

## **ARKEA HOME LOANS SFH**

**Société anonyme au capital de 40 000 000 €**

232, rue du Général Paulet – BP 103 – 29802  
Brest Cedex 9

---

### **Statutory auditors' report on the financial statements**

For the year ended 31<sup>st</sup> December 2017

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

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

**ARKEA HOME LOANS SFH**  
*Société anonyme au capital de 40 000 000 €*  
*232, rue du Général Paulet – BP 103 – 29802 Brest Cedex 9*

---

## **Statutory auditors' report on the financial statements**

For the year ended 31<sup>st</sup> December 2017

---

To shareholders,

### **Opinion**

In compliance with the engagement entrusted to us by your annual General Shareholders' meeting, we have audited the accompanying financial statements of ARKEA HOME LOANS SFH for the year ended 31<sup>st</sup> December 2017.

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 31<sup>st</sup> December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

### **Basis for Opinion**

#### ***Audit Framework***

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Financial Statements*" section of our report.

#### ***Independence***

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1<sup>st</sup> January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

## **Justification of Assessments**

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

We determined that there were no key audit issues to communicate in our report.

## **Verification of the Management Report and of the Other Documents Provided to Shareholders**

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 other documents provided to Shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

## **Report on Other Legal and Regulatory Requirements**

### *Designation of the statutory auditors*

During General Assembly held on 10 October 2008 for Deloitte and Mazars, we were designated as statutory auditors of ARKEA HOME LOANS SFH.

As at 31<sup>st</sup> December 2017, Deloitte & Associés and Mazars completed their tenth year of assignment without interruption. Also, Sterenn, which is member of Deloitte network, was formerly statutory auditor from 2000 to 2007.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The financial statements were approved by the Board of Directors.

## **Statutory Auditors' Responsibilities for the Audit of the Financial Statements**

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for

## ARKEA HOME LOANS SFH

the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Neuilly-sur-Seine and Courbevoie, 30 March 2018

The Statutory Auditors

***French original signed by***

Deloitte & Associés	Mazars
Jean- Vincent Coustel	Virginie Chauvin

232, rue du Général Paulet  
BP 103  
29 802 BREST CEDEX 9

## Financial statements at December 31, 2017

### Balance sheet

Assets (in thousands of euros)	Notes	12/31/2017	12/31/2016
Cash and amounts due from central banks		5	2
Due from banks	1	5,147,239	4,649,451
Customer items			
Equities and other variable-income securities			
Investments in non-consolidated undertakings and equity securities held for long-term investment			
Other participating interests			
Intangible assets			
Tangible assets			
Other assets		340	222
Accrued income	2	32,294	33,482
<b>Total</b>		<b>5,179,877</b>	<b>4,683,157</b>

Liabilities (in thousands of euros)	Notes	12/31/2017	12/31/2016
Central banks, Post Office banks			
Debt from banks		223	
Customer items			
Debt securities	3	5,104,478	4,607,288
Other liabilities	4	37	36
Accrued expenses	5	32,743	33,484
Provisions for contingencies and charges			
Subordinated debts			
Reserves for general banking risks			
<b>Shareholders' equity</b>	<b>6</b>	<b>42,397</b>	<b>42,349</b>
Share capital		40,000	40,000
Issue premium			
Retained earnings		204	194
Carried forward		1,984	1,947
Net income		208	208
<b>Total</b>		<b>5,719,877</b>	<b>4,683,157</b>

### Off-balance sheet items (in thousands of euros)

	Notes	12/31/2017	12/31/2016
<b>Commitments given</b>		<b>0</b>	<b>0</b>
Financing commitments given			
Guarantees given			
Commitments on securities			
<b>Commitments received</b>	<b>9</b>	<b>6,506,062</b>	<b>5,919,199</b>
Financing commitments given			
Guarantees received		6,506,062	5,919,199
Commitments on securities			
<b>Financial futures and other forward agreements</b>		<b>0</b>	<b>0</b>

232, rue du Général Paulet  
BP 103  
29 802 BREST CEDEX 9

## Financial statements at December 31, 2017

### Income statements

(in thousands of euros)	Notes	12/31/2017	12/31/2016
Interest income and related revenues	10	159,665	158,249
Interest expense and related costs	10	(157,351)	(155,964)
Income on equities and other variable income instruments			
Commissions (income)		7	
Commissions (expense)			
Net gains (losses) on sales of securities available for sale			
Other operating income arising from banking activities		0	
Other operating expense from banking activities		(1)	
<b>Net banking income</b>		<b>2320</b>	<b>2,285</b>
Operating expense		(1,694)	(1,643)
Depreciation, amortization and provisions on tangible and intangible assets			
<b>Gross operating income</b>		<b>627</b>	<b>642</b>
Net additions to provisions for credit risks			
<b>Operating income</b>		<b>627</b>	<b>642</b>
<b>Income before tax</b>		<b>627</b>	<b>642</b>
Net non-recurring expense or income			
Income taxes		(419)	(434)
Movements in the reserve for general banking risks and regulated provisions			
<b>Net income</b>		<b>208</b>	<b>208</b>

## Financial statements at December 31, 2017

### Notes

#### 1- LEGAL AND FINANCIAL FRAMEWORK AND MAJOR EVENTS DURING THE YEAR

---

##### 1-1 Legal and financial framework

Arkéa Home Loans SFH, a French corporation (société anonyme) governed by a Board of Directors, is in the business of refinancing Crédit Mutuel Arkéa Group's housing loans through the issuance of covered bonds as part of on date AAA-rated Euro Medium Term Notes program, which benefit from the special protection mentioned in Article L.515-19 of the French Monetary and Financial Code.

