

CREDIT MUTUEL ARKEA PUBLIC SECTOR SCF

Société Anonyme

1, rue Louis Lichou
29480 Le Relecq-Kerhuon

Statutory auditors' report on the financial statements

Year ended December 31, 2011

This is a free translation into English of the Statutory Auditors' report issued in French and 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 opinion on the 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 financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to Shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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Statutory auditors' report on the financial statements

Year ended December 31, 2011

To the shareholders,

In compliance with the assignment entrusted to us by the Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying financial statements of CREDIT MUTUEL ARKEA PUBLIC SECTOR SCF ;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the 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 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 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 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 financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2011 and of the results of its operations for the year then ended in accordance with French accounting principles.

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, we inform you that the assessments made by us focused on the appropriateness of the accounting principles used, the reasonableness of the significant estimates made by the management and the global presentation of the financial statements.

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 verifications and disclosures

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

In accordance with French law, we inform you that the information required by article L.225-102-1 of the French Commercial Code (*code du commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour included in the management report of the Board of Directors is limited to the information regarding the directors who hold a mandate at the Board of Directors of the mother company Crédit Mutuel Arkéa. Consequently, we cannot attest the completeness of this information in regards to article L.225-102-1 of the French Commercial Code (*code du commerce*).

Paris-La Défense et Neuilly-sur-Seine, April 10, 2012

French original signed by

KPMG Audit FS1

DELOITTE & ASSOCIES

Gabriel MORIN

Jean-Marc MICKELER

Financial statements at December 31, 2011

Balance sheet

Assets (in thousands of euros)	Notes	12/31/11	12/31/10
Cash and amounts due from central banks			
Due from banks	1	786,688	30,027
Customer items			
Equities and other variable-income securities			
Investments in non-consolidated undertakings and equity securities held for long-term investment		4	
Other participating interests			
Intangible assets			
Tangible assets			
Other assets		4	
Accrued income	2	5,743	
Total		792,439	30,027

Liabilities (in thousands of euros)	Notes	12/31/11	12/31/10
Due to banks	3		2
Customer items			
Debt securities	4	756,532	
Other liabilities	5	29	5
Accrued expenses	6	5,836	10
Provisions for contingencies and charges			
Subordinated debts			
Reserves for general banking risks			
Shareholders' equity		30,042	30,010
Share capital	7	30,000	30,000
Issue premium			
Retained earnings	7	1	
Carried forward	7	9	
Net income		32	10
Total		792,439	30,027

Off-balance sheet items (in thousands of euros)	Notes	12/31/11	12/31/10
Commitments given			
Financing commitments given			
Guarantees given			
Commitments received			
Financing commitments given			
Guarantees received	14	1,063,502	
Relating to banks and financial institutions		1,063,502	
Financial futures and other forward agreements			

Crédit Mutuel Arkéa Public Sector SCF
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Income statements

(in thousands of euros)	Notes	2011	2010
Interest income and related revenues	9	6,971	27
Interest expense and related costs	9	(6,668)	
Income on equities and other variable income instruments			
Commissions (income)			
Commissions (expense)		(4)	
Net gains (losses) on sales of securities available for sale			
Other operating income arising from banking activities			
Other operating expense from banking activities			
Net banking income		299	27
Operating expense		(245)	(12)
Depreciation, amortization and provisions on tangible and intangible assets			
Gross operating income		54	15
Net additions to provisions for credit risks			
Operating income		54	15
Income before tax		54	15
Net non-recurring expense or income			
Income taxes		(22)	(5)
Movements in the reserve for general banking risks and regulated provisions			
Net income		32	10

Notes to the financial statements at December 31, 2011

1. THE COMPANY

Crédit Mutuel Arkéa Public Sector SCF, a French corporation with a board of directors (société anonyme à conseil d'administration), makes and acquires exposures to natural persons and issues mortgage bonds and debt securities.

The company's activity consists of the funding of the Crédit Mutuel Arkéa Group through the issuance of titre foncier-type mortgage-backed securities qualifying for the preferential status referred to in Article L.515-19 of the French Monetary and Financial Code under an AAA rated Euro Medium Term Notes program.

