euro-denominated funds. Fixed-rate bonds expose Suravenir to the risk of a change in asset values; variable-rate bonds create the risk of income fluctuations.

### ■ The risk of decreasing interest rates.

Persistently low interest rates could put downward pressure on the net margin generated by Suravenir, affecting its profitability and ultimately its solvency. The euro-denominated life insurance policies create a commitment for the company to offer a minimum guaranteed rate. When market interest rates fall, the portfolio's return may be insufficient to satisfy this commitment. In that case, French regulations require insurance companies to make a special provision allocation (the so-called financial risks provision). Suravenir did not need to make any such allocation in 2016. As of December 31, 2016, the risk going forward pertained to a 0.09% minimum gross guaranteed return to be paid in 2017, well below the average actuarial rate of return on Suravenir's fixed-rate bond portfolio.

### ■ The risk of rising interest rates.

Higher interest rates have several consequences on assets, starting with lower valuations on fixed-rate bonds held in the portfolio. Depending on which IFRS accounting classification is used for these securities, this loss in value can affect shareholders' equity or earnings. Thus at end-2016, a 100 basis point increase in rates would have a €5.2 million negative impact on Suravenir's earnings, and shareholders' equity would decline by €129 million.

The second risk related to a significant and sustained increase in interest rates is a growing number of redemptions by policyholders on the euro-denominated funds, as the returns on these policies become less competitive relative to other investments. In that case, in order to make the necessary adjustments to managed assets, the company may need to sell assets. If it sells fixed-rate assets, it could incur capital losses. To avoid this risk, Suravenir maintains a considerable amount of variable-rate bonds and options (cap, spread cap and duration-adjusted cap) in its portfolio. These financial instruments also enable the returns on Suravenir's euro-denominated funds to converge more quickly toward the returns offered by other savings products, thereby limiting redemption risk. As of December 31, 2016, some 34% of the bond portfolio in general assets was hedged against an increase in interest rates.

### 4.3.3 Liquidity risk

Liquidity risk arises from maturity differences between the sources and applications of funds. It may create additional expense in the event of widening liquidity spreads; in the most extreme case, it could result in the company being unable to honor its commitments.

The Group has historically been vigilant and conservative in managing this risk.

#### Banking portfolio

##### Assessment and monitoring

The Group assesses and monitors liquidity risk for the consolidated banking scope and each entity within that scope. Its efforts focus primarily on three elements :

- liquidity gaps ;
- liquidity ratios (regulatory and non-regulatory) ;
- refinancing volume limits (notably short term).

The liquidity gaps, which are calculated at least once every quarter, include all balance sheet items (all financial and non-financial assets and liabilities) and off-balance sheet items that affect the group's liquidity (overdraft facilities, etc.). They are established on the basis of static scenarios (no assumption of new production), and complemented by dynamic scenarios in order to estimate refinancing needs at different maturities.

The static gaps are produced using both a standard and a stress scenario. The latter assumes the depletion of commercial deposits, draw-downs under certain off-balance sheet liquidity agreements or liquidity levels that vary between financial securities held based on their type. These assumptions are consistent with the principles and rules adopted by the European Union for the Liquidity Coverage Ratio (LCR).

Based on the stress scenario, the Group has established a rule of minimal matching credits for maturities for the next five years, at a level between 100% and 80% depending on the maturity. This objective was satisfied throughout 2016.

A number of ratios are closely monitored :

- the LCR is a liquidity ratio created by the CRD 4 and CRR regulations (transposing the "Basel III" proposals into European standards). It measures the ratio between liquid assets and net cash outflows over 30 days in a stress scenario. The minimum ratio required is 70% in 2016, 80% in 2017 and 100% in 2018. The group met the

minimum regulatory requirement throughout 2016. At end-2016, the LCR was 130%, demonstrating the group's ability to withstand a stress scenario ;

- the NSFR (Net Stable Funding Ratio) is another liquidity ratio called for in the CRD 4 and CRR regulations. It ensures that stable applications are backed by stable sources. The minimum level required is 100%. This ratio is being defined at the EU level, with a regulatory requirement expected from 2018. Simulations performed at the end of 2016 show a ratio of more than 100% ;
- the loan-to-deposit ratio measures the portion of loans financed by bank deposits and thereby the dependency on financial markets. The gross loan-to-deposit ratio stood at 100% at the end of 2016.

Short-term refinancing volume limits (overnight and less than three months limit) have been set to limit the impact of a non-renewal of these lines in the event of market stress. These limits were satisfied throughout 2016.

The group also adopted complementary indicators that enable it to ensure its ability to withstand high-stress situations involving financial markets and clients. The qualitative assessment of these indicators reveals a low and controlled risk thanks to a high degree of coverage and substantial liquidity reserves.

##### Refinancing program and liquidity reserves

Crédit Mutuel Arkéa acts as the central refinancing entity for all of the Group's banking entities. In this capacity it manages a portfolio of funding sources that it makes available to the banking entities.

The Group's refinancing program is prepared annually and updated every quarter to reflect observed and forecast trends in business activity. It aims to uphold the various limits set by the Board of Directors, and takes into account :

- investor appetite and preferred issuance periods ;
- the risk of concentration of maturities ;
- the level of collateral available for issuing securitized debt. A limit was set on the use of assets for this purpose in order to preserve the capacity to issue such vehicles and protect the quality of the Group's senior debt ;
- the need for the Group to remain active in debt markets and maintain a regular presence with investors.

In 2016, the Group contracted €1.5 billion of debt with maturities exceeding one year.

Crédit Mutuel Arkéa has developed a diversification policy for its refinancing channels and has :

- a short-term refinancing program (€1.9 billion in negotiable certificates of deposit (CDN)) ;
- unsecured medium- and long-term refinancing programs (€3.4 billion in senior debt outstandings, €0.8 billion in subordinated debt outstandings via its EMTN program, and €0.1 billion in BMTN outstandings) ;
- secured long-term refinancing programs through two funding vehicles: a home finance company (Société de Financement de l'Habitat – SFH, with €4.5 billion in outstandings issued and guaranteed by mortgage loans) and a mortgage-backed lending company (Société de Crédit Foncier – SCF, with €0.9 billion in outstandings issued and backed by exposures on public-sector authorities) ;
- unsecured or secured interbank loans through the assignment of loans to Caisse de Refinancement de l'Habitat (€1 billion), the European Investment Bank (€0.6 billion) or Caisse des Dépôts et Consignations (€1 billion).

The terms of the debt securities issues are carefully considered. In addition to the usual clauses, these agreements may include an early repayment option at the Group's discretion. They do not, however, include an early repayment clause at the discretion of the counterparties.

The Group therefore controls the maturity schedule of these agreements and can, in the case of certain securities, repay them in advance.

The Group nonetheless strives to limit its dependency on financial markets. The increase in bank deposits – from individuals, companies and institutional customers – thus reached almost €5.8 billion in 2016.

To protect itself from a potential market shutdown, the Group has significant liquidity reserves. These reserves are calculated based on the survival periods in times of stress and different limits set by the Board of Directors.

Binding standards for investing surplus cash were set to guarantee that buffers would be immediately available in the event of a crisis :

- securities maturing in more than six months must be highly liquid (i.e. eligible for the LCR numerator) and/or considered eligible by the European Central Bank ;
- the use of collateral eligible with the Central Bank is subject to a specific limit.

At the end of 2016, liquidity reserves – including available cash – were abundant, amounting to more than twice the amounts required for the LCR.

#### **Insurance portfolio**

Liquidity risk arises when the company is forced to sell its assets following a massive wave of redemptions. This risk is assessed by studying the liquidity gaps between asset flows (dividends/redemptions, etc.) and liability payments, in both the central scenario and the stress scenario (three-fold increase in redemptions / deterioration in asset valuations).

In the event of a liquidity squeeze, Suravenir has the ability to repo securities, particularly those that are eligible for ECB refinancing, at their market value less a haircut in order to obtain additional liquidity. As of December 31, 2016, the analyses performed show that in the stress scenario, Suravenir could overcome a three-fold increase in redemptions without experiencing any liquidity problems.



## 4.4

# Foreign exchange risk

Currency risk is defined as the risk that the fair value of or future cash flows from a financial instrument will fluctuate with changes in the value of foreign currencies.

The Group's currency exposure, which does not include any structural exposure, remains very limited with a total combined exposure set at €4.5 million equivalent. In fact, as it never represents more than 2% of the Group's capital, it is not subject to a regulatory capital requirement as stipulated in article 351 of Regulation (EU) 575/2013.

The Financial Markets department is responsible for hedging foreign exchange risk either at its own initiative or at the request of the entities affected.

An analysis of foreign exchange position sensitivity is included in point 4.2.2.



# 4.5

## Risk to equities

### and other variable income securities and risk to investment securities

Equity risk arises in the event of adverse equity market trends, which result in a drop in the portfolio valuation.

Also, some unlisted variable-income securities are exposed to real estate risk, which arises in the event of an adverse change in the valuation of the underlying real estate assets.

The fair value of the equities and other variable income securities portfolio recognized in the IFRS-compliant financial statements totaled €14.6 billion as of December 31, 2016. For the purpose of analyzing the risk related to this portfolio, it is necessary to distinguish three parts :

- the first part, whose total fair value is €11.3 billion, includes €7.3 billion in equities and other variable income securities recognized by Suravenir with respect to unit-linked insurance policies and for which the risk is borne entirely by policyholders, along with €4.0 billion in investments in assets representing Suravenir's euro-denominated funds for which the risk is borne by policyholders and the insurance company. ;

- the second, whose total fair value is €0.9 billion, consists mainly of proprietary investments by Suravenir and Crédit Mutuel Arkéa totaling €0.4 billion and €0.2 billion, respectively, as well as investments by Arkéa Capital Investissements totaling €0.2 billion ;

- the third, whose total fair value is €2.4 billion, corresponds to the consolidation of shares held by non-controlling interests of mutual funds (OPCVM) controlled by the group, and results from the application of IFRS 10.

The group also holds a portfolio of investment securities whose fair value was €786 million as of December 31, 2016. These securities are held for the medium or long term in order to generate a capital gain or to facilitate the development of long-term economic relations with the issuing companies or to exercise influence over them.



## 4.6

## Operational risk

The concept of operational risk adopted by Crédit Mutuel Arkéa group covers all risks included in the definition of the Basel III regulation and the administrative order of November 3, 2014.

The administrative order of November 3, 2014 defines operational risk as “the risk of loss arising from inadequacies or failures of processes, personnel or internal systems or external events, including legal risk; operational risk includes in particular risks related to events with a low probability of occurrence but a high impact, internal and external fraud risks (...) and model-related risks.”

Given this regulatory context and internal requirements, Crédit Mutuel Arkéa group deployed a dedicated system for controlling operational risk and of permanent control across its entire scope and covering all activities. This system enables the group to oversee and control all its risk areas.

#### 4.6.1 The “operational risk” management function

##### Organization

Crédit Mutuel Arkéa decided to apply its operational risk control system to all its components, even those not directly subject to Basel III regulations (life and non-life insurance subsidiaries, etc.).

The overall framework for controlling operational risk is based on functional management provided by the Operational Risk department, which is part of Crédit Mutuel Arkéa’s Risk department.

This department consolidates results and oversees changes in operational risk for the entire Group. In order to perform this task and in its capacity as the functional head of the “operational risk” management function, the department relies on operational risk correspondents, who report directly to each subsidiary’s management team, and on a team formed within the department to manage and monitor the operational risks of the Crédit Mutuel Arkéa credit institution (central departments, CCM and departments of the Crédit Mutuel federations). The Operational Risk Correspondent is the conduit for the Operational Risk department for implementation of the operational risk control policy within each unit.

Controlling operational risk is guided by formalized procedures with respect to :

- updating the operational risk maps by incorporating their self-assessments ;
- collecting information on losses ;
- modeling operational risk as part of the capital requirements calculation ;
- implementing business continuity plans or emergency and continuity of activity plans ;
- IT systems security ;
- managing external fraud prevention efforts.

##### Reporting

Quarterly reports are established by CM Arkéa’s Risk department and submitted, in different formats, to the following recipients :

- Group Risk Monitoring Committee ;
- Group Executive Management ;
- Crédit Mutuel Arkéa Risk and Internal Control Committee ;
- Crédit Mutuel Arkéa Board of Directors.

These reports cover three main topics :

- losses observed ;
- results of the business continuity plan (BCP) or emergency and continuity of activity plan tests ;
- the self-assessment of risks shown on operational risk maps.

## 4.6.2 Operational risk assessment

### Risk assessment system

The assessment of Crédit Mutuel Arkéa's operational risk is based primarily on a dual system :

- a risk self-assessment, performed by the Operational Risk Correspondents working at the Group's various entities and backed by the expertise of operating staff in these units ;
- disclosures of all incidents following the occurrence of a demonstrated operational risk.

### Operational risk self-assessment

The operational risk self-assessment is based on an internal process known under the French acronym PRDC, which describes the four components: process, risk, risk management system and second-level permanent control. This process enables the construction of the PRDC guidelines, whose goals, presented for each step, are :

- Process: definition and description of the processes; the most important ones are presented in the form of a flow chart ;
- Risks: identification, assessment and ranking of operational risks ;
- Systems: identification and assessment of systems for managing inherent risk (resources used to mitigate risks or their impacts) classified by type (procedures, first-level operational control, tools, training, alerts, insurance, business continuity plans) ;
- Second-level permanent controls: verification and assessment of the relevance and effectiveness of risk management systems attached to the processes.

The construction of these guidelines is based on :

- an internal catalogue of processes ;
- a catalogue of risks, replicating the Basel III risk map ;
- mapping of Crédit Mutuel Arkéa's entities (organization chart) ;
- mapping Crédit Mutuel Arkéa's IT applications.

## Process

A series of chronological tasks, known as key stages used in the production or processing of information, products or services



## Operational risk

"the risk of loss arising from inadequacies or failures of processes, personnel or internal systems or external events, including legal risk; operational risk includes in particular risks related to events with a low probability of occurrence but a high impact, internal and external fraud risks (...) and model-related risks." Administrative order of November 3, 2014.



## System

Risk management system implemented before completion of a process  
First-level control, procedure, indicator, training, BCP, insurance., etc.



## Permanent control

Ex post control of the effectiveness of systems

After assessing each individual risk using the processes and risk instructions and taking into account the impact of the applicable risk management system, a self-assessment is performed for the individual risk. This self-assessment is based on a scale with eight levels of frequency and ten levels of severity.

The method covers all of Crédit Mutuel Arkéa's activities. The processes and related risks of the support activities have also been modeled. Given the high degree of process computerization, the effectiveness of the risk management systems pertaining to the IT system is closely examined.

#### **Disclosure of incidents that have occurred**

Crédit Mutuel Arkéa collects information on these incidents in a dedicated internal application. This application is based on the above-mentioned risk processes.

The overall financial impact of incidents reported in 2016 was €11,387 thousand, a significant 26% lower than the €15,355 thousand recorded in 2015. This decrease was largely due to the lower cost of external fraud, owing to tighter security for transactions conducted using remote banking tools and improved detection techniques.

### **4.6.3 Operational risk modeling**

#### **Organization**

Since January 1, 2010, the overall Crédit Mutuel network has been authorized to use its advanced measurement approach to calculate regulatory capital requirements with respect to operational risk and since 2012 to apply the insurance deduction.

Crédit Mutuel Arkéa actively participates in projects initiated by the overall Crédit Mutuel network at the national level. In that regard, dedicated resources are allocated to the annual review of risk maps and expert opinion models as well as to the statistical modeling and calculation of regulatory capital requirements. This allows the Group to retain the requisite expertise and responsiveness for modeling operational risks and quantifying their capital requirements.

Crédit Mutuel Arkéa also inputs the risk indicators for so-called severe risks and loss distribution for so-called frequent risks into the capital requirements calculation performed at the level of the overall Crédit Mutuel network.

#### **Quantification**

In order to quantify operational risk, two modeling approaches have been chosen :

- for so-called frequent risks, which have been identified in loss histories and whose projected severity by experts is not likely to result in a major unexpected loss, the "Loss Distribution Approach" (LDA) technique is used ;
- for other so-called severe risks, the analysis performed by the Group's experts consists of implementing scenarios that call for the input of risk indicators. These indicators underpin the conditional probability models based on each scenario ;

The approach is rounded out by the recognition of correlations between the various risks in order to arrive at the capital requirements and the application of the insurance deduction.

The overall capital requirements are then allocated among the various entities of the Crédit Mutuel network. For Crédit Mutuel Arkéa, regulatory capital requirements related to operational risk totaled €159 million at end-2016.

#### **Insurance**

The overall Crédit Mutuel network has been authorized by the French Prudential Control and Resolution Authority to use insurance deductions for hedging operational risks.

Insurance is therefore fully integrated into the risk management approach :

- the assessment of operational risks leads to the production of scenarios of severe risks ;
- asymmetries between insurance coverage and the scenarios produced are analyzed ;
- insurance programs can then be better adapted to the risk profile identified (covered scope, coverage amount)..

Insurance coverage currently used in the deduction process includes coverage related to :

- damage to buildings and equipment (multi-risk) ;
- fraud ("blanket banking" insurance) ;
- professional civil liability.

Crédit Mutuel Arkéa's insurance programs comply with the Basel III eligibility criteria (rating, initial term, residual term, advance cancellation notice, etc.).

#### 4.6.4 Crisis management and business continuity

The Business Continuity Plan (BCP), or emergency and continuity of activity plan as it is called in the administrative order of November 3, 2014, aims to provide rapid solutions in the event of a crisis in order to minimize the impact of a major incident on the activities of Crédit Mutuel Arkéa or its customers. Targeted activities include essential or important services and operations as defined under applicable regulations.

This system is triggered whenever an incident results in the disruption of an essential activity and whose foreseeable or certain duration exceeds the maximum allowable time for this activity's disruption.

In keeping with Crédit Mutuel Arkéa's crisis management procedure, the Group Business Continuity Plan is based on the following two plans :

- the Crisis Management Plan ;
- the Business Continuity Plan for business lines and support functions.

The "Crisis Management Plan" addresses organizational aspects in the event of an incident by defining the roles and responsibilities of the participants in the various crisis management units :

- crisis decision-making unit (person in charge: Chief Executive Officer of Crédit Mutuel Arkéa) ;
- operational crisis unit (person in charge: Head of Risk Management at Crédit Mutuel Arkéa),
- crisis exit unit (person in charge: Manager responsible for the restoration of the failed resource) ;

Each Business Continuity Plan for the business lines and support functions is placed under the responsibility of a Manager of the corresponding entity or activity. This person appoints a BCP manager, who takes responsibility for the implementation and operational maintenance of the entity's BCP.

The overall consistency of all BCPs is ensured by a management function assigned to the Operational Risk department, which is itself part of Crédit Mutuel Arkéa's Group Risk department. In that regard, the Head of the Group BCP is the person responsible for the Operational Risk department.

A business line continuity plan is developed to respond to five crisis scenarios :

- scenario 1: unavailability of offices  
offices destroyed, unusable or inaccessible
- scenario 2: unavailability of IT systems  
incident involving the central system or a server, network or application
- scenario 3: unavailability of employees  
personnel incapable of working (anywhere, including at home)
- scenario 4: unavailability of power and telecommunications  
power or telecommunications outage
- scenario 5: unavailability of key suppliers.  
external or internal suppliers who are indispensable for essential activities.

Each scenario includes three phases :

- 1 – Emergency measures ;
- 2 – Workaround solutions ;
- 3 – Return to normal.

The BCP begins once operations are assigned to the operational crisis unit by a decision of the crisis decision-making unit. It ends once a return to normal has been observed by this same crisis decision-making unit.



## 4.7

# Legal risk

Legal risks are included in operational risk and relate, among other things, to exposure to fines, penalties, and damages for acts that may incur the group's liability in connection with its activities.

The Group's Legal department is a unit of the Development Support division, which is the responsibility of the Associate Executive Officer who is also a member of the Executive Committee.

Crédit Mutuel Arkéa group is subject to all regulations applicable in particular to companies in the banking, insurance and financial services sectors. In an environment marked by significant regulatory tightening, which places additional constraints on business activities and therefore heightens the legal risks, the legal function has an overall view and the ability to intervene over a wide-ranging area.

To that end, the Head of the Group Legal department relies on a centralized team of more than 40 legal experts in addition to the legal advisors working at the subsidiaries. To promote efficiency, the litigation activity of the networks was centralized in order to ensure that case management is homogenous and optimal. Meanwhile, the Legal department has added to its staffing and continued to fine-tune its management policy for outside legal counsel.

Training opportunities were also made available to all of the Group's legal advisors using new multimedia applications (Massive Open Online Courses, or MOOC).

The Group set aside provisions for pending legal risks as of December 31, 2016 that could negatively affect its net assets. These provisions reflect General Management's best estimate based on available information.

Only eight cases involved amounts greater than €1 million for a total amount of €39.8 million. The corresponding provisions totaled €0.85 million. No provisions have been set aside as of today for the largest claim, which combines four cases for a total of €16.8 million; first, the facts have not been established by the plaintiffs and, second, a favorable decision was handed down on November 22, 2016.

Based on these factors, no litigation is likely to affect Crédit Mutuel Arkéa's financial situation significantly.



# 4.8

## Compliance risk including money-laundering risk

The administrative order of November 3, 2014 – relative to the internal control of companies in the banking, payment services and investment services sector and subject to the supervision of the French Prudential Supervisory and Resolution Authority – defines compliance risk as “the risk of a court-ordered, administrative or disciplinary penalty or of significant financial loss or injury to reputation resulting from non-compliance with: i) directly applicable national or European legislative or regulatory provisions governing banking and financial activities; ii) professional and ethical standards; iii) instructions from the effective managers taken pursuant to the orientations set by the supervisory body”.

Compliance risk is an operational risk because of its potential cause (dysfunction due to personnel, procedures, systems or external events). However, it differs in its consequences, which are not merely financial but may prove even more damaging, mainly by generating reputation risk.

Compliance risk differs from legal risk, which relates to potential contractual liability, in that it involves the adverse consequences of failure to comply with rules governed mostly by laws and regulations. A compliance risk may nevertheless create a legal risk.

The risk of penalty, financial loss or injury to reputation following the execution of a money-laundering transaction that was not detected by the prevention systems therefore qualifies as a compliance risk.

The goal of compliance is to provide reasonable assurance that the risks related to the following four priorities will be prevented and controlled :

- financial security, which includes AML-CTF, the integrity of the markets and the process for addressing market abuse, as well as anti-corruption and influence peddling ;
- professional conduct and ethics, which cover conflicts of interest, whistle-blowing and rules of good conduct;
- protection of customers’ interests, which involves know your customer, the right to a bank account, banking mobility, customer complaint processing, banking inclusion, compliance of products and services, compliance of investment services, and service management ;

- tax transparency, the purpose of which is inter-governmental cooperation to limit capital flight.

Group entities implement the frameworks established by the group and also have tools and dedicated teams to manage compliance risk.

In accordance with the principles of the Third European Directive, supplemented by the Fourth European Directive, the group’s money-laundering risks are covered in a special risk classification.

