

Pillar 3 Report
09.30.2021

Crédit Mutuel
ARKEA

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1. Prudential indicators

1.1. Key metrics

Table 1 (EU KM1): Key metrics

In € thousands	09.30.2021 ⁽¹⁾	06.30.2021 ⁽¹⁾	03.31.2021 ⁽¹⁾	12.31.2021 ⁽²⁾	09.30.2020 ⁽¹⁾
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	6,805,431	6,816,495	6,788,076	6,744,143	6,238,438
Tier 1 capital	6,816,657	6,827,720	6,799,302	6,766,591	6,260,886
Total capital	8,627,028	8,662,157	8,640,932	8,643,243	8,137,093
Risk-weighted exposure amounts					
Total risk exposure amount	41,910,786	41,311,217	40,696,155	40,039,174	40,653,586
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%) ⁽³⁾	16.2%	16.5%	16.7%	16.8%	15.4%
Tier 1 ratio (%)	16.3%	16.5%	16.7%	16.9%	15.4%
Total capital ratio (%) ⁽³⁾	20.6%	21.0%	21.2%	21.6%	20.0%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.75%	2.75%	2.75%	2.75%	2.75%
of which: to be made up of CET1 capital (percentage points)	1.55%	1.55%	1.55%	1.55%	1.55%
of which: to be made up of Tier 1 capital (percentage points)	2.06%	2.06%	2.06%	2.06%	2.06%
Total SREP own funds requirements (%)	10.75%	10.75%	10.75%	10.75%	10.75%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member	-	-	-	-	-
Institution specific countercyclical capital buffer	0.0004%	0.0005%	0.0006%	0.0005%	0.0008%
Systemic risk buffer (%)	-	-	-	-	-
Global Systemically Important Institution buffer (%)	-	-	-	-	-
Other Systemically Important Institution buffer (%)	-	-	-	-	-
Combined buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Overall capital requirements (%)	13.3%	13.3%	13.3%	13.3%	13.3%
CET1 available after meeting the total SREP own funds requirements (%)	10.2%	10.5%	10.6%	10.8%	9.3%
Leverage ratio					
Total exposure measure	96,586,790	100,728,726	103,490,121	100,069,115	102,940,753
Leverage ratio (%)	7.1%	6.8%	6.6%	6.8%	6.1%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%	0%	0%	0%
of which: to be made up of CET1 capital (percentage points)	0%	0%	0%	0%	0%
Total SREP leverage ratio requirements (%)	3.1%	3.1%	0%	0%	0%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	0%	0%	0%	0%	0%
Overall leverage ratio requirement (%)	3.1%	3.1%	0%	0%	0%
Liquidity Coverage Ratio ⁽⁴⁾					
Total high-quality liquid assets (HQLA) (Weighted value -average)	21,908,510	20,750,021	22,610,506	20,518,494	19,892,246
Cash outflows - Total weighted value	16,040,303	15,565,268	19,043,241	16,106,896	15,538,487
Cash inflows - Total weighted value	2,389,289	2,609,352	2,414,532	2,329,599	3,012,438
Total net cash outflows (adjusted value)	13,651,034	12,955,916	16,628,709	13,777,297	12,526,049
Liquidity coverage ratio (%)	160%	160%	136%	149%	157%
Net Stable Funding Ratio					
Total available stable funding	83,843,806	81,580,325	91,105,650	87,656,860	86,619,976
Total required stable funding	73,688,405	71,806,069	80,542,946	78,609,708	78,553,140
NSFR ratio (%)	114%	114%	113%	112%	110%

(1) Not integrating the interim result

(2) Integrating the interim result

(3) At the end of June 2021, the CET1 ratio and the total capital ratio, integrating the interim result, are 17.1% and 21.6% respectively

(4) At the reporting date

1.2. Capital requirements

The capital requirements shown below and in the following sections are the minimum requirements, corresponding to a level of 8% of risk-weighted assets.