Highlights of the fiscal year

In October 2011, the company Crédit Mutuel Arkéa Public Sector SCF issued a € 750 million bond maturing in October 2021.

2. ACCOUNTING PRINCIPLES AND EVALUATION METHODS

2.1. Presentation of the financial statements

The financial statements are presented in accordance with French Accounting Regulations Committee (CRC) Standard No. 2000-03, as amended by Standard No. 2005-04 concerning publication of the annual, separate financial statements of credit institutions.

2.2. General principles and valuation methods

General principles

The financial statements of Crédit Mutuel Arkéa Public Sector SCF have been prepared in accordance with the generally accepted accounting principles as well as the regulatory provisions applicable to banks in France, in accordance with Banking Regulatory Committee (*Comité de la Réglementation bancaire*) Standard 91-01 as amended by CRC Regulations No. 99-04 and No. 2000-03

Valuation options and methods

- *Receivables*

Receivables due from credit institutions are governed by CRC Regulation No. 2002-03 of 12 December 2002, as amended by CRC Regulation No. 2005-03 and subsequently CRC Regulation No. 2007-06 relating to the accounting treatment of the credit risk of companies falling within the jurisdiction of the Banking and Financial Regulatory Committee (*Comité de la Réglementation Bancaire et Financière*).

Credits are recorded on the balance sheet at their nominal value.

Interest accrued on the receivables is booked as accrued interest to the income statement.

- ***Debt securities***

Debt securities are stated at their amortized cost. Issue and redemption premiums are amortized according to an actuarial method over the residual life of the concerned securities. They are recorded on the balance sheet under accruals. The amortization of these premiums is recorded in the income statement as «Interest income and expense, related revenues and costs».

- ***Equity investments***

In accordance with the recommendations of the French Banking Commission (BAFI newsletter No. 2007-01), the certificates of association in the deposit guarantee fund are recognized under equity and other long-term investments.

- ***Personnel expense***

Crédit Mutuel Arkéa Public Sector SCF has no employee. In 2008, it has constituted together with Crédit Mutuel Arkéa a "groupement de fait" pursuant to articles 261B and seq. of the French General Tax Code in order to manage human and material resources shared.

Crédit Mutuel Arkéa is the employing company. It provides Crédit Mutuel Arkéa Public Sector SCF with the appropriate human resources allowing the latter to meet its contractual commitments and to comply with legal and regulatory requirements relating to its activities.

Total remuneration allocated to members of the Board of Directors for 2011 is 1,350 euros.

3. NOTES TO BALANCE SHEET, OFF-BALANCE SHEET ITEMS AND STATEMENTS OF INCOME

Note 1. Due from banks

	12/31/11			12/31/10		
	In thousands of euros					
	On demand	On time	Total	On demand	On time	Total
Ordinary deposits	30,032		30,032	30,000		30,000
Loans, securities purchased under agreements to resell		750,000	750,000			
Securities and bills under resale agreements						
Accrued interest receivable	54	6,602	6,656	27		27
Depreciations						
TOTAL	30,086	756,602	786,688	30,027		30,027

Note 2. Accruals, prepayments and sundry assets

	In thousands of euros	
	12/31/11	12/31/10
Deferred assets		
Cash payment on loans	5,743	
Miscellaneous accrual accounts		
TOTAL	5,743	

Note 3. Due to banks

	12/31/11			12/31/10		
	In thousands of euros					
	On demand	On time	Total	On demand	On time	Total
Ordinary deposits				2		2
Other amounts due						
Borrowings and securities given under agreement to repurchase						
Accrued interest payable						
TOTAL				2		2

Note 4. Debt securities

	12/31/11			12/31/10		
	In thousands of euros					
	Gross value	Accrued interest payable	Total	Gross value	Accrued interest payable	Total
Interbank market instruments and negotiable debt instruments						
Debenture loans	750,000	6,532	756,532			
TOTAL	750,000	6,532	756,532			