In 2016, efforts were focused mainly in the following areas :

- improvements to the oversight system for transactions to reflect the risk classification. To that end, the Actimize financial industry software developed by Nice was rolled out at the end of May 2016 to Crédit Mutuel Arkéa and to the Arkéa Direct Bank Federal Finance and Arkéa Banque Entreprises et Institutionnels subsidiaries,
- updates to the anti-money-laundering and terrorism financing risk classification, broken down based on the four regulatory objectives, and more specifically the expansion of risk factors taken into account in calculating the inherent risk level related to customer profiles,
- updates to the AML-CTF country classification which applies to all group entities for its international activities,
- training for the group’s Tracfin officers through a one-day session facilitated by an expert external organization. This training supplements the semiannual plenary sessions dedicated to AML-CTF organized by the Compliance and Permanent Control department,
- the quality of the know-your-customer files: optimization of the IT tools for collecting documents and data, management of the customer file update frequency depending on the level of AML-CTF risk, and indicator of each customer file’s compliance (for retail and professional customers). Customer file compliance is monitored regularly and a quarterly report that incorporates the action plans implemented in the CCM networks is sent by the Compliance and Permanent Control department to the executive body.

As is the case each year, procedural rules were updated in line with regulatory and internal organization changes, and staff members

received training in these areas.

In 2016, significant progress was made in fulfilling financial institutions' obligations with respect to the automatic exchange of information about financial accounts (OECD common reporting standard, or CRS). This international standard consists of a model agreement, reporting and due diligence procedures that financial institutions must follow (known as the "common reporting standard"), commentaries and an IT schema.

The system implemented relies on the following mechanisms :

- Since January 2016, all new customers (whether natural or legal persons) wishing to open an account must certify the countries where they have tax obligations by filling out a tax self-certification form ;
- From now on, customers who had an account before January 2016 may not sign a bank savings or sight account contract or a service agreement until they have certified the countries where they have tax obligations by filling out a tax self-certification form ;
- All customers flagged as having tax obligations in a country other than France that is a signatory to the agreement (because of their residential address, telephone number, standing order to an account managed outside of France, proxy granted to a person whose address is not in France) received a tax self-certification form in November 2016 to be completed and returned so that the databases can be updated ;
- The databases have been adapted to be able to record the proof of tax residence provided by customers as well as their tax identification number(s) with real-time controls of the format of the tax identification number.

By June 30, 2017, Crédit Mutuel Arkéa will send the French tax administration a list of customers who have confirmed that they have, or whom Crédit Mutuel Arkéa believes to have, tax obligations to countries or territories other than France, as well as information about the financial accounts held (administrative information, balances, interest amount, dividends and income received, proceeds from the sale of financial assets). This information will subsequently be reported every year.

In order to strengthen compliance governance and ensure that compliance risk is managed within the group, the Compliance and Permanent Control department has also developed a compliance risk map on a consolidated basis, derived from the operational risk map, and identified cross-functional control frameworks. These frameworks are notified to all Group entities for inclusion in their PRDC (Process, Risk, Risk Management System and Second-Level Permanent Control).

Compliance reports submitted periodically by each group entity constitute an essential source of information for managing and consolidating compliance data at the group level.

In accordance with the principles in effect within Crédit Mutuel Arkéa, training for compliance control systems is carried out at two levels :

- the Group ;
- each Group entity and subsidiary.

Crédit Mutuel Arkéa has assigned the task of defining, organizing and managing the legal and regulatory monitoring system to the Legal department. This system covers the full range of issues pertaining to banking law and various legal areas that could potentially affect the banking activity.

In order to strengthen the recognition of compliance risk in light of regulations applicable to the protection of personal data, this activity was organized in 2011 through the adoption of the system proposed by the CNIL (French data protection authority) of having a Privacy Officer. In addition, to implement this data protection system, a central CNIL-privacy officer team was created and reports directly to the group's Legal department. This team brings together a network of 35 local CNIL contacts within the group's scope.



# 4.9

## Risks specific to the insurance business

### 4.9.1 Underwriting risks of life insurance

Suravenir is exposed to underwriting and provisioning risks in connection with its life insurance and protection insurance business.

Underwriting risk means the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. This results from an increase in claims that was not anticipated at the time of pricing or risk acceptance.

Provisioning risk stems from the uncertainty as to whether the underwriting provisions on the liabilities side of the balance sheet are adequate.

To manage and monitor these risks, Suravenir has established underwriting and provisioning policies that have been implemented by the company's departments.

Regarding the provisions established in connection with these risks, the allocation of the various underwriting provisions stipulated in the French Insurance Code depending on the nature of the products and therefore the group's commitments is presented in note [22] to the consolidated financial statements as of December 31, 2016.

The main underwriting risks associated with Suravenir's activities are described below.

#### **Surrender and arbitrage risks**

Surrender risk (lapse risk) is the risk of loss or of adverse change in the value of insurance liabilities resulting from an increase or decrease in life-insurance policy surrender rates or in early repayment rates for borrower's insurance. This risk also exists when policyholders switch between unit-linked and non-unit-linked vehicles.

This risk is the principal underwriting risk in life insurance.

#### **Biometric risks**

The main biometric risks applicable to the insurance policies marketed by Suravenir are :

- **Mortality risk:** Mortality risk means the risk of loss or of adverse change in the value of insurance liabilities resulting from an increase in mortality in the borrower's insurance activity and the individual protection insurance activity ;
- **Risk of incapacity/disability:** The risk of incapacity/disability corresponds to a loss or adverse change in the value of insurance liabilities resulting from an increase in accident and sickness claims leading to a temporary or permanent incapacity subject to claim payments. These risks are associated primarily with the borrower's insurance activity but also with the individual protection insurance activity ;
- **Longevity risk:** Longevity risk is the risk of loss or of adverse change in the value of insurance liabilities resulting from an increase in life expectancy over the course of the life-insurance policies in the portfolio.

#### **Risk of an adverse change in insurance company expenses**

Suravenir's overhead is included in the pricing of its insurance policies. An adverse change in the expenses Suravenir could incur in the future to acquire and manage insurance policies could therefore lead it to underestimate the amount of premiums paid by policyholders.

#### **Catastrophe risk**

Catastrophe risk is defined as the risk of loss or of adverse change in the value of insurance liabilities attributable to a sudden event that directly causes serious harm to policyholders and which could be related to a natural phenomenon, human intervention or a combination of the two within the scope of the borrower's insurance activity, the individual protection insurance activity and the guaranteed minimum for certain life-insurance policies.

### Risk management and monitoring systems

Underwriting risk is measured and controlled with the following processes :

- Pricing analysis through cost-benefit studies for new products or any change in the existing offering, prior to their launch ;
- Exposure analyses to ensure that risk exposure remains within the risk limits set by Suravenir's management bodies ;
- The reinsurance plan in order to limit certain exposures to protect solvency and reduce the volatility of financial results,
- Review of underwriting provisions,
- Monitoring of pricing exemptions.

Pursuant to IFRS 4, Suravenir performed a Liability Adequacy Test (LAT) as of December 31, 2016, which clearly showed that total insurance liabilities measured in accordance with French generally accepted accounting practices exceeded their fair value taking into account the redemption option embedded in the policies.

### Reporting

Suravenir prepares a quarterly underwriting risk report and submits it to :

- its Risk Committee ;
- its Solvency 2 Committee and Supervisory Board ;
- the Crédit Mutuel Arkéa Risk Monitoring Committee.

### 4.9.2 Technical risks of non-life insurance

Two categories of technical risks arise in the context of non-life insurance:

#### Frequency risk and rate-setting risk

Overexposure to these risks may be the result of inappropriate risk selection (types of guarantees granted, level of benefits paid out, failed subscription processes) and/or insufficient oversight of these risks.

These risks are notably managed and controlled via a regulator monitoring of technical indicators on the portfolios and how they evolve over time.

In particular, this monitoring involves an analysis of:

- monthly subscriptions and subscriptions aggregated by product and distributor,
- the segmentation of the portfolio by product and its changes,
- changes in the loss ratio (claims/premiums) by product and by distributor,
- the average premium, average costs and frequency of claims per coverage.

The monitoring and analysis of these data make it possible to define and implement appropriate policies:

- modification of the subscription policy with respect to ratesetting, selection, adjustments to products and coverage provided,
- targeting of initiatives by geographic area and by distributor.

#### Exceptional claims risk

Exceptional claims risk consists of the financial impact resulting from the occurrence of major events (natural disasters, etc.). They are essentially covered by the use of reinsurance.

In accordance with the risk appetite defined by the Board of Directors of Suravenir Assurances, the exceptional claims risk for 2017 is as follows:

- If an exceptional weather event – i.e. one with a statistical probability of occurring once every 200 years – occurs (a storm whose claims payments to policyholders is about €115 million), the reinsurance program is structured such that the residual expense for Suravenir Assurances is limited to €7.5 million.

#### 4.9.3 Reinsurance risk

The use of reinsurance makes it possible to limit the insurer's risk exposure by transferring a portion of it to one or more reinsurers.

The insurer develops a reinsurance policy based on a process that allows it to effectively calibrate the level of risk transferred to reinsurers, in keeping with its risk appetite, and to monitor counterparty risk on reinsurers.

The reinsurance policy is designed to control the two main reinsurance risks :

- the insufficiency of the reinsurance program relative to the Group's risk strategy. Deterministic and stochastic actuarial analyses are performed along with stress tests in order to structure reinsurance programs optimally.
- the default of a reinsurer, which could then not cover its share of claims.

The mitigation of this risk is achieved through :

- a diversification of reinsurers ;
- the selection of reinsurers based on financial strength criteria ;
- the requirement of pledged securities to cover ceded provisions ;
- the establishment of limits on the maximum amount that may be ceded to a single reinsurer.

Sensitivity analyses are performed over and above the selection process. Reinsurers' ratings are also monitored to verify the counterparties' financial soundness.



# Capital requirements for the banking activities

Crédit Mutuel Arkéa group uses the following methods to calculate its regulatory capital requirements under Pillar 1 of the Basel III regulation :

■ for credit risk :

- the advanced approach, since June 30, 2008 for the retail portfolio, and since December 31, 2012 for the bank and corporate portfolios, after receiving authorization from the French Prudential Supervisory and Resolution Authority to use the group's internal ratings-based system. For the corporate portfolio, there is still temporarily an additional regulatory capital requirement relating to the standardized approach ;

- the standardized approach, on a long-term basis, for the central government and public sector portfolios, for certain subsidiaries (Financo and CFCAL) and for a transitional period for real-estate development ;

■ for market risk, the standardized approach ;

■ for the Credit Value Adjustment (CVA) risk, the standardized approach ;

■ for operational risk, the advanced approach for most of the group's entities, with the basic indicator or standardized approach applicable to a few peripheral entities.

The regulatory capital requirement relates mainly to credit risk. Results by category and approach are included in the "Capital and regulatory ratios" chapter.

Pillar 2 of the Basel Accords also requires that banks conduct their own assessment of economic capital and that they use stress scenarios to assess their capital requirements in the event of an economic downturn. This pillar serves as the basis for discussions between the bank and the European Central Bank (ECB) and/or the French Prudential Supervisory and Resolution Authority about the capital adequacy level used by the institution.

Crédit Mutuel Arkéa group produces a registration document providing an assessment of the economic capital associated with its three-year growth forecasts. This report is part of the Internal Capital Adequacy Assessment Process (ICAAP). It is based on a core scenario supplemented by stress scenarios that consider credit, sector concentration and individual exposure concentration risks, market risks, CVA risk, operational risks, reputation risk, interest rate risk and risks relating to the insurance activities.

The economic capital requirement is concentrated primarily in credit risk. It currently remains close to the regulatory capital requirement, which includes an additional regulatory capital requirement for the corporate loan portfolio (see above) until the ECB grants an authorization to use the internal "loss given default" parameter," as the work necessary to comply with the standards has been completed and audited. The level of security with respect to solvency, measured by the ratio of surplus capital to the regulatory capital requirement (see CET1 ratio) and to the economic capital requirement, therefore remains high, given Crédit Mutuel Arkéa group's moderate risk profile and ample capital.



# 5 Corporate social responsibility

- 5.1 Crédit Mutuel Arkéa's Social Responsibility
- 5.2 Cooperation co-development with our stakeholders and
- 5.3 CSR Central to supporting our customer shareholders and customers
- 5.4 The development of Crédit Mutuel Arkea's CSR footprint
- 5.5 CSR indicators

# 5

## Corporate social responsibility

Corporate social responsibility, one of the pillars of the Arkéa 2020 strategic project, seeks to position Crédit Mutuel Arkéa as an agent committed to tomorrow's economy, that supports all its stakeholders through social and environmental changes.

Crédit Mutuel Arkéa continued to integrate CSR into its organization and practices throughout 2016 by expanding its community of CSR advisors, now active across all group entities, and developing action plans and CSR management indicators. Awareness campaigns were also conducted to engage all employees in these challenges.

More than ever, Crédit Mutuel Arkéa has supported the real economy through its financing activities for individuals, companies and local authorities, with loans outstanding in excess of €47 billion, up 5%.

Crédit Mutuel Arkéa has also spearheaded numerous initiatives to support its customers, by developing new innovative and responsible offers.

For example, in July, Crédit Mutuel Arkéa launched “We Positive Invest,” a €20 million investment fund that supports entrepreneurs who are pioneers in three sectors: energy transition, the circular economy and societal entrepreneurship.

Arkéa Banque Entreprises et Institutionnels has undertaken numerous actions to fund and support the medical and welfare sector and public housing, mainly by financing cohousing.

In 2016, the federations excelled in areas such as banking inclusion and the accessibility of their services to customers and customer shareholders with disabilities. Together with Ark’ensol Créavenir, they also helped create more than 600 jobs through interest-free loans and donations to project owners.

The group’s insurance and asset management subsidiaries also added new responsible offers for their customers, such as Federal Finance Gestion’s Diapazen Climat fund. Drawing on Federal Finance Gestion’s expertise in SRI, the insurance subsidiaries also worked to incorporate environmental, social and governance criteria into their investment policies.

CSR also helps unleash entrepreneurship, by fostering cooperation, cross-functionality, initiative and autonomy within teams.

In 2016, Crédit Mutuel Arkéa made gender diversity, at all levels of the company, one of the central tenets of its HR policy while continuing its initiatives on career planning, quality of life at work and employment of the disabled. The entities also worked to reduce the group’s environmental footprint, both in terms of travel and the energy consumed by its computer equipment. Lastly, as professional conduct and ethics are priority issues for banking groups, Crédit Mutuel Arkéa made anti-corruption a key concern for 2016 and 2017.



## 5.1

Crédit Mutuel Arkéa's  
Social Responsibility**5.1.1 Social Responsibility at the heart of the group's strategy**

Crédit Mutuel Arkéa adopted a new Corporate Social Responsibility (CSR) strategy in 2015, which was approved by the group's governance bodies.

Fully integrated into the objectives of the group's strategic project, Arkéa 2020, this CSR strategy seeks to position Crédit Mutuel Arkéa as an agent committed to tomorrow's economy, that supports all its stakeholders through social and environmental transitions.

In the face of deep and long-lasting social changes, and their impacts on its businesses, Crédit Mutuel Arkéa has chosen to focus on:

- Supporting pioneers who have played a trailblazing role in successful change, in four areas: the energy transition, the circular economy, social entrepreneurship and the sharing economy.
- Integrating these four areas into its business lines, product and service ranges and processes, to accompany its customers and customer shareholders in these domains.
- Supporting customer shareholders and customers who have been weakened by social change.
- Setting an example internally in terms of environmental footprint and human resources.

- All in a spirit of cooperation and codevelopment with its stakeholders.

Implementing Crédit Mutuel Arkéa's Social Responsibility involves developing new offers and new banking and non-banking services, and thus represents a genuine lever for innovation and development for the group. It enables the group to adapt and sustain its economic model in a constantly changing environment.

In bringing solutions to its stakeholders, Crédit Mutuel Arkéa gives them the opportunity to themselves adapt to these challenges, fostering shared value creation with players in its regions.

**5.1.2 A structured CSR organization and governance****CSR organization**

Through a dedicated 10-person team, Crédit Mutuel Arkéa's Corporate Secretariat and Institutional Communication department is in charge of steering, coordinating and supporting the group's entities in rolling out CSR priorities. **It works with a community of about 40 CSR advisors in the federations, subsidiaries and central departments, who coordinate and facilitate the CSR actions within their organization.** These advisors meet several times a year, at full meetings and in participatory workshops, to share best practices. They develop a CSR action plan for their entity and coordinate its implementation over time.

Management of the process is coupled with a communication campaign for all in-house audiences, involving awareness-raising for managers, a dedicated space for information on the employee intranet, and informational meetings for employees and directors. For example, during European Sustainable Development Week, the group's central department employees received awareness training through a variety of events: presentations on topics such as the circular economy, the sharing economy and societal entrepreneurship; an organic picnic; and an educational exhibit. The Companies and Institutions division organized various CSR events in September 2016 to combat physical inactivity and hold clothing, toy and eyeglass drives. Lastly, Crédit Mutuel du Sud-Ouest suggested holding a "challenge" in 2017 to encourage employees to adopt the CSR principles and the group's approach and incorporate them into their daily life.

#### **CSR governance**

The Corporate Secretariat and Institutional Communication department reports on the progress of the CSR action plan within the group to the General Coordination Committee, as well as to the Strategy and Social Responsibility Committee. The latter is responsible for integrating Social Responsibility into the group's strategy. It issues a recommendation to the Crédit Mutuel Arkéa Board of Directors, which defines the group's strategic priorities.

In 2016, the Strategy and Social Responsibility Committee examined CSR matters at three of its meetings: progress reports on social responsibility within the group, awareness of the impacts of Article 173 of the Energy Transition Law, and measurement of the value created by Crédit Mutuel Arkéa's social responsibility actions. During its February 2017 meeting it also examined the present report.

Measurement indicators were defined in 2016 to manage the spread of CSR within the group's activity. The first indicators will be presented to the governance bodies in early 2017.

#### **5.1.3 A continuous improvement process**

Crédit Mutuel Arkéa's Social Responsibility is part of a continuous improvement process. During the year, the group responded to several Social Responsibility questionnaires from non-financial rating agencies and counterparties, and these were used to define areas of improvement.

As an indicator of the group's ambitions in this area, a CSR criterion was integrated into the variable compensation for officers and senior managers for 2016 (impacting some 50 individuals). This criterion represents at least 10% of the individual component of senior managers' variable compensation. This system will continue in 2017, based on new criteria, and will be expanded to executive managers. The Compensation Committee is involved in this process.

**In December 2015, Crédit Mutuel Arkéa chose to adhere to the ten principles of the UN Global Compact. In October 2016, the group published its first Communication on Progress.**



## 5.2

# Cooperation and co-development with our stakeholders and

Crédit Mutuel Arkéa listened to its stakeholders to craft its CSR strategy. It wanted to better understand their expectations and solicit their views on the roles and responsibilities of the banks and on how banks can cooperate and offer support in tomorrow's economy. This openness to its stakeholders, this determination to make them the focus of its efforts, is closely tied to its cooperative model.

## 5.2.1 Participatory governance

### The cooperative movement

The cooperative values of responsibility, equity, reciprocity, and solidarity guide Crédit Mutuel Arkéa's development. Its organization is based on local corporate governance, participatory democracy and the application of the principle of subsidiarity.

### The customer shareholder, a stakeholder in the organization

Because it is a partnership and not a corporation, Crédit Mutuel Arkéa is not listed on the stock exchange.

In the cooperative movement, the customer shareholder is at the heart of corporate governance, following the principle of "one person, one vote." As the owner of a membership share, the customer shareholder is both shareholder and customer, its beneficiary and consumer.

In 2016, 1,482,077 customer shareholders were invited to the shareholders' meetings of the local savings banks. The voting participation rate was 3.31%.

A portion of the distributable profit may be paid to customer shareholders in the form of compensation for the share capital they hold. This return on capital is capped at the average gross yield for

corporate bond issues. In 2016, customer shareholders received nearly €39.2 million in payment for their share capital, with respect to fiscal year 2015.

### The directors, representatives of the customer shareholders

Volunteer directors are elected by and from the body of customer shareholders. This system ensures genuine representation for customer shareholders on the boards of directors of each of the local savings banks, the regional federations and Crédit Mutuel Arkéa, independent of corporate executive management.

In 2016, 125 new directors were elected. Women represented 44% of new directors and 53% of new local savings bank chairs.

At each level, elected directors represent the regions' customer shareholders. They are in particular directly involved in Crédit Mutuel Arkéa's solidarity initiatives.

The federations offer a training program for directors to support them in their mission, structured around different courses (integration, development, continuing education). The "Arkéa 2020" plan makes director training mandatory across all the Crédit Mutuel Arkéa entities in which directors serve.

Since early 2017, the federations' directors have been able to complete their training remotely.

### Crédit Mutuel Arkéa governance

Crédit Mutuel Arkéa is a variable capital limited liability credit cooperative with a Board of Directors, and, in accordance with its by-laws, is 99.99% owned by the local and regional Crédit Mutuel banks, entities affiliated with the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations.

The group's Board of Directors comprises 20 directors and one non-voting member :

- 18 directors (5 women and 13 men) representing customer shareholders, elected by the member savings banks and shareholders as part of the Shareholders' General Meeting. Pursuant to the by-laws, they each own one share of Crédit Mutuel Arkéa;
- 2 directors (1 woman and 1 man) representing employees, appointed by the Central Works Council.

At the end of the 2016 Shareholders' General Meeting, the Board of Directors had two additional female directors compared with the previous year. In addition, a woman serves as non-voting member. The Board's directors are of French nationality and are proposed by the federations that make up the Crédit Mutuel Arkéa group.

The Board of Directors met 15 times in 2016. The directors had a meeting attendance rate of 93%.

In 2016, the Board of Directors adopted internal rules of operation, which replace the Corporate Governance Charter in effect since 2009. These internal rules of operation confirm the basic responsibilities of Crédit Mutuel Arkéa directors, set out the Board's operating procedures and describe the rights and obligations of each director.

Crédit Mutuel Arkéa's Board of Directors therefore fulfills its mission in accordance with the provisions of the bylaws, the financial internal regulations, its rules of operation and the charters specific to each of its specialized committees.

The members of the Crédit Mutuel Arkéa Board of Directors benefit from an annual training program.

The audit process for cooperatives, established by the law of July 31, 2014 on the Social and Solidarity Economy, is expected to result in the appointment by Crédit Mutuel Arkéa's 2018 Shareholders' General Meeting of an ad hoc auditor, as soon as the list of accredited auditors has been posted to a website under the authority of the minister responsible for the Social and Solidarity Economy.

In its Arkéa 2020 strategic business plan, the group sets the goal of including independent directors on its Board of Directors. The

matter has been referred to the Appointments Committee, and the Board of Directors, at its December 2016 seminar, defined the procedures and action plan for adding two directors who meet the independence criteria, as adopted, as from the 2017 Shareholders' General Meeting.

### 5.2.2 A model inclusive of its stakeholders

Stakeholders, both internal (employees, employee representative bodies, directors) and external – customers (individuals, professionals, businesses, associations, local and regional government bodies), suppliers and subcontractors – were closely involved in thinking about Crédit Mutuel Arkéa's Social Responsibility through interviews and round tables.

This approach further added to and enhanced the relationships that the group maintains with its stakeholders throughout the year.

#### Relations with customer shareholders and customers

The first line of contact for customers and customer shareholders is the customer advisor.

The local savings bank annual shareholders' meeting, the first level of governance, is also the venue for the democratic expression of customer shareholders' rights.

The group's entities regularly conduct measurements of the quality of customer relations.