Table 2 (EU OV1): Overview of total risk exposure amounts

In € thousands	Total risk exposure amounts (TREA)		Total own funds requirements
	09.30.2021	06.30.2021	09.30.2021
Credit risk (excluding CCR)	37,615,385	37,044,290	3,009,231
Of which the standardised approach	7,483,186	7,412,524	598,655
Of which the Foundation IRB (F-IRB) approach	-	-	-
Of which slotting approach	351,963	340,363	28,157
Of which equities under the simple riskweighted approach	12,401,276	12,120,667	992,102
Of which the Advanced IRB (A-IRB) approach	17,378,961	17,170,735	1,390,317
Counterparty credit risk - CCR	557,629	648,912	44,610
Of which the standardised approach	358,317	405,088	28,665
Of which internal model method (IMM)	-	-	-
Of which exposures to a CCP	3,165	3,057	253
Of which credit valuation adjustment - CVA	71,293	86,363	5,703
Of which other CCR	124,854	154,406	9,988
Settlement risk	-	3	-
Securitisation exposures in the non-trading book (after the cap)	-	-	-
Of which SEC-IRBA approach	-	-	-
Of which SEC-ERBA (including IAA)	-	-	-
Of which SEC-SA approach	-	-	-
Of which 1250% / deduction	-	-	-
Position, foreign exchange and commodities risks (Market risk)	-	-	-
Of which the standardised approach	-	-	-
Of which IMA	-	-	-
Large exposures	-	-	-
Operational risk	2,501,003	2,481,864	200,080
Of which basic indicator approach	438,207	438,207	35,057
Of which standardised approach	119,203	119,203	9,536
Of which advanced measurement approach	1,943,593	1,924,454	155,487
Amounts below the thresholds for deduction (subject to 250% risk weight)	1,236,768	1,136,148	98,941
Total	41,910,786	41,311,217	3,352,863

2. Credit risk - Change in RWA under the internal ratings-based approach

Credit risk is one the Crédit Mutuel Arkéa group's main risks.

Rating procedures and parameters

Rating algorithms and expert models have been developed to improve credit risk assessment within Crédit Mutuel and to comply with the regulatory requirements concerning internal ratings-based approaches.

The counterparty rating system is used throughout Crédit Mutuel.

The parameters used to calculate weighted risks (hereinafter “**RWA**”) are national and apply to all Crédit Mutuel entities.

Additional quantitative information

Table 3 (EU CR8): RWEA flow statements of credit risk exposures under the IRB approach

In € thousands	Risk weighted exposure amount
Risk weighted exposure amount as at 06.30.2021	16,661,768
Asset size (+/-)	159,279
Asset quality (+/-)	79,940
Model updates (+/-)	-
Methodology and policy (+/-)	-
Acquisitions and disposals (+/-)	-
Foreign exchange movements (+/-)	-
Other (+/-)	-
Risk weighted exposure amount as at 09.30.2021	16,900,988

3. Counterparty credit risk - Change in RWA under the internal model approach

Counterparty credit risk corresponds to the risk incurred on:

- derivative instruments in the banking book and the trading book;
- repo transactions in the banking book.

The outstandings in question are included in the credit risk management reports (in the same way as on-balance sheet and off-balance sheet outstandings). The sum of the exposures and risks for all outstandings (balance sheet, off-balance sheet, derivatives and repurchase agreements) gives an overall view of credit risks. For the Crédit Mutuel Arkéa group, counterparty credit risk is a small component of overall credit risk.

Table 4 (EU CCR7): RWEA flow statements of CCR exposures under the IMM

Not applicable to the Crédit Mutuel Arkéa group as the internal model method is not used to calculate risk-weighted exposures on these transactions.

	RWEA
In € thousands	
RWEA as at 06.30.2021	-
Asset size	-
Credit quality of counterparties	-
Model updates (IMM only)	-
Methodology and policy (IMM only)	-
Acquisitions and disposals	-
Foreign exchange movements	-
Other	-
RWEA as at 09.30.2021	-

4. Liquidity risk - LCR

Liquidity risk is the risk for the reporting company that it will not be able to meet its commitments or that it will not be able to unwind or offset a position due to its situation or the market situation within a certain period of time and at a reasonable cost. It arises from a maturity mismatch between jobs and resources.

It may result in an additional charge in the event of a rise in liquidity spreads; in its most extreme form, it could result in the institution's inability to honour its commitments.

The Group has historically been vigilant and prudent in the face of this risk.

Several liquidity ratios are particularly monitored as the LCR which is a liquidity ratio provided for by the CRD 4 and CRR texts (transposing the so-called "Basel III" proposals into European standards). It measures the ratio between liquid assets and net cash outflows at 30 days under a stress scenario. The minimum required level has been set at 100% since 2018.

Table 5 (EU LIQ1): Quantitative information of LCR

In accordance with the CRR, the Crédit Mutuel Arkéa group produces, and submits monthly to the ECB, a report on its short-term liquidity coverage ratio (hereinafter "**LCR**").