Note 5. Other liabilities

	In thousands of euros	
	12/31/11	12/31/10
Premium payable on derivatives products		
Salaries and wages		
Social security taxes		
Government	12	5
Other	17	
TOTAL	29	5

Note 6. Accrued expenses

	In thousands of euros	
	12/31/11	12/31/10
Tied-up collection operation accounts		
Issue premium		
Redemption premium	5,743	
Accrued liabilities	93	10
Miscellaneous sundry accounts and unearned income		
TOTAL	5,836	10

Note 7. Shareholders' equity

	In thousands of euros			
	Beginning of the year	Allocation of the previous year result	Changes of the year	12/31/11
SHARE CAPITAL	30,000			30,000
ISSUE PREMIUM				
RESERVES		1		1
Legal reserve		1		1
Statutory reserve				
CARRIED FORWARD		9		9
RESUTAT	10	(10)	32	32
TOTAL	30,010		32	30,042

Capital is made up of 3,000,000 ordinary shares with a par value of EUR 10.

Note 8. Breakdown of certain assets / liabilities according to maturity date

	In thousands of euros					
Maturity	Less than 3 months	Over 3 months - 1 year	Over 1 year - 5 years	Over 5 years	Debts and accrued interest receivable	Total
Assets						
Due from banks	30,032			750,000	6,656	786,688
Advances to customers						
Other customer loans						
Current accounts						
Liabilities						
Due to banks						
Customer deposits and related						
Customer time deposits						
Customer demand deposits						
Debts securities						
Interbank market instruments and negotiable debt instruments						
Debenture loans				750,000	6,532	756,532

Note 9. Interest income and expense, related revenues and costs

In thousands of euros

	2011		2010	
	Expense	Income	Expense	Income
Interbank and money market items		6,971		27
Customers items				
Bonds and other fixed-interest securities	(6,668)			
Other interest and similar income				
TOTAL	(6,668)	6,971		27

Note 10. Current year's net income appropriation to reserves

In thousands of euros

	2011		2010	
	Appropriation	Origin	Appropriation	Origin
Carried forward from the previous year		9		
Net income		32		10
Legal reserve	2		1	
Optional reserves				
Dividends				
Carried forward	39		9	
TOTAL	41	41	10	10

Note 11. Equity investment held for a long-term investment and shares in affiliated companies

In thousands of euros

	Equity investment and equity securities held for a long-term investment		Affiliated companies	
	12/31/11	12/31/10	12/31/11	12/31/10
ASSETS				
Due from banks			786,688	30,027
Bonds and other fixed-income instruments				
TOTAL ASSETS			786,688	30,027
LIABILITIES				
Debts			52	5
Debts securities				
TOTAL LIABILITIES			52	5
COMMITMENTS GIVEN				
Financing commitments				
Guarantees given				
TOTAL				
COMMITMENTS RECEIVED				
Financing commitments				
Guarantees received				
TOTAL				

Note 12. Exemption from presenting consolidated accounts

Crédit Mutuel Arkéa Public Sector SCF does not have exclusive control of or particular influence over any company. It is not therefore required to present consolidated financial statements. The company's financial statements are fully consolidated within "Crédit Mutuel Arkéa" Group.

Note 13. Tax consolidation

The company is included in the tax group of the parent company, Crédit Mutuel Arkéa.

With respect to Corporate Tax, in accordance with the tax consolidation agreement, the tax liability is determined by the subsidiary, as if the company was not consolidated for tax purposes.

The amount thus calculated, after deduction of any tax credits, shall be payable to the parent company.

As of December 31, 2011, the amount of tax owed to the parent company came to € 21,672.

Note 14. Guarantee commitments

Loans granted by Crédit Mutuel Arkéa Public Sector SCF to Crédit Mutuel Arkéa are guaranteed by eligible home mortgage loans from Crédit Mutuel Arkéa and affiliated local savings banks, as well as by Arkéa Banque Entreprises et Institutionnels. As of December 31, 2011, this guarantee totaled € 1,063,501,944.