The three federations of Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central thus carry out surveys, round tables and individual interviews with customers, customer shareholders and advisors to better understand their expectations of products and services offered. In 2016, a panel of customers and customer shareholders was established at Crédit Mutuel de Bretagne to give them a voice throughout the year: 1,100 customers participated in 2016 with eight themes analyzed including three with strong CSR content (customer shareholding and mutualism, personal data, budget coaching and concierge services). In 2016, more than 15,000 current and prospective customers of the federations had an opportunity to express their views through 14 customer surveys and the panel. A customer satisfaction survey was also conducted of the individual customer base: the overall satisfaction score remained stable at 7.6 out of 10, or 0.4 point above the average of financial center banks.

**Crédit Mutuel Massif Central originated the “Shakers Days,” a novel format for collaborative innovation workshops. The aim is to co-develop the banking solutions of the future by getting customers, prospective customers and advisors involved. The first “Days” in 2016 brought together 30 participants for two half-day sessions.**

Customer satisfaction was also important to the subsidiaries, which took quarterly (Financo), semi-annual (Suravenir, Leasecom, etc.) or annual (Arkéa Investment Services, Arkéa Assistance) measurements.

Novelia conducts “quick response” satisfaction surveys of its 3,000 broker partners twice a year, along with an annual strategic survey: the data obtained are used to define and implement areas of improvement and concrete actions intended to continuously improve satisfaction. In 2016, Arkéa Banque Entreprises et Institutionnels conducted a “customer feedback and satisfaction survey” which showed an overall satisfaction rate of 94%.

As part of its “Customer Focus Ambition” initiative, Crédit Mutuel Arkéa would like to serve as a true financial coach for its customers. Efforts have therefore been made on transparency and customer education. In 2016, the work of simplifying the banking general terms and conditions and product descriptions of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations, which began in 2015, continued for individual and business customers. Customers have access, in the branches and on the web, to educational videos and informative articles intended mainly for young people on the tipsntricks.fr site.

Also in the interest of educating its customers and to prevent the risk of CEO fraud and other scams, Arkéa Banque Entreprises et Institutionnels’ Saint-Brieuc business center organized a meeting with insurance company Euler Hermes, on “fraud risk prevention and insurance,” for its customers.

Customer shareholders and customers can also contact the Customer Relations departments at the group’s different entities.

These inquiries mainly concern the products, services and consulting services provided by the group’s various companies. Key examples:

- account operations,
- mortgages (originations and renegotiations),

- means of payment,
- savings products (bank, financial and insurance),
- remote banking,
- distribution of insurance products,
- processing times,
- quality of the relationship,
- etc.

More specifically concerning mediation, a legal system governed by the French Monetary and Financial Code, 214 cases eligible for mediation were registered in 2016.

Internally, a customer-supplier relationship was contractually implemented with the goal of maintaining a powerful customer focus in all company processes.

#### **Director relations**

Directors’ involvement in local life cultivates and strengthens Crédit Mutuel Arkéa’s local and regional attachments.

Thus, at Crédit Mutuel de Bretagne, the Cooperative Living, Training, Responsible Development and Customer and Customer Shareholder Relations committees formulate opinions and suggestions that nourish and guide the work of the federation’s Board of Directors. The committees at Crédit Mutuel du Sud-Ouest are the CSR, Cooperative Investment and Actions Regulation and Director Training committees. Crédit Mutuel Massif Central has a Director Training committee.

In 2016, 1,697 directors received training in the subsidiaries and in the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations.

Control of operating decisions and structures by elected directors enables the company to formulate its actions for the long term. This control focuses on responsible management to ensure the longevity of economic, social and environmental investments. The group prioritizes reinvestment of its profits in the company and its development, in the interests of the shareholder. The fact that the reserves cannot be distributed sustainably consolidates the company’s wealth and enables it to boast one of the best solvency ratios in the market.

In the federations, the directors are particularly involved in the CSR process.

The Responsible Development committee at Crédit Mutuel de Bretagne is an example of this cooperative governance in which the stakeholders participate in the company's decisions. It comprises 13 directors, and has the mission of staying apprised of current affairs in the area of Corporate Social Responsibility and of participating in implementation of the CSR strategy for Crédit Mutuel de Bretagne. It may propose, or participate in implementing, any event or function designed to promote Corporate Social Responsibility among directors, customer shareholders and the Crédit Mutuel de Bretagne audience in general. In 2016, the committee's work mainly involved raising awareness of the circular economy and developing a CSR kit intended for the local savings banks' shareholders' meetings. As part of their participation in this committee, directors visited an adapted sector company and a selective recycling sorting line.

The CSR committee at Crédit Mutuel du Sud-Ouest serves to enrich reflection, encourage implementation, formulate recommendations and propose solutions for the sustainable development strategy and related issues at Crédit Mutuel du Sud-Ouest, and to identify, evaluate and measure the actions to be conducted. The committee comprises five directors and five employees and meets at least three times per year. In 2016, the committee's work focused on three priorities: promoting the group's initiative by adapting it to its region, identifying tools for measuring current and future actions, and explaining the initiative and getting the company's stakeholders involved.

### **Employee relations**

The human resources structure ensures a strong presence on the ground, supporting managers and accessible to employees. More than 150 employees are present across the group's different entities to implement the company's labor and employment policy. They ensure compliance with labor law and proper application of collective agreement provisions at their level; they promote discussion and consultation during employee interviews. An org chart detailing the HR functions is available to employees on the group intranet in the HR spaces, so that each individual can directly contact the right person for their need.

Management quality is a key factor behind employee success,

motivation and engagement. The manager is the company's first-line HR contact and the daily representative for the group's human resources policy among employees. Team meetings are organized periodically by managers to provide employees with information on the group and its projects throughout the year.

The group's executive management initiated semi-annual meetings in 2012 to inform all employees of the latest news and outlook for Crédit Mutuel Arkéa. In-house media, including a collaborative intranet, and regular conferences on various cross-company topics, including the group's strategic project, round out this internal communication offer.

### **Supplier and subcontractor relations**

The group's Purchasing policy considers the regional dimension when choosing providers, consistent with the group's positioning. **Crédit Mutuel Arkéa works with more than 5,000 local companies, spread out across its three home regions (Brittany, the South-West and the Massif Central region), which represent nearly 50% of Crédit Mutuel Arkéa's providers.**

The choice of provider also takes into consideration environmental, employment and social criteria. For services of equal quality, suppliers and subcontractors may thus be preferred on the basis of criteria such as wage policy or training programs implemented in support of employee development or risk prevention, and resource and waste management policies. Nearly all the group's suppliers and providers are located in France, and human rights issues primarily involve labor law. Contracts with suppliers and providers include clauses concerning compliance with labor law.

Of the group's largest suppliers (representing more than half of annual expenditure), 60% report having a set CSR policy (Ecovadis certification, UN Global Compact signatory, or public CSR policy).

To take the approach even further, an awareness-raising workshop was held in 2016 for the Purchasing department's purchasing advisors.

### **Relations with local and regional public authorities, companies and associations**

Crédit Mutuel Arkéa and its various components are leading partners for regional stakeholders such as local and regional public authorities, businesses and associations.

The group's different entities participate in exchange networks among local stakeholders. For example:

- Crédit Mutuel Arkéa has been a partner to Produit en Bretagne ("Made in Brittany") since 1997, and works together with industry, distributors and service companies towards the shared goal of economic development and job creation in Brittany. Support for the Bretagne brand serves the same purpose.
- Crédit Mutuel Massif Central mobilizes numerous partners, both companies and associations, via the Fan Auvergne and Fan Aveyron programs. Some 28,500 customer shareholders and customers hold a "Fan" card and 650 local shops and retailers partner with the initiative. At the Espace Renan located in Clermont Ferrand, Crédit Mutuel Massif Central makes premises available to businesses, associations, athletic clubs and artists to showcase their activities. This program has been supplemented with space at three savings banks, and 85 events were held or organized with the local ecosystem in 2016.
- Crédit Mutuel Arkéa also participates in the Crisalide Trophies together with the Créativ European Enterprise and Innovation Center, and in the Finistère Sustainable Development Club.

These partnerships are opportunities for meetings and discussions with all players working on economic development in the regions.

### Relations with investors and rating agencies

Crédit Mutuel Arkéa has developed a program to present its interim and full-year results to the financial community, in particular financial analysts and credit analysts, mutual fund managers and financial managers. These presentations take place in France and several European countries, and are an opportunity for discussion of Crédit Mutuel Arkéa's economic and financial performance, strategy and development prospects. This information is also sent to the Standard & Poor's and Moody's rating agencies, which regularly interact with the group's executives.

When asked, the group responds to CSR questionnaires from its counterparties and the non-financial rating agencies.

### 5.2.3 Cooperation and cross-functionality within the group

To promote cooperative processes and cross-functionality within the group's teams, various collaborative workspaces were delivered in 2016. The specifications of the future headquarters of Fortuneo and Arkéa Banque Entreprises et Institutionnels also incorporate collaborative workspaces. The plans for the new Fortuneo headquarters were designed to allow maximum inter-departmental cooperation and cross-functionality while taking employee well-being into account (great views, spacious conference rooms, access to natural light).

Collaborative tools are also used by a large number of group entities to facilitate teamwork and access to information.

Lastly, in 2016, the group established an in-house project incubator, known as the Square. It aims to support the group's major cross-functional and transformation projects and to promote a more open and participatory organization within the group.

## 5.2.4 Key cooperation figures

3 FEDERATIONS: CRÉDIT MUTUEL DE BRETAGNE, CRÉDIT MUTUEL DU SUD-OUEST, CRÉDIT MUTUEL MASSIF CENTRAL	2014	2015	2016
Number of local savings banks	336	334	<b>334</b>
Number of customers	2,324,518	2,312,915	<b>2,290,293</b>
of whom individuals	2,109,593	2,108,463	<b>2,091,451</b>
Number of customer shareholders	1,436,045	1,454,038	<b>1,482,077</b>
Rate of customer shareholding (among individual customers)	68 %	69 %	<b>71 %</b>
Voting participation rate at shareholders' meetings	3.6 %	3.4 %	<b>3.3 %</b>
Average amount of share capital owned (in euros)		1,511	<b>1,480</b>
LOCAL SAVINGS BANKS			
Number of 1st level directors	3,648	3,581	<b>3,468</b>
% of female directors	37 %	38 %	<b>38%</b>
Number of new directors elected during the year	192	223	<b>125</b>
% of women among the new directors	41 %	53 %	<b>44 %</b>
Rate of participation in local savings bank board of directors' meetings	84 %	75 %	<b>70%</b>
Number of new local savings bank chairs	23	33	<b>17</b>
% of women among new bank chairs	48 %	36 %	<b>53 %</b>
FEDERATIONS			
Number of federation directors	114	114	<b>117</b>
% of female federation directors	25 %	24 %	<b>30 %</b>
Number of new federation directors	11	3	<b>26</b>
% of women among the new federation directors	45 %	33 %	<b>19 %</b>
CRÉDIT MUTUEL ARKÉA GROUP			
TRAINING			
Number of directors who took at least one training course in the year	1,815	1,463	<b>1,697</b>
Total number of training hours dispensed	14,252	15,951	<b>15,123</b>
% of directors trained	50 %	41 %	<b>49 %</b>
Duration of training per director trained (in hours)	8	11	<b>9</b>

## 5.3

# CSR Central to supporting our customer shareholders and customers

In a society in search of meaning and bearings, Crédit Mutuel Arkéa as a company has, and claims, specific responsibility for the environment in which it applies its expertise.

This responsibility involves a commitment to the economic development of its regions and proposals for responsible insurance and banking solutions for all its customers and customer shareholders.

## 5.3.1 Support for regional economic expansion

Crédit Mutuel Arkéa has never lost sight of its original purpose, which is to support and finance the real economy with a “long-term” approach.

### Financing and equity investment in businesses and companies

#### Financing business creations and acquisitions

For Arkéa Banque Entreprises et Institutionnels and the three federations Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central, business creations and acquisitions constitute a key strategic priority.

Many partnerships have been formed that enable the group to participate in every stage of the process of business creation or acquisition:

- Close relations with representative business organizations (Chambers of commerce and industry, Chambers of trades and crafts), support structures (“management boutiques,” local platforms of the Initiative France network, France Active, Réseau Entreprendre), professional agricultural organizations and inter-company works councils.
- Equity investment by Crédit Mutuel de Bretagne in Bretagne Capi-

tal Solidaire (BCS), a venture capital solidarity company.

- Financial contributions to several regional programs, in particular the Réseau Initiative Bretagne guarantee-free loan fund and the guarantee-free loan fund for regional business growth (PHAR), formed by Réseau Entreprendre.
- Crédit Mutuel Massif Central’s financial stake in and contribution of expertise to social entrepreneurs in the CoCoShaker collaborative incubator in Clermont-Ferrand.

Since 2015, an agreement with BPI France has enabled the local savings banks of the group’s three federations, as well as the Arkéa Banque Entreprises et Institutionnels business centers, to benefit from a BPI France guarantee for loans to finance a business creation or purchase, a development strategy or stronger cash flow.

At the end of 2016, Crédit Mutuel de Bretagne renewed its partnership with the Initiative Bretagne network for a three-year period. This association operates on two levels to support companies in the region: it grants interest-free guarantee-free loans for business creations and purchases and, for the latter, works with the management team at the BRIT regional recovery fund. With this partnership, the group pledges to contribute to the funds providing these guarantee-free loans, in the amount of €50,000 to finance business creation and €60,000 to the BRIT fund, to facilitate VSE and SME acquisitions. Crédit Mutuel de Bretagne has thus become the leading banker for these beneficiaries: the support provided within the fund represented 35% of the number of loans granted in 2016.

At Crédit Mutuel du Sud-Ouest, a partnership was signed in 2016 with Réseau Entreprendre in Aquitaine. Crédit Mutuel du Sud-Ouest has become a full member of the Réseau and helps support business creators and buyers by providing guarantee-free loans.

Financing solutions for business creation are offered by the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central networks. At end-2016, €27.8 million in new "Install Pro" loans had been extended out of a total of more than €94 million.

The association Ark'ensol Créavenir, whose goal is to foster and accelerate the economic and social development of the regions covered by Crédit Mutuel de Bretagne, Crédit Mutuel Massif Central and Crédit Mutuel du Sud-Ouest, under certain conditions also grants assistance in the form of grants to small companies being founded or purchased and that create jobs. These grants may be financial and/or in the form of services, such as making a film to spread the word about a project and/or creating a website. This assistance may be provided in addition to an "Ark'ensol Pro" interest-free loan which is granted by the local savings banks and remains dependent on the provision of a traditional bank loan. Ark'ensol Créavenir made grants of €349,800 in fiscal year 2016. This assistance managed by Ark'ensol Créavenir is supplemented by interest-free "Ark'ensol Pro" loans examined by the federations totaling €1,432,765.

Kengo and Sokengo, the group's crowdfunding platforms, also allow project owners in Brittany and the South-West to increase their visibility and receive funding, with or without rewards.

In 2016, these platforms were used to fund 85 projects and collected a total of €205,000.

**Crédit Mutuel de Bretagne, Kengo and Ark'ensol Créavenir entered into a partnership in 2016 that allows business creators who have already received support for an innovative project from identified structures to qualify, under certain conditions, for a specific additional grant** of up to €5,000. This innovative program made its first grant in 2016.

(in € thousands)

ARK'ENSOL CRÉAVENIR	2014	2015	2016
Donations	609	321	350
Guarantee-free loans and "interest-free" loans	1,197	1,013	1,433
Number of jobs created	760	380	613

### Development financing

In addition to business creation and acquisition, the group supports companies throughout their entire life cycle by providing the banking and insurance products and services that they need.

At the end of 2016, Crédit Mutuel Arkéa had a total of €11.7 billion in loans outstanding to companies.

In 2016, Arkéa Banque Entreprises et Institutionnels launched a new version of its Blog des Entreprises (a blog for businesses), which showcases its customers — and their ability to innovate — with rich and varied content. More specifically, it is a place where players in both the digital and traditional economies who create value by merging the best of both worlds can tell their stories.

### Equity investment

Arkéa Capital supports companies as a minority shareholder at every stage of development, from startup to medium-sized company, while maintaining the independence of the decision-making centers.

Arkéa Capital Investissement has, since its founding, supported more than 500 companies for average periods of 5-10 years, for an amount greater than €400 million.

In 2016, Arkéa Capital Investissement made equity investments in new companies: Ingeliance, an industrial engineering group in Bordeaux, to support its development project; Homeperf, a home health-care provider; and tourism group Mer Montagne Vacances, the second-largest French player in the mountain-based leisure accommodation market.

In accordance with its mission to serve as a long-term core shareholder, Arkéa Capital Partenaire maintained its investments in the Le Graët, Paprec, Armor and Sermeta groups. The three latter groups are specifically active in energy savings and the circular economy. In 2016, it acquired a €20 million stake in the Vivalto Santé group.

Crédit Mutuel Arkéa rounded out its private equity offering in 2016 by launching a new investment vehicle: Arkéa Capital Managers. With €200 million, Arkéa Capital Managers seeks to allow minority shareholder managers to take control of their company from LBO funds or family shareholders and give them the time they need to complete their development or investment projects.

In 2016, Arkéa Capital also expanded its business support program and created a Capital Innovation activity through two new investment funds, intended to support and fund new innovative companies (see Pioneers section).

The group also enables its customers to make equity investments in companies. SWEN Capital Partners, a subsidiary of Federal Finance, offers innovation investment funds (FCPI) and local investment funds (FIP). Subscribing to an FCPI or an FIP allows individual investors to benefit from tax savings while also supporting the development of innovative regional companies or businesses near where they live. They contribute directly to developing the fabric of the economy by supporting innovative small and medium-sized businesses that drive growth and create jobs. Since the launch of this business in late 2008, the FIPs and FCPIs have invested in more than 200 companies, overwhelmingly unlisted French SMEs.

In 2016 and 2017, the Innovation Pluriel N° 4 FCPI and the Pluriel Atlantique N° 2 FIP were and will be sold through the Crédit Mutuel Arkéa networks.

In 2016, Crédit Mutuel Arkéa invested €10 million in RAISE, a novel vehicle that is part investment company and part endowment fund. The aim of this transaction is to provide further support for the development of high-potential medium-sized companies and

young growth companies, with a view to enhancing cooperation among all players in the entrepreneurial ecosystem.

### **Support to farmers, wine producers and fishermen**

Crédit Mutuel de Bretagne has made it a priority to support young farmers when they are starting out. It works with more than 30% of the establishments of Young Farmers in Brittany.

In 2015, a specialized "La Vie d'ici Jeunes Agris" savings account was launched by Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest. The assets deposited in this savings account enable Crédit Mutuel de Bretagne and Crédit Mutuel du Sud-Ouest to help finance projects presented by young farmers in the region via the La Vie d'ici Jeunes Agris loan. For Crédit Mutuel Massif Central, this program targets all farmers and is called "La Vie d'ici Agris." In 2016, nearly €41.3 million was collected in these accounts for assets of €68.4 million.

In 2016, Crédit Mutuel de Bretagne and Bpifrance joined forces to support farms that generate more than €750,000 in revenue (the eligibility threshold for Bpifrance support) and are making significant investments in energy transition, business transfers, compliance with standards or upgrades of production capacities. This merging of resources is an effective lever for supporting project owners and investments related to the vitality of the farm sector.

During 2016, Crédit Mutuel de Bretagne supported the "Tous à la Ferme" campaign, which encouraged the general public to visit a farm and learn more about the farming world. It participated by providing an opportunity to tour a pig farm and its on-site methanation plant.

Crédit Mutuel de Bretagne also supports maritime activities. In 2016, to increase this support, a dedicated organization was put in place which relies on 4 Technical Department advisors and 15 advisors in the coastal Regional Units. Training was also provided for about 70 employees and approximately 100 directors. Crédit Mutuel de Bretagne also has a presence in the industry's representative bodies.

### Financing of local and regional government bodies

Via the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest, Crédit Mutuel Massif Central and Arkéa Banque Entreprises et Institutionnels federations, Crédit Mutuel Arkéa is a preferred partner for local and regional government bodies. It finances local and regional government bodies (region, departments, metropolises, agglomerations and large EPCIs) as well as small municipalities with fewer than 20,000 residents. It supports players in the public-private economy, development and administration (water, energy, energy renewal, transportation and waste).

In Brittany, for example, each year Crédit Mutuel de Bretagne extends more than one-third of new loans to the local and regional government bodies in the region.

At the end of 2016, Crédit Mutuel Arkéa's loans outstanding to government bodies reached €5.7 billion.

**Arkéa Banque Entreprises et Institutionnels has rolled out a unique sharing economy initiative for institutional investors: La Plateforme des Institutionnels (a digital platform) to enable local government bodies to apply for loans directly from institutional investors who wish to make meaningful investments that support regional development.** At the end of 2016, six projects had been financed through the platform for a total of €64.5 million. Arkéa Banque Entreprises et Institutionnels is a facilitator and participant in the process, by financing and managing the loan and serving as the single point of contact for the local government body.

### Partner to the Social and Solidarity Economy

The group is a natural partner to the non-profit sector and the social and solidarity economy. In Brittany, 45,000 non-profits, or around two out of every three, are customers of Crédit Mutuel de Bretagne. Crédit Mutuel Massif Central has 3,800 non-profit customers, or a market share of about 13%. All sectors are represented: education, culture, sport, family and social organizations, environment, recreation, tourism, etc.

Since 1996, Crédit Mutuel de Bretagne has conducted the "A 100 % pour les associations" ("all-in for non-profits") campaign every two years. This involves a raffle for Crédit Mutuel de Bretagne's non-profit customers and a Défi Territoires d'Initiative (a challenge to promote regional initiatives). This challenge, open to all non-profits in Brittany, aims to reward actions or projects that benefit employment, regional revitalization, solidarity or sustainable development.

Crédit Mutuel de Bretagne also funds the Dispositif Local d'Accompagnement (local support program, or DLA) with the government, the Caisse des Dépôts et Consignations, the Brittany region and the departments. It enables entities that are developing a socially beneficial activity to receive assistance, strengthen their economic footing and grow. The DLA offers free advice and support for associations providing employment, cooperatives and associations focused on integration. Since 2016, Crédit Mutuel Massif Central has also proposed the "5/7 asso," a quarterly get-together for non-profit leaders. The thematic sessions are led by experts in the non-profit sector and cover concrete issues in non-profit life. Crédit Mutuel du Sud-Ouest supports non-profits in its region with a unique program to sell customized calendars, as part of the "Nos bénévoles ont du talent" (our volunteers have talent) campaign.

Via Ark'ensol, the group supports non-profits and Social and Solidarity Economy players by providing them with refurbished computers in excellent condition. Since 2013, more than 250 non-profits have received more than 620 computers and printers to help them in their work. In 2016, Ark'ensol also donated more than 100 cell phones along with office furniture to non-profits whose core purpose is reintegration.

NON-PROFITS AND SOLIDARITY	2014	2015	2016
Customer non-profits	66,803	68,568	68,917

## Corporate giving and sponsorship

The group's support for its regions also involves corporate giving and sports sponsorship. Enhancing the attractiveness of its home regions, their ability to achieve national and international influence and attract entrepreneurs, investors, workers, tourists, students, and others is a key priority for Crédit Mutuel Arkéa. For that reason, the group works closely with organizations and associations looking to optimize and promote the regions' talents (artistic, scientific, etc.) and develop their resources and skills. In 2016, Crédit Mutuel Arkéa's corporate giving totaled €1,442,944.