The purpose of the LCR is to ensure the short-term resilience of banks in the face of severe liquidity stress. It verifies that the level of highly-liquid assets is sufficient to cover the net cash flows over the next 30 days, under stress assumptions involving, in particular, deposit flight and the drawing down of amounts under off-balance sheet agreements.

The minimum level required for the LCR was set at 100% in 2021. The Group met the regulatory requirement throughout the first semester of 2021 with significant room for maneuver. At the end of September 2021, the Group's consolidated LCR was 160%. The average annual level from October 2020 to September 2021 was 152% as shown in the table below.

In addition to the LCR, European regulations provide for a long-term structural liquidity ratio called the NSFR (Net Stable Funding Ratio). The NSFR is designed to encourage credit institutions to have a permanent structure of stable resources, enabling them to continue operating over a period of one year in an environment of prolonged stress. As from June 2021, CRR2 has introduced a minimum level for the NSFR which is 100% and revised methods for its calculation. The Group met the regulatory requirement; at the end of September 2021, the ratio was 114%.

In € thousands	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on	09.30.2021	06.30.2021	03.31.2021	12.31.2021	09.30.2021	06.30.2021	03.31.2021	12.31.2021
Number of data points used in the calculation of averages : 12								
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					20,504,786	19,933,307	19,084,304	16,973,980
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	42,788,209	41,836,921	40,927,078	39,778,046	3,156,576	3,081,896	3,016,348	2,940,385
Stable deposits	24,568,849	24,079,541	23,563,808	22,903,945	1,228,442	1,203,977	1,178,190	1,145,197
Less: stable deposits	18,010,181	17,541,913	17,146,844	16,704,397	1,911,961	1,862,781	1,822,028	1,776,230
Unsecured wholesale funding	22,060,640	21,380,502	20,723,981	19,606,681	11,021,316	10,938,126	10,705,202	9,940,071
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,009,409	375,443	-	-	139,537	66,855	-	-
Non-operational deposits (all counterparties)	20,346,793	20,419,402	20,172,389	19,291,569	10,177,341	10,285,613	10,153,610	9,624,959
Unsecured debt	704,438	585,657	551,592	315,112	704,438	585,657	551,592	315,112
Secured wholesale funding					111,881	112,361	111,218	103,145
Additional requirements	9,815,803	9,586,924	9,391,095	9,422,121	1,345,892	1,305,049	1,234,116	1,184,836
Outflows related to derivative exposures and other collateral requirements	98,545	97,405	97,585	95,102	98,545	97,405	97,585	95,102
Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
Credit and liquidity facilities	9,717,258	9,489,519	9,293,510	9,327,019	1,247,347	1,207,644	1,136,531	1,089,735
Other contractual funding obligations	524,940	581,333	508,840	444,658	524,940	581,333	508,840	444,658
Other contingent funding obligations	893,215	870,217	843,539	629,511	139,473	128,997	119,026	87,721
TOTAL CASH OUTFLOWS					16,300,079	16,147,762	15,694,751	14,700,817
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	264,169	263,141	193,390	252,876	79,877	66,931	47,288	41,737
Inflows from fully performing exposures	2,395,780	2,442,502	2,410,936	2,451,942	1,880,802	1,941,140	1,962,131	2,004,547
Other cash inflows	803,751	949,204	1,118,941	1,489,996	803,751	949,204	1,202,274	1,573,329
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
(Excess inflows from a related specialised credit institution)					-	-	-	-
TOTAL CASH INFLOWS	3,463,700	3,654,846	3,806,601	4,278,147	2,764,431	2,957,275	3,211,693	3,619,614
Fully exempt inflows	-	-	83,333	83,333	-	-	83,333	83,333
Inflows subject to 90% cap	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	3,463,700	3,654,846	3,723,268	4,194,813	2,764,431	2,957,275	3,128,360	3,536,281
TOTAL ADJUSTED VALUE					-			
LIQUIDITY BUFFER					20,504,786	19,933,307	19,084,304	16,973,980
TOTAL NET CASH OUTFLOWS					13,535,648	13,190,487	12,483,058	11,081,203
LIQUIDITY COVERAGE RATIO					152%	152%	154%	152%

The Crédit Mutuel Arkéa group calculates the LCR in accordance with the Commission implementing regulation (EU) 2021/637.

5. Appendices

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