As an active and involved sponsor, the group organizes its work around flagship initiatives in Brittany, the South-West and Massif Central in three areas:

- Culture, by supporting cultural venues that are open and accessible to all. The group supports in particular Le Quartz, Scène Nationale de Brest, Théâtre de Morlaix, Musée de Faouët, Musée sous-marin de Lorient, Vallée des Saints, Sémaphore de Cébazat, the Association of Small Towns with Character in Brittany, etc. Arkéa Banque Entreprises et Institutionnels, Arkéa Investment Services and Suravenir are sponsors of the Hélène & Edouard Leclerc cultural fund.
- Healthcare, by financing in particular initiatives that aim to improve the daily lives of hospitalized patients and the comfort of elderly individuals living in nursing homes. It supports, for example, the Association des Blouses Roses in Finistère and Massif Central. The group also supports the first European cluster dedicated to pain research and innovation, the Institut Analgésia, located in Clermont-Ferrand. In 2016, Arkéa Banque Entreprises et Institutionnels joined the Bretagne Atlantique Ambition group of benefactors. This endowment fund, made up of companies in the Grand Ouest region, supports medical research and innovation projects. In 2016, Crédit Mutuel Arkéa also became involved with EPI Bretagne, a patients association that works to develop solutions that improve the autonomy and integration of people with epilepsy through housing, work and social life.
- Education, by providing financial aid to the Rennes 1 university foundation and to the newly created Université de Bretagne Occidentale foundation.

Crédit Mutuel Arkéa pursues solidarity with its regions and supports many charitable organizations via local initiatives: Banque alimentaire, Restos du Cœur, Secours Catholique, Secours Populaire, Ligue Contre le Cancer, Téléthon, French Red Cross, Les Bouchons d'Amour, etc. Crédit Mutuel du Sud-Ouest also supports the

association Our Neighborhoods Have Talent, which promotes jobs for young graduates and equal opportunity. Crédit Mutuel Massif Central supports the Viltais non-profit through its motorcycle racing team to help young people reintegrate the community.

Lastly, Crédit Mutuel du Sud-Ouest is involved in a number of cultural projects (music, film, literature, etc.) and sponsors about 50 events that promote the region throughout the year, such as the Bordeaux Rock festival, the Festival International du Film D'Histoire de Pessac and the Sarlat book fair.

Sports sponsorship, from soccer to sailing, takes place via specific partnerships. For example, the group supports Stade Rennais Football Club, Football Club de Lorient, En Avant Guingamp, Girondins de Bordeaux, as well as Stade Brestois 29 and Clermont Foot Auvergne.

Crédit Mutuel de Bretagne has been involved in sailboat racing for many years, alongside the Region of Brittany, with initiatives aimed at supporting both up-and-coming and established skippers. This sponsorship led to the 2011 launch of the "Bretagne - Crédit Mutuel" offshore racing development program. Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central support many sports clubs and organizations in their regions, thus contributing to developing and sustaining sports activities. With its Chèque-Sport voucher program launched several years ago, Crédit Mutuel Massif Central offers benefits to sports clubs and the unemployed to enable them to practice sports more easily.

Lastly, Fortuneo sponsors the Fortuneo - Vital Concept professional cycling team. The new 2017 team shirt, in the colors of Brittany, was introduced in early January 2017 at a press conference attended by Secretary of State for Sports Thierry Braillard.

(in € millions)

SPONSORSHIP	2014	2015	2016
Total sponsorship budget	3.42	2.76	<b>4.43</b>

### Relations with educational institutions

Crédit Mutuel Arkéa and its subsidiaries receive many young people with apprenticeship or trainee contracts as well as many interns. The human resources and training department teams participate in guidance forums throughout the year to present the banking and insurance businesses (see section 4.1).

Crédit Mutuel Arkéa also contributes to a significant degree to financing Breton educational institutions through its sponsorship activities. Aside from this support, Crédit Mutuel Arkéa has developed many partnerships with institutions of higher education. Group employees teach university classes as guest lecturers.

### 5.3.2 Support for the pioneers who will create tomorrow's economy

Crédit Mutuel Arkéa places entrepreneurs at the center of the Arkéa 2020 strategic project. Innovation now drives competitiveness, business development and local employment. Support for these initiatives is the key to turning today's entrepreneurs into tomorrow's leaders. This support takes the form of the provision of expertise, funding, equity investments and participation in outside initiatives.

In 2016, Crédit Mutuel de Bretagne created a new organization to better support innovative companies: heightened expertise with the introduction of innovation advisors, new dedicated offers and coordination of support networks.

The three federations offer the "La Vie d'iCi Innovation" savings account, whose funds contribute in particular to granting "La Vie d'iCi Innovation" loans to innovative business projects in their regions. These projects must be supported by dedicated structures, such as technology clusters (Technopoles). In 2016, these accounts were used to lend €1.3 million to innovative companies.

Crédit Mutuel de Bretagne, Kengo and Ark'ensol Créavenir have developed a specific program to support innovative companies located in the home region of Brittany. The result: additional financial aid for entrepreneurs in the form of an «Innovation grant» of up to €5,000.

**In 2016, Crédit Mutuel Arkéa launched We Positive Invest, an investment fund that supports entrepreneurs who are pioneers in three sectors: energy transition, the circular economy and societal entrepreneurship. With €20 million, the fund aims to meet the venture capital funding needs of innovative companies.** Crédit Mutuel Arkéa also invested in the West Web Valley 1 fund, dedicated to companies in the digital space.

Arkéa Capital signed a partnership agreement with Breizh Up, covering its West Web Valley and We Positive Invest funds. Launched in November 2015 by the Brittany region, Breizh Up, a €10 million fund, is a financial tool that seeks to support about 40 young innovative companies in the seed phase.

Crédit Mutuel Arkéa also helped raise a new venture capital fund launched by Daphni, which will invest in young European digital startups.

Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central held a contest in 2016 titled "New Ideas." It targeted innovative companies and future business creators in these regions. Interested entrepreneurs were invited to submit an application describing their project through the dedicated websites. Also in 2016, Crédit Mutuel du Sud-Ouest partnered with Osons Ici et Maintenant (an empowerment organization) and its "Fabrik à Déclik" inspirational workshops, which help entrepreneurs aged 17 to 35 develop innovative projects.

In 2016, Crédit Mutuel Arkéa once again sponsored a short program broadcast on M6 titled *Entreprendre C Grandir*. It aims to showcase entrepreneurs in the digital economy and motivate more people to take on the challenge of starting a business, with a particular focus on the value of digital technologies.

### 5.3.3 Support for customers and customer shareholders in precarious situations

In an ever-changing economic environment, Crédit Mutuel Arkéa has remained true to its cooperative and mutualist values by supporting customer shareholders and customers who may have been weakened by these developments. This support involves banking access for all, recognition of vulnerabilities related to health or social exclusion, and better access to housing.

## Banking inclusion

Crédit Mutuel Arkéa supports its financially disadvantaged customers and customer shareholders by involving employees and directors and by adapting its offers and business lines.

Programs to help customer shareholders in difficulty have been implemented for many years. The association Ark'ensol Entraide thus seeks to help people in temporary difficulties with three types of approach: borrowers' assistance, personal microcredit, and the "sensitive accounts" system (reversal of processing fees).

**Assistance to borrowers in difficulty** consists of one-time coverage of loan payments for customer shareholders (capped at €7,500 per year and per customer shareholder) who, for various reasons, are encountering temporary difficulties in repaying their loans. In 2016, new aid was provided to 94 customers totaling €141,340.

**Monitoring sensitive accounts** enables the Board of Directors of the local savings banks to offer a reversal of fees for customer shareholders with more than €200 in monthly fees and no withdrawal greater than €400. In 2016, nearly €450,000 was not debited or was reversed benefiting 3,200 customer shareholders.

Ark'ensol Entraide also offer **personal microloans** of up to €3,000 via its partners. These loans are intended for people for who have difficulty accessing conventional credit. As part of a social lending system, these microloans might help pay to maintain or purchase a vehicle or household appliance, or assist with self-reliance, access to housing or family cohesion projects. In 2016, 401 personal microloans were extended totaling €849,732.

(in € thousands)

ARK'ENSOL ENTRAIDE	2014	2015	2016
Borrower assistance	443	273	141
Microloans	845	987	850

The federations, in application of article L312-1 of the French Monetary and Financial Code, offer "basic banking services" free of charge to those customer shareholders and customers eligible

for basic account rights. The federations are thus in compliance with the Moscovici Act (Act no. 2013-672 of July 26, 2013 on the separation and regulation of banking activities).

Since 2005 the federations have also offered the range of alternative payment methods to checks (GPA) introduced by the banking profession as part of an action plan of the CCSF (financial sector advisory committee).

In 2014, in accordance with the Moscovici Act and its application texts, the federations adapted their GPA offer to benefit their customers and customer shareholders in fragile financial situations. In this way, according to the selected detection criteria, the federations systematically propose to these customer shareholders and customers an offer that reduces costs in case of an overdraft and allows them to benefit from secure payment methods and normal use of their bank account at a lower cost.

In 2015, in accordance with the banking inclusion and insolvency prevention charter adopted by the AFECEI (French association of credit institutions and investment companies) and approved by the Finance Ministry (article L. 312-1-1 A of the French Monetary and Financial Code), Crédit Mutuel Arkéa enhanced its inclusive banking tools. The federations facilitated access to banking and payment services, and made them easier to use by providing their "basic banking services" customer shareholders and customers with an annual check-up to assess whether, given their personal situation and needs, a different banking product and services offer would be more suitable.

The federations also strengthened insolvency prevention in terms of identification and support for customers in fragile financial situations. Crédit Mutuel Arkéa developed insolvency risk detection indicators to keep its customers' and customer shareholders' situation from worsening. It worked internally and formed partnerships with other players via the Ark'ensol association to help guide customer shareholders and customers when their financial difficulties cannot be managed by the credit institution alone. At the end of 2016, the three Crédit Mutuel Arkéa federations had signed seven partnerships and the first seven customer shareholders were being assisted for periods of three to nine months.

Crédit Mutuel Arkéa has partnered with ADIE, French association for the right to economic initiative, since 1994. The partnership provides in particular for credit lines totaling €2.4 million annually for three years, as well as funding for guarantee-free loans of up to €30,000 annually. These loans will be extended to business creators in Brittany, the South-West and Massif Central. Since 2015, an additional boost has been given to the financing granted by ADIE. This assistance, subject to conditions, takes the form of a solidarity grant given by the Ark'ensol Créavenir association to the project owners. It reinforces the beneficiaries' financing plan and generally supplies the startup cash flow. In 2016, €1,684,748 was allocated in the form of microloans to 526 project owners receiving support.

Lastly, **in 2016, Financo partnered with French startup Yelloan, which launched the first community platform that allows borrowers to obtain a "participatory" guarantee from their friends and family.** This is an innovative solution promoted by Financo under consumer credit conditions. It mainly targets young people, those with fixed-term employment contracts and temporary workers who have trouble obtaining a consumer loan.

#### **Accessibility of banking services**

The Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central websites have been designed for easy use by all. Compliance with the web standards defined by W3C and the Web Accessibility Initiative (WAI) directives guarantee access regardless of equipment or physical abilities.

In 2016, the new mobile sites moncmb.fr, moncmmc.fr and moncmso.com were conceived to be fully accessible to the visually impaired so they can manage their account remotely. Improvements were also made and tested to make automated teller machines accessible to this population.

Crédit Mutuel Massif Central also experimented with a free real-time transcription and video interpretation service to facilitate communication with hearing impaired customers both in the branch and on the phone.

#### **Social connection, home care and access to health care**

Arkéa On Life, the Crédit Mutuel Arkéa brand dedicated to the connected services offered by the Arkéa Assistance subsidiary,

focuses on home care, social connection and personal safety.

It proposes a remote assistance service for people who are isolated, living with disabilities or elderly, which combines a local connection (installation in the home), innovation (mobile application) and simplicity (no time commitment beyond the current month). Twelve thousand people in France have already taken advantage of this offer. Arkéa Assistance expanded its services with the launch of a smartwatch with a remote assistance application. This solution is already used by 2,000 subscribers.

In 2015, Arkéa Assistance launched a dedicated offer for senior housing and nursing homes, a wandering prevention system using geolocating watches as well as a fall prevention system for the residences. It developed an innovative connected solution for the Réside-Etudes group to keep night-shift employees safe in its network of assisted living residences for seniors.

**In 2016, Arkéa On Life also worked with Ambucare, a therapeutic education player, to improve the care and health monitoring of post-operative patients in the home.**

In December 2016, Arkéa On Life innovated with a connected helpline that offers a video helpline, 24/7 access to a physician by phone, and an application that can be used to receive messages, photos and video calls from loved ones.

In the area of public health, Crédit Mutuel Arkéa finances university hospitals (CHU) and the major regional hospital centers of Brittany, and supports research as a donor to the Rennes EHESP School of Public Health. Arkéa Banque Entreprises et Institutionnels works with about 150 institutions in the medical-social sector.

#### Initiatives in favor of housing and home purchasing assistance

The group works to promote access to housing at several levels:

- Crédit Mutuel Arkéa holds equity of €4.8 million in 80 low-income housing and semi-public enterprise structures.
- Its specialized subsidiary Armorique Habitat is committed to housing and social diversity (diversity of housing types and adapted rents to enable genuine social diversity).
- Arkéa Banque Entreprises et Institutionnels has made urban renewal one of its priorities. It supports its social housing landlord customers with long-term financing (up to 30 years) and advances cash before they receive their subsidies. It works with two-thirds of the social housing landlords that have more than 10,000 units. Since 2010, it has provided more than €10 billion to the public sector. It also helps social housing landlords manage their rent payment flows and cash investments.
- The bank currently plays a leading role in home ownership assistance programs, with a market share of approximately 20%: it participated in the financing of more than 5,000 units over the last five years. In Brittany, one out of every two lease-to-purchase projects is financed by Crédit Mutuel Arkéa. **In 2016, Arkéa Banque Entreprises et Institutionnels became involved in financing cohousing.**
- The banking offer of the three federations contributes to financing low-income housing via the savings collected from "Livret Bleu" and social housing incentive loans.

Over the course of 2016, Arkéa Banque Entreprises et Institutionnels and the FNSCHLM (the French national federation of low-income housing cooperatives) signed a partnership agreement for the purpose of supporting the further development of low-income housing cooperatives.

Arkéa Banque Entreprises et Institutionnels is at the center of this ecosystem and organizes housing "speed dating" sessions that give the three sets of actors in the housing chain – developers, landlords and planners – a chance to develop synergies and create more opportunities. In 2016, more than 300 housing sector players took part. Lastly, in 2016 Arkéa Banque Entreprises et Institutionnels published a compilation of testimonials called "Regards sur nos quartiers" (A Window into Our Neighborhoods), which gave a voice to those who are building the city of tomorrow while also suggesting ways to improve sustainable urban development.

(in € millions)

LOW-INCOME HOUSING OUTSTANDINGS	2014	2015	2016
CMB savings account, CMMC savings account, CMSO savings account	6,176	5,912	<b>6,010</b>
Social housing incentive loans (PLS and PLSA)	1,004	1,059	<b>1,087</b>

#### 5.3.4 Our responsible banking and insurance offers

The group's various entities incorporate sustainability into the range of products and services they offer their customers and customer shareholders, enabling them to adapt to social and environmental challenges.

##### Solidarity savings

###### Livret Solidaire

The Crédit Mutuel de Bretagne, Crédit Mutuel Massif Central and Crédit Mutuel du Sud-Ouest federations offer the Livret Solidaire solidarity savings account, which allows for some or all of the interest earned each year to be donated by individual customers to public interest associations chosen from the list of partner organizations in four action areas: social and housing, employment, international solidarity and environment. The Livret Solidaire has received Finansol's "solidarity finance" certification. In 2016, €102,487 was donated to various associations.

### KEREA: solidarity savings for institutions and companies

Kerea Partage is a solidarity investment that meets the group's desire to offer its business and institutional customers savings products able to impact the real economy by fostering responsible local solidarity initiatives. Kerea Partage enables subscribers to share the profits from their investment with agents in the social and solidarity economy. Specifically, the savings holder chooses to donate a portion (25% to 100%) of the remuneration received directly to associations such as ATD Quart Monde, the French Red Cross or WWF France.

### Solidarity funds

The solidarity share of Federal Finance Gestion's FEE Solidarité SRI employee mutual fund, which accounts for 5.49% of total assets (€6.3 million at end-2016) is invested in the capital of Société d'Investissement France Active (SIFA). France Active offers support and financing for entrepreneurs in the social and solidarity economy and to people facing challenges who want to start their own company. To have a local presence in Crédit Mutuel Arkéa's regions, the investments made by SIFA are focused on four FRIS (regional solidarity investment funds): Bretagne Active, Auvergne Active, Aquitaine Active and ESIA PACA.

Suravenir and Chatel Gestion offer Ethic Vie, an online life insurance policy with an ethical approach. This is a 100% online life insurance policy offering an approach that differs from that of traditional finance: "money that does good." The funds are selected according to ethical criteria and 20% of the fees are donated to a public interest association designated by policyholders when they invest. Ethic Vie won the special jury prize at the Top 2016 Online Life Insurance awards for its ethical and responsible approach.

(in € millions)

SOLIDARITY SAVINGS: ASSETS			
	2014	2015	2016
Employee solidarity savings	4.60	6.10	<b>6.32</b>
Livret Solidaire	15.00	17.99	<b>21.13</b>
Kerea Partage	1.50	0.95	<b>0.50</b>
<b>Total</b>	<b>21.10</b>	<b>25.03</b>	<b>27.96</b>

### Socially responsible investment (SRI) and the integration of environmental, social and governance (ESG) criteria into investment policies Federal Finance Gestion's SRI and ESG policy

#### La politique ISR et ESG de Federal Finance Gestion

Federal Finance Gestion has been a signatory to the Principles for Responsible Investment (PRI) since 2009 and is committed to continuously improving its third-party investor practices. Federal Finance Gestion complies with a charter, drawn up under the auspices of the United Nations, which defines an international framework that seeks to integrate environmental, social and governance (ESG) criteria into financial management. **The results of the 2016 annual PRI evaluation confirmed Federal Finance Gestion's exceptional responsible investment practices. Federal Finance Gestion was rated an excellent A+ for its overall approach to responsible investment.**

Federal Finance Gestion is also a member of the Forum for Socially Responsible Investment and has served on the AFG's (French asset management association) "Socially Responsible Investment" technical committee since 2009.

Drawing on its expertise in analyzing ESG data, Federal Finance Gestion has created its own analytical framework based on best-in-class methodology. The analysis criteria in the framework are based on an examination of three major non-financial subjects directly related to sustainable development issues: Environment (E), Social (S) and Governance (G), adapted depending on the nature of each issuer. The analysis of these non-financial risks is intended to capture types of risks that are not properly evaluated by traditional financial analysis, such as reputation risk and the risk of a decrease in asset values associated with the challenges of reducing global warming.

The ESG score is unique (on a scale of A to E) for each entity and applies to all the financial instruments (shares, bonds, etc.) that it issues. Federal Finance Gestion's ESG analysis universe consists of 2,000 companies and 150 governments. ESG research, which was previously dedicated only to SRI funds, is now distributed to all fund managers, who are thus informed about companies whose practices are the most questionable and therefore pose the highest risk.

Federal Finance sought to supplement its SRI screening, based on the ESG (environmental, social and governance) analysis pillars, with exclusion criteria.

It therefore analyzes the various issuers through the UN Global Compact filter. This analysis aims to identify:

- Players whose products and services are, by nature, incompatible with sustainable development goals. These are mainly manufacturers of controversial weapons (cluster bombs and landmines). This exclusion targets investments in securities issued by these companies and exposure to these securities through derivatives whose only underlying is the company in question; the knowing provision of an investment service to a company included in the list of excluded companies.
- Players who do not guarantee compliance with the recognized primary minimum international social, environmental or governance standards, which are grouped within the Global Compact. At the end of 2016, three companies were excluded because they did not sufficiently guarantee compliance with the UN Global Compact. These companies were excluded from the investment universe used by all Federal Finance Gestion collective investment managers.

Federal Finance Gestion has developed an engagement policy to hold constructive discussions with companies whose non-financial rating is far below that of their business sector. For Federal Finance Gestion's rating system, this means companies rated D on a scale of A to E.

SRI analysts conduct a non-financial review of the company and determine which topics may be brought up for discussion. The topic choices are proposed to fund managers who invest in these companies. The team responsible for these discussions may contact the company in the manner it deems most appropriate. Federal Finance Gestion believes that companies should be given a one-year grace period, because it takes time to change behavior.

These interactions should encourage them to adopt responsible behavior and policies for the non-financial issues they have addressed either minimally or not at all. The intent is also to encourage companies to take their negative non-financial impacts into account to reduce the risk exposure of the investments, and ultimately of the funds held by customers.

In 2016, the Federal Actions Ethiques fund received the government-supported SRI label issued by Ernst & Young for a three-year period. This fund invests in shares of French small- and mid-cap companies, selected for their engagement and their sustainable development practices. Federal Actions Ethiques was also awarded the highest Morningstar rating with 5 Globes. This fund was part of the "2016 selection" proposed to the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations' distribution networks.

#### SWEN Capital Partners' ESG policy

SWEN Capital Partners, a subsidiary of Federal Finance Gestion and OFI AM specializing in responsible investment in unlisted companies, formalized its commitment to sustainable finance in a responsible investment charter and responsible investment policy specific to the unlisted sector. It applies this responsible investment policy to all of its institutional investment strategies (primary, secondary and co-investment) and asset classes managed (private equity, private debt and private infrastructure).

Motivated by its commitment to more sustainable finance, SWEN Capital Partners seeks to promote best practices in its profession. In particular, it contributes to shaping and disseminating excellent ESG practices as an active member of several professional associations in France and abroad. Every year it publishes two studies of progress in the private equity and infrastructures market in terms of integrating non-financial criteria into investments outside the listed market.

(in € millions)

SOCIALLY RESPONSIBLE INVESTMENT OFFER AND ESG CRITERIA	2014	2015	2016
SRI assets under management	1,147	1,231	<b>1,283</b>
ESG assets		4,635	<b>4,199</b>
Number of shareholders' meetings in which the company participated	99	120	<b>114</b>
Rate of approval of resolutions	75 %	75 %	<b>72 %</b>

In June 2016, SWEN Capital Partners held the third ESG Best Practices Honours by SWEN Capital Partners. European Private Equity and Infrastructures management companies with outstanding ESG practices were honored at this event.

#### Suravenir and Suravenir Assurances

In accordance with Article 173 of the Energy Transition Law, Suravenir and Suravenir Assurances, as institutional investors, are affected by the integration of ESG criteria into their investment policies.

Suravenir, the group's life insurance subsidiary, has integrated ESG criteria into its investment policy for 2017. It did so using Federal Finance Gestion's ESG expertise.

Suravenir's ESG policy applies, for now, to financial assets held directly, or about 70% of assets under management, regardless of their nature or the type of issuer.

It incorporates exclusion criteria identical to those of Federal Finance Gestion, to which it adds the non-OECD country exclusion criterion. It also considers the criteria used in the ESG performance analysis. These criteria are used to analyze all CSR themes facing issuers.

A government-focused ESG analysis framework is used for sovereigns. These criteria are used to analyze all sustainable development and responsibility issues facing governments.

To limit non-financial risk, Suravenir chose to restrict the share of issuers rated E to 10% of all annual investments.

For indirect financial assets, efforts will be made in 2017 to develop an ESG framework and, for physical assets, analysis and measurement criteria are being defined, following a portfolio audit. For unit-linked policies, Suravenir aims to gradually propose an SRI offer across its entire range.

Suravenir Assurances has also begun to consider integrating ESG criteria into its investment policy.

After an ESG audit of the portfolio was conducted in the last quarter of 2016, Suravenir Assurances will continue its efforts in 2017 in order to clarify, before the end of first-half 2017, the ESG criteria that will now be applied to investments.

The ESG policies of the Arkéa Capital Gestion and Novélia subsidiaries are being finalized.

#### Recognition of climate risk

**Federal Finance Gestion is committed to combating climate change through the Global Investor Statement on Climate Change and the Paris Pledge.**

**Federal Finance Gestion is a signatory to the Carbon Disclosure Project (CDP) for the Carbon, Forest and Water initiatives.** CDP's purpose is to manage a single reporting system for companies to report to investors on their environmental impact and climate change adaptation strategy.

Three environmental topics are addressed: climate change, water and forests. Federal Finance Gestion chose to join this initiative to enable SRI analysts to access an additional environmental database to complement their own analyses.

An assessment of climate change-related issues is included in Federal Finance Gestion's ESG analysis, which Suravenir and Suravenir Assurances also use:

- For companies, climate change projects and accomplishments are addressed in the Environment aspect and more specifically in the "Climate Strategy" indicator. This area of analysis covers topics such as commitments and measures implemented with respect to greenhouse gas emissions, the use of renewable energy, management of air emissions, etc. For sectors where this is a major issue, it is weighted more heavily in the final score.
- For government debt, the indicators dealing specifically with climate change are analyzed in the "Fight against climate change" and "Resources management" criteria through an analysis of energy mix and consumption.

In 2016, Federal Finance Gestion launched two initiatives to reduce carbon emissions: the "Federal Objectif Climat" index and the "Diapazen Climat Septembre 2016" fund.

- The Federal Objectif Climat index was created to promote companies committed to policies that will reduce their carbon emissions. Stocks in the index are selected on the basis of their environmental approach. The index covers all business sectors.

■ The Diapazen Climat Septembre 2016 fund, exposed to the Federal Objectif Climat index, is made up of 50 companies committed to policies that will reduce their carbon emissions. They were selected according to ethical, climate and financial criteria. Diapazen favors exposure to companies committed to developing innovative solutions and products to promote the energy transition.

Following COP21, SWEN CP joined the 2020 Carbon initiative (iC20) and has committed to integrating climate issues in its fund management. In 2016, SWEN CP developed a system for assessing the carbon footprint of all its portfolios of unlisted investments. Consequently, in 2017, SWEN CP will publish the initial results of this assessment and may develop and roll out its carbon strategy in its investments. SWEN CP will also prepare its first "Article 173 reports" in 2017.

#### Solutions to help customers with energy renovation work

Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central offer a range of loans for energy renovation work, including regulated zero-interest ECO PTZ loans and loans for energy-saving work.

**In October 2016, Crédit Mutuel de Bretagne signed an agreement with the Brittany region to facilitate home renovations, as part of the call for expressions of interest to banks to create customized financial tools for households.** The purpose of this agreement is to facilitate renovation projects through tailored loans (for longer terms, at attractive rates) and access to microloans for the lowest-income households that are likely to experience energy insecurity.

Via this agreement, Crédit Mutuel de Bretagne undertakes to facilitate access to the interest-free (PTZ) Eco loan across the Brittany region, encourage its customers to take advantage of the engineering proposed through the home renovation platforms, train and form a team dedicated to analyzing applications for loans intended for energy retrofitting work, and identify advisors at each platform level.

In the framework of the goals of the Aquitaine Sustainable Building Plan, Crédit Mutuel du Sud-Ouest has joined forces with the Region of Aquitaine with its dedicated environmental credit offer. This project enables it to contribute to improving the living conditions of the region's residents.

The Ark'ensol Energie offering was created in 2015, the result of a partnership between Crédit Mutuel Massif Central and the Allier departmental council to fight against energy insecurity. This offer is designed for people with low and very low income or who do not have access to traditional bank loans. Crédit Mutuel Massif Central grants loans at rates indexed to the livret A savings account, of up to €10,000, to finance an advance on assistance and/or subsidies obtained to complete work, while awaiting their release.

Arkéa Banque Entreprises et Institutionnels also supports semi-public enterprises to prefinance their subsidies in the framework of the third-party funding system for work conducted on common-area property.

In addition to financing, the group would like to educate its customers about energy renovation and has done so through a variety of events. In March 2016, the Caisse du Crédit Mutuel de Quimper held its Shareholders' General Meeting on the theme of energy transition, with an exhibit on thermal renovation and eco-friendly behavior. For the second year in a row, Crédit Mutuel Massif Central supported the "Ici La Bourboule, à vous la Terre" (this is La Bourboule, the Earth is yours) event dedicated to environmental issues.

#### Financing for green energy and the circular economy

Crédit Mutuel de Bretagne helps farmers in its region change their models. **In recent years, several farm-based methanation plants have been financed, representing an investment of €60 million, or just over €40 million in financing.**

Photovoltaic systems are also regularly financed.

Crédit Mutuel de Bretagne and Arkéa Crédit Bail offer a turnkey financing solution for farmers that enables them to acquire cogeneration units, financed entirely or in part through leasing, supplemented by traditional credit.

#### LOANS TO FINANCE ENERGY EFFICIENCY IMPROVEMENT RENOVATIONS

	2014	2015	2016
Number of interest-free Eco loans granted in the year	1,157	1,087	979
Average amount of interest-free Eco loans granted (in €)	16,094	16,440	16,624
Total amount of interest-free Eco loans granted (in € millions)	19	18	16

In October 2016, Crédit Mutuel de Bretagne participated in the Bioenergy Business Convention in Rennes, as the leading financial partner for the event alongside GRDF.

At the end of 2016, Arkéa Banque Entreprises et Institutionnels and Arkéa Crédit Bail had provided €365 million in support to new energy companies.

Financo, the group's consumer credit subsidiary, entered into a partnership with the "CO2 Account" and Amzair Industrie, the heat pump expert, which aims to encourage eco-responsible purchasing and reward reductions in CO2 emissions by giving them a real market value.

#### **"Green" loans**

Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central offer green loans to owners (individuals and businesses) of environmentally friendly vehicles. They are thus able to benefit from favorable financing conditions.



## 5.4

# The development of Crédit Mutuel Arkea's CSR footprint

Crédit Mutuel Arkéa takes supporting its customers and customer shareholders in their social and environmental transitions very seriously, and is equally concerned about its own business practices. It has therefore developed proactive human resources, environmental footprint and professional conduct policies.

## 5.4.1 Development of human resources

The Arkéa 2020 strategic project focuses in particular on the importance of Crédit Mutuel Arkéa's primary resource: its human capital.

In early 2016, the Arkéa 2020 HR strategic project was implemented via a framework document. The broad outlines of the group's HR policy for the next four years are underpinned by four convictions:

1. Unleash energy and entrepreneurship. Work together to set the conditions for autonomy and initiative and reward engagement.
2. Continue to support career development, nurture talent and promote mobility to create additional innovation capacity.
3. Support managers in their role of caring and exemplary coach and develop collaborative cross-functional approaches.
4. Develop responsible HR that relies on promoting quality of life at work and relishes diversity.

Promoting autonomy and recognizing initiative, innovation and diversity are core features of the group's HR policy.

As a key employer in its regions, the group is developing a long-term employment policy that seeks to maintain employee motivation and engagement at a high level and continuously develop their

employability.

The group implements a dynamic recruitment and mobility policy, which aims to promote its employees' entrepreneurial spirit. The policy's primary objectives are:

- to maintain an active recruitment policy to support the growth of its businesses and attract new talents to its business lines;
- to monitor and anticipate changes in its business lines and social model arising from ongoing economic, demographic, technological and organizational change;
- to promote shared responsibility between employees, the initiators of their own development, and the company, which provides the necessary tools for their personal and professional development, in particular via a job and career development system, training programs and functional and/or geographic mobility.

The group is proud of its diversity and supports the promotion of diversity and equal treatment and recognition.

As key agents for the deployment of HR policy, managers must bring meaning to and foster the initiative of their employees. Management also ensures recognition of personal investment and of collective and individual performance.

Lastly, in its relationships with its labor partners, the group supports honest dialogue that is respectful of different viewpoints and perspectives.

#### 5.4.1.1 Crédit Mutuel Arkéa's employees

At December 31, 2016, Crédit Mutuel Arkéa was primarily present in France, with 1% of its workforce (excluding KeyTrade) abroad (Belgium, Luxembourg, United Kingdom). The home regions of the three federations, in Brittany, the South-West and Massif Central, account for 78.3% of the workforce. Its subsidiaries operate across the French territory, in Belgium, and to a limited extent in Luxembourg and the United Kingdom.

The group complies with the fundamental principles of the International Labour Organization, concerning freedom of association and the right to collective bargaining, eliminating discrimination in employment and occupation, eliminating forced and compulsory labor and abolishing child labor.

The total number of employees under permanent contract was 8,797 at end-2016, an increase of 2.26% over the previous year. Added to this total are the 128 staff at KeyTrade, a group subsidiary since June 2016.

#### 5.4.1.2 Recruitment and integration of new hires

Crédit Mutuel Arkéa pursues an active recruitment policy to support economic dynamism in its regions, with 664 permanent hires in 2016. The Human Resources teams operate within a procedural framework that enables them to prevent any discrimination, with an awareness of inclusion and an embrace of all differences. The HR teams that manage recruitment and mobility received diversity training in 2016.

Line management participating in the recruitment panels is also trained on hiring practices that combat all forms of discrimination.

To ensure the fairest possible gender equality, the company agreements specify in particular that open positions be offered regardless of gender and that the applicant pool called in for interviews include a mix of men and women.

All Crédit Mutuel Arkéa entities adopt harmonized procedures with respect to recruitment and integration to ensure employees' future job mobility.

The Human Resources functions of the various Crédit Mutuel Arkéa entities organize specific integration and training tracks for new employees. The goal is to provide optimal job performance conditions for each new hire and to verify that his or her aptitudes match the company's expectations. This approach also seeks to

create a social connection between the employee and the company, and between the new hire and other employees.

For this purpose, Crédit Mutuel Arkéa also organizes an annual "Carrefour des nouveaux recrutés" conference, where new hires can learn about the group's organization, strategy, major projects, operating methods and diversity, and understand its scope of activities and development prospects.

The group participates in basic training by hosting interns and apprentices. More than 1,033 interns and apprentices were hosted by the group in 2016. In the local savings bank network, apprentices who successfully complete their courses are systematically offered employment if a position that matches their skills is open. In 2016, 31% of interns and apprentices were hired by the group at the end of their program.

Over the last two years, the HR department has made an ongoing effort to develop the internal apprentice community, with dedicated meeting times, integration tracks and, for the first time in 2016, the organization of an "Apprentice Fair."

In June 2016, Crédit Mutuel du Sud-Ouest held a "job dating" event in Charente to promote the careers offered at the group and identify future talent. It welcomed nearly 80 candidates and gave anyone interested in joining the group the opportunity to speak personally with the HR teams and network employees.

### 5.4.1.3 Promoting diversity

#### Gender diversity

Since 2004, the actions taken to support gender equality have been governed by the signature of four company agreements with all the representative labor unions for the scope of the **UES, which represents nearly three-fourths of group employees in the various entities.**

The company agreement defines the means used by the company to promote professional gender equality over the long term and achieve conditions for true equality at all stages of professional life.

The primary focus of the agreement is to measure and reduce gaps in compensation and professional development or career path between men and women.

The goals of the current agreement are to:

- promote women's career paths, in particular access to management positions, to support the company's performance;
- implement solutions to enable a fair work-life balance for all, in terms of work organization and management of parenting.
- remain vigilant with respect to equal compensation of men and women.
- raise awareness, inform or train company employees, partners and customers around our professional equality policy.
- understand and reduce stereotypes, in particular via appropriate internal and external communication.

In accordance with article L. 2323-57, the company communicates an annual comparative status report to employee representative bodies, including, above and beyond the mandatory legal data, indicators to analyze the comparative situation of women and men in the company, and its evolution.

Within the company, the pay gaps relative to the median for each

job grade are less than 5.5%, with the exception of two grades where the sample is not representative.

This gap is trending downward year by year. In 2015, following analysis of the pay gaps between men and women by job grade, it was decided to allocate a special professional equality budget envelope of €300,000 to further reduce these gaps. In 2016, the wages of 242 women were adjusted through this budget allocation.

Since 2015, in accordance with the commitments made in the agreement, a maternity, adoption or parental leave support system has been in place within the UES.

In 2015, a task force made up of 130 women worked on gender diversity issues within the group. Its findings were presented to the group's Executive Committee, with implementation of an 18-month dedicated mission as the top priority. The rollout of this action plan began in first-half 2016. It prioritizes four key focus areas:

1. Raising employee, manager and executive awareness of gender diversity as a strategic issue for the company, and of the fight against micro-discrimination;
2. Adapting job and skills management planning to better attract, identify and make visible the talents of tomorrow, with a specific facet for women;
3. Optimizing work organization for greater flexibility;
4. Adapting the appointment process to foster the rise of women to key positions.

**A community of 190 gender diversity ambassadors was created in 2016. These ambassadors are tasked with raising awareness in their entities** and helping to promote the topic by leading feedback workshops and mapping the obstacles to gender diversity that are unique to each group entity. Entity-specific action plans will follow from this work in 2017.

## PROPORTION OF WOMEN IN UPPER MANAGEMENT AND EXECUTIVE POSITIONS AT DECEMBER 31, 2016:

- Second-level managers (department managers at headquarters and directors of the regional units in the networks): 27%
- Senior managers: 30%
- Executive managers: 18 % ;
- Members of the group General Coordination Committee: 20% ;
- Members of the group Executive Committee: 22 %.

In 2016, a criterion related to gender diversity was integrated into the variable compensation for officers, directors, and senior and executive managers (around 160 people). A new gender diversity-related criterion will be developed for 2017.

The group also backs external gender diversity initiatives. Crédit Mutuel Massif Central supported the Clermont-Ferrand Auvergne Women Entrepreneurs awards. Crédit Mutuel Arkéa supported the Devoxx4kids project, at the digital campus in Brest, which aims to inspire an interest in engineering and programming among children, and among girls in particular. Lastly, Crédit Mutuel Arkéa came in second at the Human Capital awards in December 2016, for its dynamic and committed gender diversity policy. In 2016 the group workforce was 56.7% women and 43.3% men.

### Employees with disabilities

The company is an important player in the employment of people with disabilities in its regions. In keeping with its values, the company intends to move forward with and increase its employment of people with disabilities, and retain and support employees with disabilities or dealing with a disability over the course of their career.

Within the UES scope, the rate of employment of people with disabilities was 3.69% in 2016, of which 3.24% in-house.

The representative labor unions unanimously signed a fifth three-year agreement with the company for the UES scope. The competent authorities' approval of this agreement gave the company full autonomy to manage the funds associated with the disability component. This enables it to best support employees by providing individualized assistance. With this agreement, the company would like to move toward the legal employment rate of 6% and has set a target of a minimum of six hires per year of people with disabilities for the UES scope.

The 2015-2017 action plan focuses on:

- digital accessibility;
- development of outsourcing to the adapted and protected sectors;
- training;
- communication.

The company agreement provides for financial aid to employees with disabilities to facilitate their professional activity (accessibility, hearing aids, wheelchair, vehicle and housing adaptations, etc.). It has set a target of a minimum of six hires per year of people with disabilities.

Employment of people with disabilities is tracked by a dedicated unit. This unit coordinates promotion and facilitation and organizes tracking of actions in support of people with disabilities, in coordination with the Disability officers at the various establishments. The Disabilities Mission is an additional contact point for company staff impacted by disability and for outside partners. The team provides ideas, advice and support to group companies.

A disabilities IT officer has also been appointed. S/he works in collaboration with the disabilities mission and people with disabilities to:

- ensure that IT tools adapted to workers with disabilities are provided;
- support and train users;
- monitor accessibility of communication materials;
- plan for the provision of new, adapted IT solutions.

In 2016, the company sought to highlight the awareness component to change attitudes toward disability. The Disabilities Mission therefore asked all employees to watch an educational film about disability, accessible via the intranet. Several group entities seized this opportunity to work with the Disabilities Mission to organize presentations within their teams and raise their employees' awareness of disabilities.

The Disabilities Mission participated in a number of forums and round tables during European Disability Employment Week:

- "Meet us" employment forum at the Halle Martenot in Rennes;
- "Digital manufacturing and disability, man heals himself" forum in Ploufragan;
- Career fair for people with disabilities (HANDI Rencontre) in Angoulême;
- ADAPT's informal career fair (Handicafé) in Rennes;
- Information session for mentors for sales representative training, offered by Crédit Mutuel Arkéa, at the Brest career center.

Crédit Mutuel du Sud-Ouest also attended the 7th Disability Career Fair in Angoulême, to advise and support participants in their job search.

Crédit Mutuel Arkéa is also developing a number of partnerships:

- Partnership with training centers for people with disabilities.
- Contribution to the work of the Regional Chamber of the Social

and Solidarity Economy in Brittany and to the AGEFIPH Project Leader Club.

- Sponsorship of the Startup & Handicaps contest, organized by the Morbihan chamber of commerce and industry and the Kerpape endowment fund. This call for projects aims to find solutions to compensate for a disability and/or a loss of autonomy.

The Purchasing department, together with the Human Resources department, also promotes the use of employment assistance establishments (ESAT) and adapted enterprises (EA) for certain activities.

This results in:

- improved awareness for internal purchasing advisors of the value of this approach;
- mapping of all business sectors for which the use of adapted sector providers could be considered;
- completion of a listing of tenders to be carried out under a timetable aimed at expanding the group's positioning over the next three years.

Lastly, **in November 2016, Crédit Mutuel Arkéa was awarded the APF Entreprises "Partnership" prize, which rewards and recognizes a company that the Association des Paralysés de France has collaborated with for many years and where the relationship is based on the company's fidelity to its social commitments.**

This award honors the partnership between APF Entreprises 3i Concept, located in Briec (Finistère), and Crédit Mutuel Arkéa. Crédit Mutuel Arkéa is a customer that helped with the formation of the entity in Brest in 1976 and with the creation of 12 jobs for workers with disabilities.

#### Generation contract

A company agreement for a generation contract was signed in late 2013 for a period of three years. It aims to foster the hiring and professional integration of young people, continued employment and retraining of older employees, and interaction between these two groups.

The two main goals were met over the entire term of the agreement, namely:

- To recruit 40 employees under the age of 27 per year.
- Concerning the employment of older workers until the end of their career, to maintain a greater than 10% proportion of employees age 57 and older within the total UES workforce.

The company is committed to taking every opportunity to recruit employees age 55 and older in accordance with needs and abilities, and did so several times over the term of the agreement.

The agreement provides for a series of actions for anticipating career changes and age management: an interview concerning the second half of their career at age 45, and a career planning interview at age 57. Conditions for the employee's retirement are also discussed at this time. A "career completion" review is organized three months before the date at which the employee is able to retire with full benefits. As part of its commitment to equal access to career progress, Crédit Mutuel Arkéa has committed to monitoring the share of promotions and bonuses attributed to employees age 57 and older each year, compared with the overall population.

Every year, as part of the skills review, HR managers identify, with the managers of each structure, the departures that will require a period of tutoring by the employee leaving a given position for the person replacing him or her. The priority focus is on replacing key skills.

Negotiations began on a new generation contract at the end of 2016. A number of proposed adjustments are under consideration, including with respect to retirement savings. One idea is the potential rollout of new programs to supplement the range that is now available. With respect to the integration of younger workers, the generation contract will rely on promoting initiatives along the lines of the "Apprentice Fair."

#### **5.4.1.4 Career development**

Given changes in the banking and insurance market, and in its strategic goals, age pyramid and regional positioning, Crédit Mutuel Arkéa views professional mobility as a crucial component of its development.

In addition to this commitment to mobility, the group would like to support career development, nurture talent and promote mobility to further increase its innovation capacity.

Several important actions were taken in 2016, including the implementation of new career management tools through a new career management platform, "Trajectoires": revamped annual reviews, implementation of reviews focused on career development, and a new internal mobility system.

Every year, an annual performance review gives employees the opportunity to discuss their accomplishments and skills with their managers. During the 2015-2016 campaign, 90% of annual reviews were completed.

Employees and their managers also have career reviews, at least once every two years, to discuss their career path and 1- and 3-year career plans.

To encourage employees to be active agents in their own careers, the company posts open positions in a job exchange system. Each company presents its offers, and employees can apply.

Employees also have the possibility of benefiting from HR reviews with an HR advisor to explore in more depth the pathways mentioned during the career review.

Lastly, Crédit Mutuel Arkéa organizes a Career Fair to exhibit and promote the great diversity of possible professions and the opportunities and tools made available to employees. The fourth edition of the Career Fair was organized in December 2016 in Rennes. More than 2,000 employees were able to meet with the group's HR management.

These programs are detailed in the company agreement on job and skills management planning, renewed in October 2013 for a three-year period for the UES. These tools enable employees to manage their careers proactively. Negotiations on a new agreement began in the last quarter of 2016.

In addition to these tools and programs, the Human Resources department set out its "Convictions" in an operational action plan in 2016. This plan targets, by the end of the Arkéa 2020 strategic project, concrete implementation of:

- 11 stages in the employee's life cycle, from recruitment to retirement,
- 9 "moments of truth" interspersed throughout these stages.

Fifty projects have been designed to serve these 11 stages and 9 moments of truth. Some have already been implemented, others were introduced in the last quarter of 2016 and still others will be initiated in 2017-2018.

#### 5.4.1.5 Strong commitment to employee training

Crédit Mutuel Arkéa maintains a high level of commitment to training (4.7% of total payroll in 2016). It is a key resource for adapting to change, developing skills and supporting employees in their careers, and thus contributes to greater efficiency within the company.

The group defines a training plan that includes all initiatives financed by the company to:

- support the corporate strategy;
- facilitate job adaptation;
- foster career changes;
- maintain employee motivation.

In addition to the training plan, employees have the individual resources provided by French law, such as: recognition of acquired skills and experience, the individual training account, individual training leave and a financing system governed by the joint individual training leave management committee. This system, specific to Crédit Mutuel Arkéa, helps fund:

- projects for vocational retraining outside of Crédit Mutuel Arkéa;
- contributions to the non-profit sector;
- personal training needs.

The use of digital tools has increased in light of the tougher training requirements applicable to the group's regulated activities. In December 2015, the rollout of Trajectoires, the talent management platform (discussed in the career development section) began with implementation of the training module. This not only provided access to an integrated training management tool but was also used to implement innovative forms of training: e-learning, MOOCs, virtual classrooms and quizzes.

#### 5.4.1.6 Managers: caring and exemplary coaches

Management quality is a key factor behind employee success, motivation and engagement. To that end, the group positions the manager as the company's first-line HR contact and the daily representative for the group's human resources policy among employees.

As such, at the end of 2016 the group rolled out a collective intelligence seminar to its senior managers to shift management attitudes more toward entrepreneurship, cross-functionality, talent promotion and diversity. This experimental seminar, which participants endorsed, will be offered on a larger scale in 2017.

To ensure that best practices are implemented over time, this seminar will be followed by a training program for the period covered by the strategic plan. The group's managers will thus receive innovative training and be able to share their experiences through the use of a community tool created specifically for the occasion.

At the end of 2016, the group launched the overhaul of its "new manager" training program, which will now cover all of the group's managers to increase cross-functionality.

### 5.4.1.7 Promoting quality of life at work

Because human capital is its most important resource, the company believes that promoting quality of life at work is a key issue as it factors into employees' well-being at work and the company's overall long-term performance.

#### Work-life balance

Crédit Mutuel Arkéa signed the Parenting Charter in 2011 and, in 2013, the UES signed a fourth agreement on gender equality at work, focusing on various work-life balance actions.



#### WORK-LIFE BALANCE

Several actions have been implemented in favor of parent employees:

- "Sick child" leave
- Contribution to childcare costs for young children
- Adapted work hours for pregnant women
- Maternity leave is 18 weeks at the same wage starting from the first child
- Wage maintained during paternity leave.

The company encourages leave donations for parents of severely ill children: in 2016, employees of the UES made 216 pledges to donate, corresponding to 341.5 days that can be made available to employees who need them.

A multi-company daycare has also been available to employees since 2013, in close proximity to the group headquarters. Lastly, employees at headquarters and some subsidiaries benefit from a cafeteria at their workplace, as well as concierge services (Survainir and Financo).

While new technologies are now an integral part of the work environment and necessary for companies to operate, the company is also sensitive to the right to disconnect. All employees received a communication on this subject in 2016. Changes have been made to enable certain employees to disconnect automatically (for pre-determined time blocks) from external access to the group's IT tools.

#### Work flexibility

Directly aligned with the Arkéa 2020 strategic project, three company agreements were signed in 2015 and implemented in early 2016 that seek to enhance employee autonomy. They enable employees who so wish to benefit from a more flexible work setting, in a relationship of mutual trust with the company and their managers:

- Fixed Days Package agreement, for management staff with proven autonomy and positioned in one of the 27 designated jobs. The purpose of the agreement is to eliminate a rigid organization of daily work in favor of annual management of total days worked. As of December 31, 2016, 803 employees had opted for this new system.
- Telecommuting agreement: a trial system offered to about 50 employees to test out this new form of work organization. The trial launched in 2016 and ends in 2018, and will be specifically monitored by a committee to evaluate the advisability of expanding the system and, if applicable, the modifications to be made.
- Voluntary part-time work agreement, which aims to provide broader access to part-time employment and to achieve a target of 10% of employees in part-time work. Employees can now request part-time work for a defined and renewable period of two years.

### Occupational risks

The company boasts a long-standing health and safety culture and applies a continuous improvement and risk prevention approach. The initiatives conducted cover the three levels of prevention: primary (actions to eliminate risk at the source), secondary (actions to increase resistance to risk) and tertiary (remedial actions).

The intranet site for UES staff provides information about existing resources and supports available in the workplace. It represents a permanent source of information for all employees on the prevention of occupational risks.

Managers and various occupational risk liaisons are trained on occupational risk prevention through specific training courses.

The company has formed a partnership with a network of social workers to help employees experiencing difficulties. A review is conducted each year. There is also a full-time nurse on the premises of the group's central departments.

**In 2016, the company coordinated with its labor partners on an approach to quality of life and the prevention of psychosocial risks. A survey of quality of life at work was launched at end-2015 for the scope of the UES, with a response rate of 53% of employees concerned. The results were communicated to all employees in the first half of 2016 and an action plan was put in place. Specific indicators will be used to measure the effectiveness of the actions.**

A new survey will be conducted in early 2017.

A program to support and remotivate employees was also tested in 2016 and will be continued in 2017. This program seeks to support employees who may face difficulties over the course of their career. A customized action plan is put in place based on the employee's specific situation.

Lastly, in 2016, the group conducted several campaigns: first aid awareness training from the Red Cross; participation in no tobacco month, during which employees received a steady stream of information; and a road safety conference at the group's headquarters coordinated by the prefecture of Finistère.

Workplace accidents remain infrequent and of low severity: 57 accidents in 2016, flat year over year. However, the total number of days of absence related to these accidents rose from 2015, to 3,338 days.

There were no new reports of any occupational illnesses recognized as such by the CPAM (the local health insurance fund) in France.

### Well-being in the workplace

Several initiatives were undertaken in 2016 to redesign the workspaces and improve working conditions for employees in the central departments and subsidiaries. Conference and break rooms were reconfigured to encourage conversation, community and modularity.

The concept of the new local savings bank offers workspaces for employees and reception areas for customers that are fully consistent with our goal of keeping a genuine focus on customers and employees, as advocated in the "Customer Focus Ambition" project. The new Financo branches have been redesigned to make them places where information is shared and in which working conditions will be significantly improved.

The General Coordination Committee has been made aware of the subject, through a workshop held in July 2016.

### Preparing for retirement

In a regulatory context supporting a lengthened professional career, the company wishes to develop a full array of tools for preparing for retirement. An Anticipatory Retirement Contract was created for this purpose. Employees of the UES benefit from a supplemental retirement insurance.

When taking retirement, employees also receive an end-of-career compensation package.

#### 5.4.1.8 An attractive wage policy

The 2016 NAO mandatory annual bargaining led to an overall gross annual wage increase of 0.5% for employees of the UES.

Employees of the UES participate in the company's performance via profit-sharing and incentive schemes. A total of €31.7 million was distributed to employees in 2016 under the 2015 profit-sharing and incentive programs. Executive Management also proposed adding an individual match in the gross amount of €945 to this profit-sharing bonus.

Within the UES, there are also variable compensation plans for the sales forces.

These concern:

- Federal Finance trading floor managers, and
- sales network employees (three federations), with the "Perf&Co" plan, which is based on collective performance with an acknowledgment of the individual effort. In 2016, €9.6 million in variable compensation was distributed under this plan to 3,636 employees.

Subsidiaries outside the UES scope conduct their own mandatory annual bargaining.

Since 2015, a bonus system has been in place for all group employees. This new compensation component linked to achievement of group objectives is redistributed in an equitable manner. Given the strong results obtained in the 2013-2015 period, the Board of Directors of Crédit Mutuel Arkéa approved the group bonus for 2016. The same gross bonus of €884 was therefore paid to each full-time employee.

#### 5.4.1.9 An active employee dialogue

Every group company has, based on its own regulatory requirements, certain personnel representative institutions, such as employee representatives, union representatives, works councils and health, safety and working conditions committees. The UES

and each subsidiary outside this scope negotiates their own company agreements. There is also a body for economic, social and organizational information, the Group Committee, which meets twice a year. This body is informed of the situation and prospects of all entities.

At the end of 2016, 98% of group employees were covered by a collective bargaining agreement.

Within the UES, a particularly innovative agreement was signed in 2016 on union rights and employee representation. This agreement, anticipating the provisions of the Rebsamen law, implements a new architecture for employee representative bodies and provides employee representatives with new resources to combine their terms of office with their career pathways and orientations.

The seven employee delegations and seven health, safety and working conditions committees have merged to create eight local representative bodies and one new employee delegation has been created for the Companies and Institutions division. These eight local representative bodies meet every two months. A standing committee to coordinate the health, safety and working conditions committees of these new local representative bodies replaces the central health, safety and working conditions committee which was not as local.

The four works councils of the four departments in Brittany have merged into one regional council, similar to what has already been done for CMSO and CMMC, and the headquarters works council remains in place.

The scope of this dialogue with employees created the need to acknowledge the particular position of employee representatives, who benefit from a specific agreement with respect to raises and career development. In this framework of trust, participants have developed dynamic and innovative social dialogue over many years, finding expression in particular in the negotiation and signature of multiple company agreements.

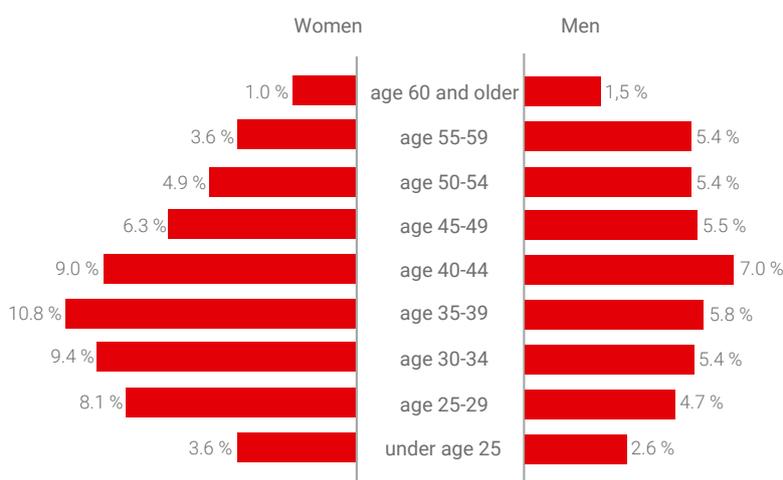
## List of company agreements signed in 2016

- Agreement on leave donations for employees with severely ill children or spouses for Suravenir, Suravenir Assurances, Novélia and the UES
- New agreement on the telecommuting trial for Suravenir and Monext
- Agreement on a bicycle mileage allowance for the UES
- Agreement on union rights and employee representation for the UES
- Agreement on the company savings plan rules for the UES and Novélia
- Profit-sharing agreement and/or amendment for the UES, Leasecom, Financo, Novélia, Suravenir Assurances, Suravenir and Procapital
- Mandatory Annual Bargaining Agreement for 2016 for the UES, Suravenir and Suravenir Assurances
- Gender equality agreement for Leasecom and Suravenir
- Generation contract for Leasecom and CFCAL
- Agreement on the company savings plan rules for Leasecom
- Amendment to the compensatory time-off bank agreement for Suravenir Assurances
- Participation agreement and allocation plan introducing non-recurring performance-related benefits in Belgium for Procapital

## 5.4.1.10 HUMAN RESOURCES KEY FIGURES

CRÉDIT MUTUEL ARKÉA	2014	2015	2016
<b>TOTAL WORKFORCE (PHYSICAL PERSONS)</b>	<b>9 156</b>	<b>9 345</b>	<b>9 539</b>
Permanent workers (physical persons under permanent contract)	8,494	8,603	<b>8,797</b>
Non-permanent workforce (physical persons)	662	742	<b>742</b>
<b>Total workforce (full time equivalent)</b>	<b>8,965</b>	<b>9,046</b>	<b>9,241</b>
Permanent employees (permanent contract - FTE)	8,379	8,357	<b>8,587</b>
Non-permanent workforce (full time equivalent)	587	688	<b>654</b>
Managers	4,895	5,063	<b>5,266</b>
% of management positions held by women	42.3 %	43.1 %	<b>43.9 %</b>
Non-managers	4,261	4,282	<b>4,273</b>
Average age (years)	40	40	40
Recruitments (permanent & temporary contracts)	1,480	1,800	<b>1,815</b>
Number of employees under permanent contract who left the company	465	451	<b>509</b>
of which dismissals	70	51	<b>43</b>
Average compensation per permanent employee (in €)	41,912	43,378	<b>44,786</b>
Average number of training hours per employee who took training	25	24	<b>25</b>
% of total payroll allocated to training	4.2 %	4.4 %	<b>4.7 %</b>
Total calendar days of absence	136,440	140,673	<b>177,282</b>
Proportion of workers with disabilities	3.1 %	3.3 %	<b>3.3 %</b>

### Age pyramid (breakdown by age bracket, as % of the total workforce)



### 5.4.2 Crédit Mutuel Arkéa’s direct environmental footprint

The environmental transition is a major focus of Crédit Mutuel Arkéa’s Social Responsibility.

The aim is to support its customers (see section 3.4) and reduce its direct environmental footprint, which means decreasing consumption of energy and natural resources as well as lowering greenhouse gas emissions.

#### 5.4.2.1 Employee awareness and training on best practices

The group intranet space dedicated to Social Responsibility suggests various actions to employees to reduce their environmental footprint, as well as initiatives rolled out by the entities.

#### 5.4.2.2 Eco-design and circular economy

##### Eco-design

An audit was conducted in 2015 of the eco-design of the new local savings bank concept to create an action plan that would further enhance environmental, societal and social performances. Once the audit was completed, work began on developing the eco-construction/CSR special technical conditions and drafting a responsible building charter. The findings are expected in April or May 2017.

### Fight against food waste

Four CSR actions will be implemented in Crédit Mutuel Arkéa’s corporate cafeterias to try to involve service providers and diners in the food waste issue and raise their awareness:

- Development of the “Trim-Trax” anti-waste program: weighing, tracking and raising diners’ awareness of the food waste left on trays on a daily basis. This loss will be quantified, measured and posted in chart form every month.
- One information day per month on the “fight against waste”: posting of communication materials, direct outreach to diners in the cafeteria (while they wait in line), launch of the “zero-waste” challenge.
- Implementation of sales by weight for certain products.
- Change in the base weight of bread rolls, highlighted through daily data on how many rolls were not eaten and thrown away at the end of the previous day’s meal.

## Waste management

Waste management is a major environmental and economic concern.

In 2014, the group reorganized and streamlined its waste processing chain to maximize waste recovery, by:

- Introducing designated paper baskets in the administrative buildings and local savings banks to increase the percentage of paper sent to recycling.
- Rearranging bins and containers to foster waste sorting.
- Refurbishing waste sorting bins.
- Identifying local waste treatment facilities for electric and electronic equipment.
- Launching a study of compliance with the new bio-waste regulations: a call for tender was conducted in 2015 for the company cafeteria and central departments.

Since 2015 a system for recycling cups, bottles and cans has been in place in the central department buildings.

For technological waste (computers, office equipment, etc.), Leasecom collects equipment whose leases have expired or that was replaced during the contract period with newer products, and recycles it through its Technical Remarketing Center. These products are then refurbished and resold on the aftermarket, or destroyed in accordance with WEEE standards; in that case, a certificate is provided stating that they were destroyed through an environmentally responsible process.

The Ark'ensol association also donates IT equipment (computers, printers and servers) to non-profit organizations. In 2016, the group also donated cell phones.

On the 2016 "battery day," several entities organized battery drives so they could be recycled.

**To continue this momentum and extend it to all group entities, a General Organization mission was launched at the end of 2016 to optimize management of all group waste (excluding construction waste).** The Brest Chamber of Commerce and Industry was tasked with conducting an initial analysis of the Brest central departments scope in early 2017.

## 5.4.2.3 Responsible resource management

### Energy

The group and its subsidiaries, primarily Fortuneo and Armorique Habitat, anticipated the changing standards with their new buildings.

Fortuneo's new headquarters, on which construction began in August 2016 and which will be completed at the end of 2017, will receive the positive energy building label (BEPOS): energy consumption will be 40% below the level defined in current regulations and some of the energy will be produced on-site thanks to the installation of photovoltaic solar panels. The new building will also be labelled high environmental quality (HQE), by placing a greater emphasis on the three targets viewed as priorities in the program (harmonious relationship between the building and its environment, upkeep and maintenance management, sanitary quality of the water): this means ensuring that each service considered and euro invested generate maximum environmental efficiency.

Armorique Habitat continues its systematic efforts in favor of certified High Energy Efficiency buildings, and supports innovative projects to promote energy savings and the reduction of expenses for renters. In 2016, Armorique Habitat pursued its active energy transition policy with the renovation of 134 individual units in 21 municipalities (target reached of moving from the "F or G" energy efficiency classification to "C or B"); construction of four passive energy test houses (the efficiency expected is 0 kWh of energy consumption for the tenant); and positive energy building label for a complex of eight apartments equipped with rooftop photovoltaic panels aiming to produce more energy than is consumed, so the excess can then be resold.

In 2015, Suravenir began major renovations of the heating system at its headquarters, with the aim, among others, of eliminating air conditioning. The impact on energy consumption was reflected in a 23% reduction in electricity use in 2016 and a 12% decrease in gas use. For its investment properties, Suravenir will develop tools for measuring, monitoring and managing the different environmental, social and governance (ESG) indicators targeted by the Energy Transition Law.

Two other subsidiaries, Foncière Investissement and Arkéa Immobilier Conseil, pursue the same long-term collaborative social responsibility approach with sustainable building developers.

The group's proactive actions also seek to optimize consumption in the workplace.

The local savings banks in the Crédit Mutuel Arkéa networks comply with the law to turn off window lighting between 11 PM and 6 AM.

In 2015, Crédit Mutuel Arkéa began implementing insulation of the data center cold aisles with doors. The goal is to have a smaller volume of air to cool, and for the warm air to be nearer to the heating systems to reduce energy use. There is also a new storage system in the data centers, with Flash technologies that use less energy than the previous generation. In 2016, the IT teams made some changes to reduce the digital footprint of certain files. Also in 2016, the IT teams began their server virtualization, with the goal of decreasing the number of servers from 1,500 to some 150. This process will reduce the group's energy costs by 5%. The transfer of Monext's cold site in Aix to the Junon sites in Chantepie will also help reduce the group's energy consumption.

#### **Paper**

The central departments and federations are intensifying their efforts to reduce paper volumes by:

- generalizing two-sided printing as the default for printing systems;
- generalizing the use of remanufactured (second life) consumables.

The group is also continuing to upgrade its printer inventory, eliminating individual printers, configuring for black and white printing by default, and raising employee awareness of environmentally friendly practices. A statistical dashboard placed above each copier now raises users' awareness about their usage. Email communication is preferred both internally and with customers.

With electronic signature of documents for its entire line, Fortuneo allows its customers to complete all application materials for every product in its range online. A campaign was conducted in October 2016 to encourage customers of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations to go paperless. These three federations also offer electronic signatures for certain products, including savings accounts. In 2016, Crédit Mutuel Arkéa launched a novel offer in France: a fully online mortgage that allows customer shareholders and customers to complete all steps of the mortgage application process from their personal area. The customer experience is completely paperless. Financo also launched an all-digital project that allows for paperless applications and the transfer of supporting documents on the general household equipment market.

Finally, all the papers supplying photocopy stations comply with Forest Stewardship Council (FSC) and Program for the Endorsement of Forest Certification (PEFC) standards for sustainable forest management and product traceability.

#### **Water**

Crédit Mutuel Arkéa has no difficulties with water supply, as the group's activities are located in France and Belgium.

Equipment to reduce water use was installed in the central department buildings (pressure reducers on water faucets and low-water flush system) and in the three federations' new local savings banks.

#### **5.4.2.4 Responsible purchasing policy**

Environmental issues are taken into account in calls for tender involving environmental constraints:

- Environmental expectations are specified in advance concerning the products and materials used, as well as technical processes.
- When assessing the bids, an environmental criterion is included to favor the suppliers and subcontractors that apply the best practices. This criterion might be based on products, techniques used (manufacturing process, waste management, supply and delivery pathways, etc.), or certifications.

Specifically, this means using Ecolabel products for cleaning services, the use of supplies with a “green” label, or management of green spaces that better addresses the protection of local plants and animals.

Bonuses have also been granted to suppliers and subcontractors who are implementing a self-owned fleet, or those who maximize recovery of waste generated.

Under the new office supplies contract and in order to reduce the environmental impact of certain purchases, a bonus/penalty system was put in place in January 2016 to reduce low-value procurement and thus optimize transportation and reduce the environmental impact of deliveries.

The printer cartridge recycling loop has been optimized to improve product traceability and processing.

#### **5.4.2.5 Proactive and innovative action for transportation**

Building on the group mobility plan launched in 2010, a company mobility plan for the group headquarters has been in place since March 2014. It includes:

- The introduction of shuttles between headquarters and public transportation services (TER-Tram-Bus);
- The creation of a parking area reserved for carpools in the parking lots at headquarters. Some of the subsidiaries also have parking spots reserved for carpools.
- The creation of a carpool club and a bicycle club.
- Locker storage for bicycles, etc.
- The installation of transportation information points in the three entry halls and on the intranet.
- Improved outside signage.
- The creation of a dedicated space on the Intranet portal to promote local carpooling.

In 2016, an agreement was signed for the UES, between the employer and the four representative labor unions, which provides for payment of a bicycle mileage allowance to employees (both on staff and interns) who commute by bicycle or electric bicycle.

Hybrid and electric vehicles are now offered as company cars and a CSR score is provided for each vehicle to guide the user’s selection.

In 2016, the CFCAL and Armorique Habitat subsidiaries implemented or initiated bike rack projects.

Crédit Mutuel Massif Central participated in the “A different way to get to work” mobility challenge campaign, which promoted alternative means of transport, by posting it on social networks and incentivizing employees to use other forms of transportation.

Since 2007, Novelia has had a company mobility plan certified by Rennes Métropole. This plan contains a set of measures (full reimbursement of public transport passes, etc.) and regular employee communication and awareness-raising actions (to promote cycling, walking, carpooling, etc.).

During the 2016 European mobility week, a film raising awareness about the group’s carbon footprint and the company mobility plan was made available to all group employees. A questionnaire was sent to central department employees to learn more about their practices and was used to develop an action plan.

At that time, for the third year in a row, Crédit Mutuel du Sud-Ouest encouraged its employees to think about ways to make their travel more “sustainable.” They were invited to carpool, use public transport, ride a bike or walk to work, and then to report the miles traveled on a site dedicated to the mobility challenge. For many years, CMSO has supported players who help promote alternative means of transport. This is true, in particular, for Bluecub and its electric cars, which Bordeaux local savings bank advisors can use for work-related trips downtown, and also for the partnership with Boogi, the short-distance car-sharing app, which has been tested in the Bordeaux metropolitan area.

In September 2016, the HR department also reminded employees of best practices for business travel.

Finally, video conferencing continues to be preferred within the group and its use increased in 2016. Information on how to use video conferencing was provided to employees on the Brest campus and to all of the group's CSR advisors.

#### 5.4.2.6 The group's carbon footprint

The group performed a carbon audit in 2016, based on 2015 data, and in accordance with the "Bilan Carbone" method.

Each group division received its carbon footprint so it would be able to see where it stood relative to the group average and then formulate an action plan for its scope.

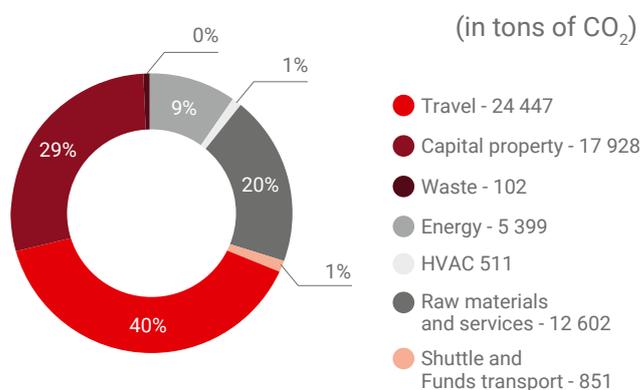
A film raising awareness of the group's carbon footprint was made available to all group employees on the intranet.

The group's carbon footprint was 61,841 tons of CO<sub>2</sub> for fiscal year 2015.

Because of its significant regional coverage, the group decided to include commuting in scope 3.

The group's carbon intensity (scope 1 and scope 2) was 3.98 tons of CO<sub>2</sub>/million euros of net banking and insurance income for 2015.

#### Breakdown of Crédit Mutuel Arkéa's global greenhouse gas emissions 61,841 tons of CO<sub>2</sub>



EMISSION CATEGORIES	NUMBERS	EMISSION ITEMS	SOURCE	TOTAL (TONS OF CO <sub>2</sub> )
Direct GHG emissions (scope 1)	1	Direct emissions from fixed combustion sources	Direct emissions from fixed combustion sources	1,419
	2	Direct emissions from mobile sources with combustion engines	Direct emissions from mobile sources with combustion engines	2,240
	4	Direct emissions leaks	Direct emissions leaks	511
<b>SUBTOTAL</b>				<b>4,170</b>
Indirect emissions associated with energy (scope 2)	6	Indirect emissions related to electricity consumption	Electricity at the sites	2,908
<b>SUBTOTAL</b>				<b>2,908</b>
Other indirect GHG emissions (scope 3)	8	Emissions related to energy not included in items 1 to 6	Same item 1 and 6	1,651
	9	Purchase of products or services	Paper, ink and services	12,602
	10	Capital property	Building, vehicle and computer equipment property	17,928
	11	Waste	Treatment of conventional waste	102
	12	Upstream transportation of goods	Fund transport and internal shuttles	851
	13	Business travel	Travel by car, rail and air	4,898
	23	Commute from home to work	Employee travel	16,730
<b>SUBTOTAL</b>				<b>54,763</b>
<b>TOTAL</b>				<b>61,841</b>
<b>Emission de GES par ETP</b>				<b>6.8</b>

### Crédit Mutuel Arkéa's carbon footprint

In 2016, Leasecom renewed its partnership with the "CO2 Account" program established by the 450 company. This partnership offers a way to offset the carbon emissions of all equipment leased by Leasecom by providing financial assistance to households and companies that change their habits to participate in the fight against global warming.

As consumption by Leasecom's leased equipment was estimated at 2,328 tons of CO2 at December 31, 2015, a contribution of €30,729.60, including tax, was made to the 450 company in 2016 as an offset under the "CO2 Account" program.

### 5.4.2.7 Preserving biodiversity

Nesting boxes have been installed at group headquarters in Brest. Some grassy areas have been maintained, flowering and natural fields have been introduced with delayed cutting to foster biodiversity.

To preserve biodiversity and help grow the local economy, Suravenir Assurances adopted five beehives through a local beekeeper in the summer of 2016.

This is a way to help save the environment by building new bee colonies and raising employees' awareness of the importance of bees to the planet. After they adopted the five hives, employees began to receive regular information about the steps leading up to the honey harvest.

### 5.4.2.8 Environmental indicators

CRÉDIT MUTUEL ARKÉA SCOPE	2014	2015	2016
ENERGY CONSUMPTION (GWH)	53	55	50
WATER CONSUMPTION (THOUSANDS OF M <sup>3</sup> )	54	58	58
CONSUMPTION OF PAPER (METRIC TONS)	1,606	1,630	1,679
■ of which paper for internal use	575	553	452
■ of which paper for external use	1,031	1,078	1,228

TRAVEL	2014	2015	2016
Business travel - Air (km)	8,518,810	9,477,371	10,628,799
Business travel - Rail (km)	3,823,226	4,042,942	4,077,831
Business travel - Car (km)	18,492,797	22,313,234	21,838,831

VIDEOCONFERENCES	2014	2015	2016
Number of videoconferencing systems	74	77	83
Number of videoconferences	5,186	4,195	8,235

### 5.4.3 Fair trade practices

#### 5.4.3.1 Professional conduct and anti-corruption

As part of its corporate social responsibility, the group pledges to conduct its business competently, diligently, faithfully and fairly.

The UES's code of ethics identifies the company's professional conduct commitments. It gives employees general knowledge of the various rules of conduct they must follow and provides easy reference by compiling existing texts and guidelines, such as the internal regulations of the UES and the code of professional conduct covering financial instrument transactions applicable throughout the company.

In addition to reiterating the general rules of good conduct, the

code also includes rules on transactions originated by employees for their own account, transactions carried out on the financial markets, the use of IT equipment and communication within the company.

With respect to financial instruments, network and central department employees who carry out transactions on financial instruments are subject to specific professional conduct and best practices training.

**The group has a conflict of interest management policy that was approved by the Board of Directors of Crédit Mutuel Arkéa on August 26, 2016.** It establishes the rules applicable to all group entities for preventing, identifying and managing potential or actual conflicts of interest. The policy for preventing and managing conflicts of interest specific to investment services is included in

this approach.

Crédit Mutuel Arkéa directors were educated on the topic in December 2016.

The group has developed a number of systems to protect against corruption risks. For example:

- The internal regulations contain measures specific to people working in businesses likely to lead to conflicts of interest or who have access to inside information ("relevant persons").
- Regarding the Purchasing department's choice of suppliers, when entering into a new relationship, a two-person recommendation committee meets with the supplier.
- An anti-corruption task force, in compliance with the obligations on transparency, anti-corruption and modernization of the economy, was established in 2016. Its purpose is to further strengthen the current systems.

#### 5.4.3.2 Protecting customers

Customer protection frameworks have been put in place within the group aimed at strengthening:

- The group's best business practices,
- The quality of the response to customers' needs,
- The monitoring of advertising campaigns, contracts, products and services.

As such, the group has strengthened the "customer" approach in the areas of banking mobility, basic account rights, banking inclusion, customer complaint processing, and know-your-customer in the distribution of savings products.

In banking mobility, a group system defines the overall framework for implementing mobility support services for group entities that have deposit account and/or payment activities for individuals in order to guarantee customers service that complies with legal, regulatory and normative requirements. All entities involved in this business must implement the framework.

With regard to basic account rights, a group framework defines the overall framework for implementing basic account rights by the group's entities that have a deposit account activity, in order to guarantee customers service that complies with legal, regulatory and normative requirements. All of the group entities that have a

deposit account activity must implement this framework.

With respect to banking inclusion, a group framework has been developed based on the banking inclusion and insolvency prevention charter approved by the administrative order of November 5, 2014. It defines the overall framework for implementing the regulatory requirements to be complied with by credit institutions, payment institutions, electronic money institutions, and group financing companies for people in fragile financial situations.

In the area of customer complaint processing, providing the best possible service to its customers is a constant concern for Crédit Mutuel Arkéa. Accordingly, to fulfill the requirements of AMF Instruction No. 2012-07 and ACPR Recommendation No. 2015-R-03 of February 26, 2015, the group framework defines the overall framework for implementing customer complaint processing within Crédit Mutuel Arkéa to best protect its customers' interests. All of the group entities that process complaints must implement this framework.

The know-your-customer framework procedure for savings product distribution sets out the key know-your-customer concepts under the duty to advise with regard to savings product distribution. The purpose of this framework is to reiterate key concepts, define the organization and responsibilities within Crédit Mutuel Arkéa and define the general principles and guidelines to be complied with by all relevant entities.

#### 5.4.3.3 Data protection and security

To strengthen best practices for the protection of personal data and ensure a consistent approach in this area, the group has appointed a data protection correspondent, as provided for in French law, to cover its entire scope.

A framework document defines the group's operating principles and modalities with regard to the French data protection act of January 6, 1978. A network of around 30 local contacts has been activated from various fields of expertise (human resources, legal, security and IT systems, training and promoting awareness, risks, control and compliance, cross-functional organization and projects).

With this system and its implementation requirements (defined by France's data protection agency CNIL), the group pays specific and sustained attention to the personal data contained in or transiting through its information systems.

Human Resources provides the UES with an information space and rules for the secure use of the Internet, IT tools, files and company data on the group's intranet. The aim is to inform all employees of the legal provisions and in-house rules for the secure use of these tools and data. It details and updates the texts that apply within the company, and in particular the internal regulations and ethics agreement concerning the use of data from technical and IT applications.

A corporate agreement on "Ethical use of data from technology and IT applications" was also signed in 2009.

Several awareness campaigns on cybersecurity risks targeted employees during 2016.

The IT system security policy covers workstation and server security. As such, the systems in place are reassessed on a regular basis.

Furthermore, the servers are hosted in highly secure datacenters, the infrastructure has been urbanized and network segmentation has been implemented. Penetration testing is conducted periodically both in-house and by outside companies with IT security expertise. Sensors and indicators for monitoring IT services relay the alerts processed by the IT departments' expert units.

The group has developed formal incident response and crisis management plans.

#### **5.4.3.4 Combating money laundering, terrorism financing and tax evasion**

The system to combat money laundering and terrorism financing applies in the entities subject to this regulation. It is integrated into the internal control system defined in accordance with the provisions of the administrative order of November 3, 2014 concerning internal control. This system was approved by the group's Compliance and Permanent Control Committee.

The applicable IT tools rely on an automated monitoring system that detects transactions that exhibit predefined characteristics, and filters transactions with respect to lists of individuals whose assets have been frozen. The system generates alerts that are processed by customer managers or anti-money laundering and terrorism financing analysts according to a risk rating system. A network of Tracfin correspondents is assigned to the group's subsidiaries subject to AML/CTF.

Procedures are in place to prevent transactions from or towards countries that have been sanctioned by the EU and French regulators.

In accordance with the agreements signed by France and the United States, Crédit Mutuel Arkéa and its subsidiaries subject to FATCA registered with the US tax administration and were listed as compliant financial institutions on the first list published by the IRS.

Furthermore, in the context of implementation of the standard on the automatic exchange of information about financial accounts in tax matters (OECD common reporting standard, or CRS), Crédit Mutuel Arkéa and the relevant subsidiaries have adjusted their procedures and IT systems to apply this new framework for combating tax evasion.

Every company implements a training program tailored to its activities. New employees participate in an integration program which includes training on the fight against money laundering and terrorism financing. Training is also regularly provided to employees and directors to reflect changing laws and regulations, and employees' degree of exposure to money laundering/terrorism financing risks.

The results of the application of the anti-money laundering and terrorism financing system are regularly presented to the group's Compliance and Permanent Control Committee, Audit and Risks Committee and Board of Directors. In 2016, Crédit Mutuel Arkéa transmitted 603 declarations of suspicion to Tracfin, compared with 563 in 2015.

Crédit Mutuel Arkéa has no subsidiaries outside the eurozone and does not offer offshore banking services to its customers and customer shareholders. The group is not present in any tax havens as defined by the OECD.

#### 5.4.3.5 Compliance

In accordance with article 37 of the administrative order of November 3, 2014 on internal control of banking sector, payment service and investment service companies subject to oversight by the French Prudential Supervisory Authority (Autorité de contrôle prudentiel et de résolution) and with the AMF General Regulation (article 313-71 on asset management companies), the group has a system in place enabling any employee to question the compliance officer for their entity concerning any possible dysfunction in the implementation of compliance obligations with respect to activities inherent to the entity's corporate purpose.

This system was enhanced in 2016 to incorporate the new regulatory requirements on whistleblowing. The French Monetary and Financial Code (articles L.511-33 II, L.511-41 III and L.531-12 II) now provides for the right of employees of credit institutions, investment firms, financing companies, holding and mixed holding financial companies and parent companies of financing companies subject to ACPR control to report breaches or offenses committed or likely to be committed directly to the ACPR.

No employee may be penalized for deciding not to use this right or for using it in good faith. The confidentiality of the information provided must be respected and there must be no discrimination against the whistleblower.

The enhanced framework was approved by the Board of Directors of Crédit Mutuel Arkéa on August 26, 2016.

Moreover, in accordance with the administrative order of November 3, 2014 on internal control calling for implementation of procedures for systematic prior approval by the compliance department of new products or major changes, the group decided to submit for the compliance department's prior approval any new products, projects, services, new activities or major changes to pre-existing products intended for customers which may have an impact in terms of risks for the group and/or customers, as well as Crédit Mutuel Arkéa's acquisition projects and investment projects.

The system applicable to all group entities, regardless of their business, must be adapted operationally by the entities.

Lastly, to strengthen compliance governance and ensure that compliance risk is addressed within the group, the Compliance and Permanent Control Department has developed a consolidated map of compliance risks and identified the systems to reduce this risk. Permanent control actions addressing compliance issues supplement these systems.



# 5.5

## CSR indicators

### 5.5.1 Methodology note concerning CSR indicators

#### 5.5.1.1. Methodology

The CSR indicators listed in the tables of the CSR section of the Registration Document are part of a measurement and reporting methodology first developed in 2008 and updated annually.

This methodology organizes the rules for gathering, managing, calculating and consolidating indicators, their scope and the controls performed.

It is designed for the advisors and collectors in the three federations of Crédit Mutuel Arkéa, its subsidiaries and its central departments, which contribute to current CSR reporting, using a new application developed for this purpose in 2013. It defines the audit trail for both internal and external audits.

Each department in charge of collecting data is responsible for the indicators provided. The control is performed when the data are collected (separation of the collection and validation roles) and when they are consolidated (review of changes, inter-entity comparisons, etc.).

From a qualitative standpoint, the best practices included in the report are documented and approved by the relevant entities.

The approach used is based in particular on:

- Crédit Mutuel Arkéa's CSR strategy,
- article 225 of the Grenelle 2 law,
- the French New Economic Regulations law,
- the Energy Transition law,
- the French Environment and Energy Management Agency (ADEME) method (V2) for preparing greenhouse gas emissions balance sheets,
- ongoing discussions with stakeholders,
- the cooperative principles of the International Cooperative Alliance (ICA),

- the Statement of Cooperative Identity,
- the Global Compact (Crédit Mutuel Arkéa has been a member since the end of 2015),
- the transparency code of the French Financial Management Association – Forum for Socially Responsible Investment (AFG-FIR).

#### 5.5.1.2. Reporting scope

The scope covered by the reporting process corresponds to the Crédit Mutuel Arkéa group as a whole, as defined by the financial consolidation. Equity-accounted subsidiaries are therefore excluded from the collection scope. In 2016, this applied to Primonial.

If an entity is created or acquired during the year, it is excluded from the report. For 2016, this applied to one subsidiary, Keytrade, which was acquired in June 2016. It was therefore excluded from the scope for 2016.

The Leetchi subsidiary, acquired in 2015, was included in the 2016 report for the first time.

#### 5.5.1.3 Reporting period

This report covers calendar year 2016 (January 1 to December 31) with the exception of data on the group's carbon footprint, which are provided for calendar year 2015.

Energy data (gas, electricity and heating oil) are collected on a sliding one-year basis, from December 1 to November 30.

#### 5.5.1.4 Methodological specificities of the indicators

For social data, the scope is that of the group unless otherwise specified. When that is not the case, it is clarified that the scope covers the scope of the UES, which comprises nearly three-fourths of the group's employees (employer entities: Crédit Mutuel Arkéa, Crédit Mutuel du Sud-Ouest, Crédit Mutuel Massif Central, Federal Finance, Federal Finance Gestion, Arkéa Banque Entreprises et Institutionnels, Arkéa Crédit Bail and Arkéa Capital Gestion).

Clarifications about certain social indicators:

- Workforce means excluding service staff.
- The total number of calendar days of absence includes the following absences by employees under permanent contract, fixed term contract, or work-study: paid sick leave, unpaid sick leave, sick leave without a medical certificate, workplace and commuting accidents, special leave, leave for parents of sick children, long-term leave without pay (lasting longer than one month), sabbatical leave, maternity and parental leave, and disability leave.
- Absences not accounted for are paid vacation or contract-based leave (RWD, seniority, marriage, etc.) and paternity and adoption leave.
- The payroll expenditures invested in training include Fongecif subsidies and work-study training.
- Turnover is calculated as the ratio of the number of departures to the average workforce during the year.

For environmental data, given the group's business, noise pollution, pollution and soil impacts are not significant. Analysis of these risks is thus not included in the current report. Crédit Mutuel Arkéa did not recognize any environmental provisions in its environmental risk accounting.

Clarifications about certain environmental indicators:

- Water use concerns use actually observed for all group entities, with the exception of use by the Crédit Mutuel de Bretagne entities, which is estimated based on average water use per employee.
- The calculation of non-group paper consumption for Suravenir excludes copies required by regulation.

#### **5.5.1.5 External verification process**

To obtain an external opinion on the reliability and fairness of the non-financial data, Crédit Mutuel Arkéa has hired Mazars, as independent third party, to verify the inclusion and fairness of the information provided in this report, as specified in Article L225-102-1 of the French Commercial Code.

The assurance report issued by the independent third party and detailing the work done, along with its comments and findings, is included in this registration document.

## 5.5.2 Summary tables of CSR indicators

CSR INDICATORS LIST	CSR INDICATORS	2016 DATA
	GOVERNANCE	
	CUSTOMER SHAREHOLDERS - CUSTOMERS	
GOUV61	Number of local savings bank customers	2,290,293
GOUV62	■ of whom individuals	2,091,451
GOUV63	Number of customer shareholders	1,482,077
GOUV63-1	Number of customer shareholders last year	1,454,038
GOUV65	% of customer shareholders among individual customers	70.9%
GOUV80	Average amount of share capital owned (in euros)	1,480
GOUV83	Amount of compensation for share capital paid in year N for the previous year (euros)	39,168,854
GOUV68	Number of customer shareholders present and represented at shareholders' meetings (local savings banks)	48,122
GOUV70	% of participation in voting	3.3%
	DIRECTORS OF LOCAL SAVINGS BANKS	
GOUV03	Number of local savings banks	334
GOUV04	Number of directors - local savings banks	3,468
GOUV29	■ of which women	1,330
GOUV06	Number of local savings bank boards	3,479
GOUV31	Number of women chairpersons of local savings banks	81
GOUV31-1	% of women chairpersons of local savings banks	24.3%
GOUV07	Number of directors summoned to local savings bank Board meetings	36,662
GOUV08	Number of directors present at local savings bank Board meetings	25,756
GOUV14	Number of new directors - local savings banks	125
GOUV15	■ of which women	55
GOUV34	% of women among the new directors	44.0%
GOUV18	Number of new chairpersons - local savings banks	17
GOUV19	■ of which women	9
GOUV35	% of women among the new chairpersons	52.9%
	DIRECTORS OF FEDERATIONS	
GOUV05	Number of directors - federations	117
GOUV30	■ of which women	35
GOUV16	Number of new directors - federations	26
GOUV17	■ of which women	5
GOUV20	Number of new chairpersons - federations	0
GOUV34-F	% of women among the new federation directors	19.2%
	DIRECTORS OF CRÉDIT MUTUEL ARKÉA	
GOUV01	Number of members on the Board of Directors of Crédit Mutuel Arkéa	20
GOUV02	of which women	6

CSR INDICATORS LIST	CSR INDICATORS	2016 DATA
	<b>CRÉDIT MUTUEL ARKÉA GROUP TRAINING</b>	
GOUV55	Number of directors or officers who received at least one training course during the year	1,697
GOUV56	Total number of training hours dispensed	15,123
GOUV58	% of directors trained	48.9%
GOUV 59	Duration of training per director trained (in hours)	9
	<b>SOCIETY</b>	
SOT01	Number of Crédit Mutuel Arkéa Group points of sale in France and abroad	496
SOT01A	Number of Crédit Mutuel points of sale	456
SOT01-1	Number of Crédit Mutuel Arkéa Group points of sale outside France	3
SOT01C	Periodic points of sale	642
	<b>Microcredit</b>	
	<b>Personal supported microcredit (partnerships)</b>	
SOT10	Number of microloans granted in the year	401
SOT11	Average amount of granted microloans (in €)	2,119
SOT13	Amount of microloans financed in the year (in €)	849,762
	<b>ADIE intermediated business microcredit</b>	
SOT16	Number of intermediated business microloan applications	526
SOT17	Available amount of credit lines (in €)	1,684,749
	<b>Other supported business microcredit</b>	
SOT201	Number of supported business microloans granted during the year (in the framework of a partnership)	0
SOT202	Amount of local microloans granted locally by the group (in €)	0
	<b>SRI - ESG</b>	
SOT28	SRI assets (in €)	1,283,415,578
SOT28LNOV-ISR	SRI assets - with NOVETHIC SRI certification (in €)	1,095,909,666
SOT87	ESG assets (in €)	4,198,703,984
	<b>Voting policy</b>	
SOT29	Rate of approval of resolutions	72%
SOT30	Number of shareholders' meetings in which the company participated	114
	<b>Solidarity savings</b>	
SOT31	Overall solidarity savings assets (in €)	27,955,006
SOT32	of which donated to associations	107,905
SOT31-1	DAT solidarity savings (KEREA) assets (in €)	500,000
SOT33	Solidarity savings account (Livret Solidaire) assets excluding capitalization (in €)	21,132,304
SOT33LFinansol	Savings deposits for products with FINANSOL certification	21,132,304
SOT37	Employee solidarity savings deposits (in €)	6,322,702

CSR INDICATORS LIST	CSR INDICATORS	2016 DATA
	<b>Associations market</b>	
SOT40	Number of non-profit customers (associations, unions, works councils, etc.)	68,917
	<b>Corporate giving and sponsorship</b>	
SOT52	Overall budget dedicated to corporate giving and sponsorship (in €)	4,427,193
	<b>Loans for renewable energies and energy efficiency</b>	
SOT63	Number of interest-free Eco loans granted in the year	979
SOT64	Average amount of interest-free Eco loans granted (in €)	16,624
SOT65	Total amount of interest-free Eco loans granted (in €)	16,275,039
SOT69	Number of projects financed	69
	<b>Products and services with social purpose</b>	
SOT71	Regulated social loans outstanding (PLS, PSLA) (in €)	1,086,753,631
	<b>Mediation</b>	
SOT75	Number of eligible files	214
SOT77	Number of decisions favorable to the customer	76
	<b>LABOR</b>	
	<b>Workforce</b>	
SOC01bis	Physical person workforce	9,539
SOC02	■ of which France	9,443
SOC03	■ of which outside France	96
SOC05	■ of which non-management	4,273
SOC06	■ of which not men	4,132
SOC07	■ of which not women	5,407
SOC01	Total FTE workforce	9,241
SOC08	Permanent contract workforce	8,587
SOC08bis	■ of which women	4,797
SOC08NC	■ of which non-management	3,541
SOC12	% of employees under permanent contract	93%
	<b>Recruitment</b>	
SOC13	Total number of hires	1,815
SOC15	■ of which women	1,123
SOC16	■ of which permanent contracts	664
SOC17	Number of interns and apprentices hosted during the year	1,033
SOC18	Conversion rate (permanent and fixed-term contracts) as %	30.9%

CSR INDICATORS LIST	CSR INDICATORS	2016 DATA
	<b>Dismissals and reasons</b>	
SOC19	Number of employees under permanent contract who left the organization	509
SOC20	■ of which dismissals	43
SOC21	Turnover (%)	4.2 %
	<b>ORGANIZATION, WORKING HOURS AND ABSENTEEISM</b>	
	<b>Organization of working hours</b>	
SOC31	% of full-time employees	93.4 %
SOC32	% of part-time employees	6.6 %
	<b>Absenteeism and reasons</b>	
SOC38	Total calendar days of absence	177,282
SOC39	■ of which illness	173,944
SOC40	■ of which workplace accidents	3,338
SOC43	Number of work-related illnesses	0
	<b>Health and safety conditions</b>	
SOC44	Number of reported workplace accidents with work absence	57
	<b>Training and employment integration</b>	
SOC46	Total payroll invested in training (in €)	19,026,897
SOC47	% of total payroll dedicated to training	4.7 %
SOC48	Number of employees who received at least one training course	7,444
SOC49	% of employees trained	78 %
SOC50	Total number of hours devoted to employee training	186,997
SOC51	Average number of training hours per year and per employee who took training	25
SOC52	% of annual performance reviews completed	90 %
	<b>Gender equality at work</b>	
SOC59	Number of female managers	2,267.00
SOC60	% of female managers	43.9%
SOC64-4	% of female members of the Executive Committee	29.5%
SOC64-5	% of female members of the General Coordination Committee	27.2%
SOC64-3	% of female senior managers	18.2%
SOC64-2	% of female executive managers	22.2%
SOC64-1	% of female second-level managers (department managers at headquarters and directors of the regional units in the networks)	20.0%
SOC61	Number of managers promoted during the year to a higher-level function	447
SOC62	■ of which women	235

CSR INDICATORS LIST	CSR INDICATORS	2016 DATA
	<b>Gender equality at work</b>	
SOC63	% of women promoted to manager	52.6 %
SOC110	Women who received a wage adjustment under the gender equality at work budget allocation	242
	<b>Employee dialogue</b>	
SOC67	Number of condemnations for hindrance (in France)	0
SOC78	Number of consultations with personnel representatives (works council, CHSCT, DP)	512
SOC79	Number of information procedures with personnel representatives (works council, CHSCT, DP)	287
SOC81	% of employees covered by a collective bargaining agreement	98 %
	<b>Employment and integration of workers with disabilities</b>	
SOC68	Number of workers with disabilities	315
SOC71	% of people with disabilities in the total workforce	3.3 %
	<b>Compensation and its increases</b>	
SOC73	Gross total payroll (in €)	403,447,804
SOC74	Average gross annual compensation (in €) - all levels, permanent contracts	44,786
SOC75	Average gross annual compensation (in €) - non-managers, permanent contracts	30,807
SOC76	Average gross annual compensation (in €) - managers, permanent contracts	54,595
SOC107	Total gross annual compensation (in €) permanent contracts	384,564,654
SOC108	Total gross annual compensation (in €) non-manager permanent contracts	109,078,757
SOC108-F	France portion of consolidated group (in €)	106,390,389
SOC109	Total gross annual compensation (in €) manager permanent contracts	275,485,278
	<b>ENVIRONMENTAL</b>	
	<b>Water (m3)</b>	
ENV04	WATER CONSUMPTION (m3)	58,072
	<b>Energy (kWh)</b>	
ENV05	TOTAL ENERGY CONSUMPTION (kWh)	50,496,805
ENV05-1	of which steam heating - urban grid, invoiced by metric ton of water returned (kWh)	287,575
ENV05-2	■ of which cold water in the urban network, invoiced (kWh)	239,071
ENV06	■ of which electricity (kWh)	43,741,209
ENV07	■ of which gas (kWh)	5,671,816
ENV08	■ of which heating oil (kWh)	557,134

CSR INDICATORS LIST	CSR INDICATORS	2016 DATA
	Paper (metric tons)	
ENV09	CONSUMPTION OF PAPER (metric tons)	1,679
ENV10	■ of which paper for internal use (metric tons)	452
ENV11	■ of which paper for external use (outside use: printing, communication, customer statements, checkbooks, etc.) (metric tons)	1,228
ENV12	Purchasing/Suppliers - % of purchased paper recycled	6%
ENV15	Weight of paper recycled (metric tons)	580
ENV13	Consumption of toner cartridges (number of cartridges purchased)	18,698
ENV16	■ Of which number of toner cartridges recycled	11,941
ENV14	% of purchased toner cartridges recycled (Purchasing/suppliers)	63.9%
	Travel (km)	
ENV18	Business travel - Air (km)	10,628,799
ENV19	Business travel - Rail (km)	4,077,831
ENV20	Business travel - Automobile fleets (km)	11,358,600
ENV23	Business travel with private vehicles (km)	10,480,231
ENV29	Mail management: interbank and inter-business shuttles + currency transport (km)	1,783,774
ENV21	Number of liters of gasoline consumed by the company fleet	15,339
ENV22	Number of liters of diesel fuel consumed by the company fleet	666,105
	Direct emissions leaks	
ENV30	Refrigerant leaks from air conditioning installations (tertiary water and air conditioning) (kg)	261
	Systems for reducing environmental impact and greenhouse gas emissions	
ENV31	Number of videoconferencing systems	83
ENV32	Number of videoconferences	8,235
ENV34	Number of digitized documents and pages	60,156,000



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# General information

## Information relative to sites and activities within the consolidation scope as of December 31, 2016.

The main information with respect to sites as of December 31, 2016, drawn from the consolidated financial statements and compiled at the Country and Territory levels, is as follows:

(In thousand euros)

ZONE	COUNTRY	NBI	EMPLOYEES (FULL-TIME EQUIVALENT)	NET INCOME (LOSS) BEFORE TAX	CORPORATE INCOME TAX (*)	SUBSIDIES (*)
France	France	1,799,304	8,600	468,089	- 134,139	0
Other EU countries	Belgium	47,227	183	6,371	- 3,101	0
	Luxembourg	4,590	24	- 1,010	384	0
	Germany	0	0	174	0	0
Other European countries	Switzerland	867	8	- 400	- 10	0
North America	Canada	0	0	- 21	0	0
<b>GENERAL TOTAL</b>		<b>1 851 988</b>	<b>8 815</b>	<b>473 202</b>	<b>- 136 866</b>	<b>0</b>

## Information about the Company

**Registered company name and trade name:** Crédit Mutuel Arkéa

**Place of registration and registration number:**

Siren number: 775 577 018 Brest Corporate and Trade Register /  
APE Code: 651 D

**Creation date and incorporation period:**

The company was created on September 24, 1960 for a period of 99 years, i.e. its registration expires on September 23, 2059.

**Registered office:** 1 rue Louis Lichou, 29480 Le Relecq-Kerhuon

**Telephone:** +33 (0)2 98 00 22 22

**Fax :** +33 (0)2 98 28 46 32

**Legal form:**

The company is a French-incorporated variable capital credit cooperative. It is also a union of cooperatives.

It is subject to the following laws:

- law of September 10, 1947 on cooperatives;
- articles L 231-1 to L 231-8 of the French Commercial Code on variable capital;
- the provisions of the French Commercial Code on commercial companies;
- the provisions of the French Monetary and Financial Code on the

activity and control of credit institutions;

- articles L 512-55 to L 512-59 of the French Monetary and Financial Code and all laws related to Crédit Mutuel;
- the provisions of its by-laws and internal regulations.

## Nature of control over the company

The Group's basic unit is the local savings bank ("Caisse local"). Each local savings bank has a restricted area of operations and its capital is owned by customer shareholders in the form of shares. Crédit Mutuel Arkéa's capital is owned by the local savings banks of the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations. No agreement exists that is likely to result in a change of control in the company.

## Litigation and arbitration

As of the publication date of this Registration Document, neither the company nor any other member of the Crédit Mutuel Arkéa Group is or has been involved in any governmental, judicial or arbitration action (including any pending or imminent procedure about which the company has knowledge) that could have, or has had within the past 12 months, a material impact on the financial situation or profitability of the company and/or Crédit Mutuel Arkéa Group.

### Information relative to sites and activities within the consolidation scope as of December 31, 2016

The main information with respect to sites as of December 31, 2016 and compiled at the Country and Territory levels is as follows:

#### Major agreements

No major agreements (other than agreements entered into as part of the company's ordinary business) have been entered into that could bestow on any member of the Crédit Mutuel Arkéa Group a right or obligation that would have a material effect on the company's ability to fulfill its obligations pursuant to the financial securities issued on behalf of their holders.

#### Material changes in the company's financial situation

No material change in the company's financial situation has occurred since the end of the last fiscal year, and notably since the approval of the 2016 financial statements by the company's Board of Directors on March 3, 2017.

#### Audit of annual historical financial information and sources of financial information appearing in this document

For the 2016 fiscal year:

See statutory auditor's report for 2016.

For the 2015 fiscal year:

See statutory auditor's report for 2015.

For the 2014 fiscal year:

See statutory auditor's report for 2014.

This registration document does not include any other information audited by the statutory auditors, and all financial information appearing in this document is taken from the company's audited financial statements.

This registration document contains no information from third parties, statements of experts or statements of interest.

#### Earnings forecasts or estimates

This registration document contains no earnings forecasts or estimates.

#### Date of most recent audited financial information

The date of the most recent audited financial information is December 31, 2015. This information was certified by the Board of Directors on February 26, 2016 and will be submitted to the Shareholders' General Meeting for approval on May 4, 2017.

No quarterly or interim financial information has been published subsequent to the most recent audited financial statements.

#### Documents available to the public and documents incorporated by reference

During the period in which the registration document is valid, a copy of the following documents may, where applicable, be viewed:

- the company's by-laws;
- all reports, correspondence and other documents, historical financial information, assessments and statements prepared by an appraiser at the request of the company included in this registration document;
- the financial information of the Crédit Mutuel Arkéa parent company and Group for the fiscal years ending December 31 of 2016.

These documents may be viewed at the company's registered office during normal business hours. A copy of this Registration Document will be sent at no cost to any person requesting it. These documents may also be viewed on the company's web site ([www.arkea.com](http://www.arkea.com)).



# 7

# Person responsible

## **Person responsible for the information contained in this document**

Ronan Le Moal, Chief Executive Officer of Crédit Mutuel Arkéa.

## **Statement of the person responsible for this document**

After having taken all reasonable measures, I hereby certify that to the best of my knowledge, the information contained in this Registration Document is accurate and factual and that there are no omissions that would alter its meaning.

I received from the statutory auditors of the financial statements a work completion letter, in which they state that they have audited the information pertaining to the financial situation and financial statements presented in this Registration Document as well as to the overall presentation of the Registration Document.

The financial information presented in this Registration Document was reviewed in reports by the statutory auditors of the financial statements, with the observations contained in these reports appearing on page 259 of this Registration Document.

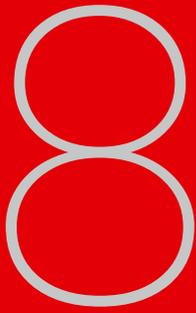
Historical financial information for the fiscal year ending December 31, 2014 appearing in Registration Document number D.15-0325 of April 13, 2015, incorporated by reference, was reviewed in a report of the statutory auditors of the financial statements, which contains observations. This report appears on page 173 of that Registration Document.

Historical financial information for the fiscal year ending December 31, 2013 appearing in Registration Document number D.14-0317 of April 9, 2014, incorporated by reference, was reviewed in a report of the statutory auditors of the financial statements, which contains observations. This report appears on page 188 of that Registration Document.

Relecq Kerhuon, 10/03/2017

Ronan Le Moal, Chief Executive Officer of Crédit Mutuel Arkéa





# Statutory auditors

## The company's 2016 consolidated financial statements were audited by:

### Principal statutory auditors:

#### **Mazars**

61, rue Henri Regnault  
Exaltis  
92075 La Défense Cedex - France

Represented by **Monsieur Charles de BOISRIOU**

Start of initial term: 1976

Expiration of current term: December 31, 2020 (following the financial statements closing)

The decision to renew the term of Mazars represented by Charles de Boisriou beginning with the 2012 fiscal year was made on May 6, 2015 for a six-year period.

and

#### **Deloitte & Associés**

185, avenue Charles de Gaulle  
BP 136  
92524 Neuilly-sur-Seine Cedex - France

Represented by **Monsieur Jean-Vincent COUSTEL**

Start of initial term: 2007

Expiration of current term: December 31, 2020 (following the financial statements closing)

The decision to renew the term of Deloitte & Associés represented by Jean-Vincent Coustel beginning with the 2014 fiscal year was made on May 6, 2015 for a six-year period.

### Alternate statutory auditors:

#### **Madame Anne VEAUTE,**

61, rue Henri Regnault  
Exaltis  
92075 La Défense Cedex - France

Start of initial term: 2012

Expiration of current term: December 31, 2020 (following the financial statements closing)

The decision to appoint Anne Veaute was made on May 6, 2015 for the term of Charles de Boisriou, i.e. six years.

and

#### **Société BEAS**

7-9, villa Houssay  
92524 Neuilly-sur-Seine Cedex - France

Represented by **Monsieur Pascal PINCEMIN**

Start of initial term: 2009

Expiration of current term: December 31, 2020 (following the financial statements closing)

The decision to appoint Société BEAS was made on May 6, 2015 for a six-year period.

# 9

# Statutory auditors' report

on the consolidated financial statements  
for the year ended December 31, 2016

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users.*

*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*

*This report also includes information relating to the specific verification of information given in the Group's management report.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Crédit Mutuel Arkéa;

- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

## **I - Opinion on the consolidated financial statements**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31<sup>st</sup>, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## II - Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments that we bring the following matters to your attention:

### Impairment provisions for credit and counterparty risk

Crédit Mutuel Arkéa records impairment provisions to cover the credit and counterparty risk inherent to its business, as described in notes « Loans and receivables due from financial institutions and customers » from the Accounting principles and evaluation methods applied, 1, 5, 6, 8 and 37 to the consolidated financial statements. We examined the control procedures applicable to monitoring credit and counterparty risk, impairment testing methods and determining individual and portfolio-based impairment losses.

### Measurement of financial instruments

Crédit Mutuel Arkéa uses internal models and methodologies to measure its positions on financial instruments which are not traded on active markets (as described in notes: « Measurement of fair value of financial instruments » from the Accounting principles and evaluation methods applied, 2, 3, 4, 18, 18a, 28a, 28b, 32 and 33 to the consolidated financial statements).

Our work consisted in examining the control procedures applicable to the models used to measure them; in evaluating the appropriateness of the data and assumptions; and in verifying that the risks and results related to these instruments were taken into account. We also reviewed the control procedures for the identification of financial instruments that can no longer be traded on an active market or whose valuation parameters are no longer observable and the data used to measure them.

### Impairment of available-for-sale assets

Crédit Mutuel Arkéa recognizes impairment losses on available-for-sale assets where there is objective evidence of a prolonged or significant decline in value, as described in notes 4, 8, 33 and 37 to the consolidated financial statements. We examined the control procedures relating to the identification of such evidence, the valuations of the most significant captions, and the estimates used, where applicable, to record impairment losses.

### Goodwill impairment tests

Crédit Mutuel Arkéa carried out impairment tests on goodwill which

did not lead to the recording of impairment losses during the year ended 31 December 2016, as described in notes « Property, plant and equipment, intangible assets and investment property » from the Consolidation principles and 16 to the consolidated financial statements. We examined the methods used to implement these tests and the main assumptions and inputs used. We also reviewed the determination and accounting treatment of goodwill.

### Deferred tax assets

Crédit Mutuel Arkéa recognized deferred tax assets during the year, notably in respect of tax loss carry forwards, as described in note 10 to the consolidated financial statements. We examined the main estimates and assumptions used to record these deferred tax assets.

### Provisions for employee benefits

Crédit Mutuel Arkéa raises provisions to cover its employee benefit obligations, as described in notes 23, 23a and 35c to the consolidated financial statements.

We examined the method adopted to measure these obligations, as well as the main assumptions and inputs used.

### Insurance

Some technical items specific to insurance companies of the Group, such as technical provisions, are estimated in the prescribed manner and using actuarial techniques. The methods of valuation and the amounts involved are described in notes « Accounting principles for the insurance business » from the Accounting principles and evaluation methods applied, 22, 34 and 34a to the consolidated financial statements. We examined the consistency of all assumptions and calculations used models as well as compliance assessments obtained with the requirements of the regulatory and economic environment.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III - Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

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

Neuilly-sur-Seine and Courbevoie, on April 10th, 2017

The Statutory Auditors *French original signed by*

**MAZARS**

Charles De BOISRIOU

**DELOITTE & ASSOCIÉS**

Jean-Vincent COUSTEL

# 10

# Statutory auditors' report

on the report of the Chairman of the  
Board of Directors

*Statutory Auditors' report, prepared in accordance with Article L.225-235 of the Code of Commerce on the report prepared by the Chairman of the board of Directors of the company.*

Ladies and Gentlemen,

In our capacity as Statutory Auditors of Crédit Mutuel Arkéa and in accordance with Article L.225-235 of the Code of Commerce, we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the Code of Commerce for the year ended December 31st, 2016.

The Chairman is responsible for preparing and submitting the approval of the Board of Directors a report describing the internal control and risk management procedures implemented by the company and disclosing other information as required by Article L.225-37 of the Code of Commerce, particularly in terms of corporate governance. It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,

- and to attest that this report contains the other disclosures required by Article L.225-37 of the Code of Commerce, it being specified that we are not responsible for verifying the fairness of these disclosures.

We have performed our work in accordance with the professional standards applicable in France.

**Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information.**

Professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information.

These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk mana-

gement procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Supervisory Board in accordance with Article L.225-37 of the Code of Commerce.

**Other disclosures**

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-3 7 of the Code of Commerce.

Courbevoie and Neuilly-sur-Seine, April 10th, 2017

The statutory auditors French original signed by

**MAZARS**

Charles De BOISRIOU

**DELOITTE & ASSOCIÉS**

Jean-Vincent COUSTEL

# 11

## Statutory auditors' report

### on related party agreements and commitments

#### **Annual General Shareholders' Meeting for the approval of the financial statements for the year ended 31 December 2016**

To shareholders,

In our capacity as Statutory Auditors of Credit Mutuel Arkéa, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, the main terms, conditions and purpose of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance nor substance nor identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code (Code de Commerce), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation with the implementation during the year of agreements and commitments already approved by the Annual General Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

#### **Agreements and commitments to be submitted for the approval of the annual general shareholders' meeting**

##### **Agreements and commitments authorized during the year**

We were not informed of any agreements or commitments authorized during the year to be submitted for approval at the Annual General Shareholders' Meeting pursuant to the provisions of article L.225-38 of the French Commercial Code.

##### **Agreements and commitments previously approved by the annual general shareholders' meeting**

Pursuant to article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved in previous years by the Annual General Shareholders' Meeting, continued to apply during the year.

##### **President's work contract**

On September 12th 2008, the Board of Directors approved the dispositions of the supplementary clause regarding the suspension of Jean-Pierre Denis's work contract, President of the Board of Director of Crédit Mutuel Arkéa. The supplementary clause of the work contract mentions the following dispositions:

- The date of the work contract suspension ;
- The reintegration conditions at the end of his mandate ;
- Taking into account his mandate in the calculation of his years of service as well as for all the rights linked to it ;

- The subscription of a private unemployment insurance during the time of the work contract suspension.
- The compensation terms in case of the termination of his work contract at Crédit Mutuel Arkéa's initiative, excluding termination for serious misconduct or willful misconduct, namely: compensation due in application of the law and the existing agreements applicable within Crédit Mutuel Arkéa and dismissal complementary compensation of a net amount equal to 18 months of gross salary.

### President's work contract

On May 7th 2010, the Board of Directors authorized the modification of the President's work contract regarding his compensation plan in the case of his termination at Crédit Mutuel Arkéa's initiative, excluding termination for serious misconduct or willful misconduct, in the following terms: amounts due in application of the law, the collective bargaining agreement and a dismissal complementary compensation of a net amount corresponding to 18 months of gross salary.

- In case of the termination of his work contract at Crédit Mutuel Arkéa's initiative, whatever the motive, excluding termination for serious misconduct or willful misconduct, as well as in the case of a conventional termination of his work contract, payment of a net compensation equal to two years pay (calculated based on the average monthly gross salary from the 12 months ahead of the termination, increased with the monthly gross variable from the last 3 years ahead of the termination) added to the amount due in application of the law and the existing agreements applicable within Crédit Mutuel Arkéa.

On April 6th 2012, the Board of Directors authorized the signature of a supplementary clause specifying the terms consented between Crédit Mutuel Arkéa and its President, regarding the conditions of his work contract suspension, and those applicable in the case of reintegration in his employee status. It also authorized the Human Resources Officer to reintegrate in the suspended work contract of the President, the evolutions of the social status applicable to the Group executive directors.

### Chief Executive Officer's work contract

On September 12th 2008, the Board of Directors approved the dispositions of the supplementary clause regarding the suspension of the CEO's work contract of Crédit Mutuel Arkéa. This supplementary clause mentions the following dispositions:

- The date of the work contract suspension;
- The reintegration conditions at the end of his mandate;
- Taking into account his mandate in the calculation of his years of service as well as for all the rights linked to it;
- The subscription of a private unemployment insurance during the time of the work contract suspension.

On May 7th 2010, the Board of Directors approved the modification of the last bullet points in the following terms:

- In case of the termination of his work contract at Crédit Mutuel Arkéa's initiative, whatever the motive, excluding termination for serious misconduct or willful misconduct, as well as in the case of a conventional termination of his work contract, payment of a net compensation equal to two years pay (calculated based on the average monthly gross salary from the 12 months ahead of the termination, increased with the monthly gross variable from the last 3 years ahead of the termination) added to the amount due in application of the law and the existing agreements applicable within Crédit Mutuel Arkéa.

On April 6th 2012, the Board of Directors authorized the signature of a supplementary clause specifying the terms consented between Crédit Mutuel Arkéa and its Chief Executive Officer on September 12th 2008 and April 10th 2010, regarding the conditions of his work contract suspension, and those applicable in the case of reintegration in his employee status. It also authorized the Human Resources Officer to reintegrate in the suspended work contract of the Chief Executive Officer the evolutions of the social status applicable to the Group executive directors.

Neuilly sur Seine and Courbevoie, April 10th 2017

The Statutory Auditors

**MAZARS**

Charles De BOISRIOU

**DELOITTE & ASSOCIÉS**

Jean-Vincent COUSTEL

# 12

# Report by the independent third party on the consolidated human resources, environmental and social information

## For the year ended December 31st, 2016

To the Shareholders,

In our capacity as independent third party, certified by COFRAC under number 3-1058<sup>1</sup> and member of Mazars' network, Crédit Mutuel ARKEA's Statutory Auditor, we hereby report to you on the consolidated CSR information for the year ended December 31<sup>st</sup>, 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

### Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the protocols used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

## Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

<sup>1</sup>. whose scope is available at [www.cofrac.fr](http://www.cofrac.fr)

Our work involved 4 persons and was conducted between February and March 2017 during a 3-week intervention period.

We performed our work in accordance with the professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000<sup>2</sup> concerning our conclusion on the fairness of CSR Information.

#### **I - Attestation regarding the completeness of CSR Information**

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, namely:

- the credit institution Crédit Mutuel Arkéa including the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations and the Crédit Mutuel savings banks belonging to these federations as well as Crédit Mutuel Arkéa;

- its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the sections "5.5.1 Methodological Note on CSR indicators" of the management report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

#### **II - Conclusion on the fairness of CSR Information**

##### **Nature and scope of our work**

We conducted about fifteen interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

2. ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information

Regarding the CSR Information that we considered to be the most important, we at the level of the Group's various departments and federations:

- referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

The selected sample represents 100% of headcount and 100% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

### Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Paris La Défense, April 10<sup>st</sup>, 2017

The independent third party

#### MAZARS SAS

Charles De BOISRIOU

#### ASSOCIÉ

Edwige REY  
Sustainable Development Partner

3. **Human resources information:** Workforce: women managers under permanent contract; Workforce: women non-managers under permanent contract; Workforce: women managers under non-permanent contract; Workforce: women non-managers under non-permanent contract; Workforce: women working abroad; Workforce: men managers under permanent contract; Workforce: men non-managers under permanent contract; Workforce: men managers under non-permanent contract; Workforce: men non-managers under non-permanent contract; Workforce: men working abroad; Number of employees under permanent contracts who left the company, of which dismissals; Total number of days of absence; Total gross annual compensation (in euros) of permanent contracts: breakdown by managers and non-managers; Percentage of personnel expenditures dedicated to training; Total number of training hours; Number of employee trained.

**Environmental information:** Total energy consumption, Consumption of paper (internal and external).

**Social information:** Number of non-profit organisation customers; Total budget dedicated to corporate giving and sponsorship; Outstandings managed by the Gestion company; Outstanding SRI funds; Employee solidarity savings deposits; Regulated social loans outstanding (PLS, PSLA).

4. The Human Resources and Training department, the Organization and Resources department (Real Estate and General Resource and Mail Operations departments), the Innovation and Operations Division (Banking Products department), Federal Finance Gestion, Corporate Secretariat and Institutional Communications department (CSR and External Communications departments), Corporate Secretariat – Crédit Mutuel de Bretagne, Cooperative Life department and Communications department – Crédit Mutuel du Sud-Ouest, Corporate Secretariat – Cooperative Life – Crédit Mutuel du Massif Central.

# Cross-reference table

## Cross-reference table of the Registration Document

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