##### 1-2 Highlights of 2017

On October 5, 2017, Arkéa Home Loans SFH completed a €500 million maturing in 10 years (10/05/2027). Also worth noting is the partial €3.6 million buyback on December 19, 2017 on the issue of April 13, 2011.

#### 2- ACCOUNTING PRINCIPLES AND VALUATION METHODS

---

##### 2-1 Presentation of the financial statements

The financial statements are presented in accordance with Authority of Accounting Standard (ANC) No. 2014-07, concerning financial statements of credit institutions.

##### 2-2 General principles and valuation methods

###### General principles

The financial statements of Arkéa Home Loans SFH 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 Authority of Accounting Standard (ANC) No. 2014-07, set out in ANC Regulation 2014-07 of November 26, 2014, which consolidates in a single regulation, on the basis of established law, all accounting standards applicable to credit institutions.

###### Valuation options and methods

###### **Receivables**

Receivables due from credit institutions and customers are governed by ANC Regulation 2014-07 on the accounting treatment of credit risk at companies subject to the supervision of the French Banking and Financial Regulations Committee (CRBF). Accrued interest on receivables is recognized in the accrued interest account through profit or loss.

Credits are recognized at their nominal amount. Discounts and compensatory payments on loans are spread on a straight-line basis over the life of the corresponding receivables. They are reported under accruals in the statement of financial position. The amortized portion of these discounts and compensatory payments is recognized in the income statement as interest expense or interest income.

Accrued interest on these receivables is recorded as such in the statement of financial position with a corresponding entry to the income statement.

###### **Debt securities**

Debt securities are recognized at their nominal amount. The associated issuance and redemption premiums are spread on a straight-line basis over the life of the corresponding securities. They are reported under accruals in the statement of financial position. The amortized portion of these premiums is recognized in the income statement as interest expense or interest income.

Accrued interest on these securities is recorded as such in the statement of financial position with a corresponding entry to the income statement.

###### **Personnel expense**

Arkéa Home Loans SFH 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 Arkéa Home Loans SFH 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 2017 is 1,896 €.



## NOTES TO BALANCE SHEET, OFF- BALANCE SHEET ITEMS AND STATEMENT OF INCOME

### Note 1. Due from banks

	12/31/2017			12/31/2016		
	On demand	On time	Total	On demand	On time	Total
Ordinary deposits	41,512		41,512	40,959	0	40,959
Loans, securities purchased under agreements to resell		5,018,900	5,018,900	0	4,522,500	4,522,500
Accrued interest receivable		86,827	86,827	0	85,992	85,992
<b>TOTAL</b>	<b>41,512</b>	<b>5,105,727</b>	<b>5,147,239</b>	<b>40,959</b>	<b>4,608,492</b>	<b>4,649,451</b>

### Note 2. Accruals, prepayments and sundry assets

	In thousands of euros	
	12/31/2017	12/31/2016
Discount on loan	17,684	23,067
Bond redemption premium	14,512	10,282
Share premium	98	90
Accrued income		43
Miscellaneous accrual accounts		
<b>TOTAL</b>	<b>32,294</b>	<b>33,482</b>

### Note 3. Debt securities

	12/31/2017			12/31/2016		
	Gross value	Accrued interest payable	Total	Gross value	Accrued interest payable	Total
In thousands of euros						
Certificates of deposit						
Interbank market instruments and negotiable debt instruments						
Debtenture loans	5,018,900	85,578	5,104,478	4,522,500	84,788	4,607,288
<b>TOTAL</b>	<b>5,018,900</b>	<b>85,578</b>	<b>5,104,478</b>	<b>4,522,500</b>	<b>84,788</b>	<b>4,607,288</b>

### Bonds

In thousands of euros				
Issue date	Amount	Type	Duration in years	Rate
24/06/2015	700,000	Bonds	10	1,29%
30/05/2011	12,000	Bonds	10	4,13%
01/07/2011	22,000	Bonds	10	4,035%
24/06/2011	30,000	Bonds	10	4,03%
06/07/2011	100,000	Bonds	15	4,375%
13/04/2011	996,400	Bonds	10	4,5%
18/11/2011	750,000	Bonds	10	4,5%
26/05/2011	41,000	Bonds	10	4,1225%
07/07/2011	10,000	Bonds	20	4,53%
11/07/2011	16,000	Bonds	10	4,08%
05/07/2011	10,000	Bonds	20	4,54%
11/02/2011	5,000	Bonds	20	4,64%
05/07/2011	6,000	Bonds	20	4,54%
14/10/2011	55,000	Bonds	15	3,835%
01/12/2011	20,000	Bonds	30	4,325%
17/02/2011	10,000	Bonds	15	4,57%
19/01/2011	15,000	Bonds	15	4,4%
01/06/2011	10,000	Bonds	15	4,4%
21/07/2011	26,500	Bonds	20	4,35%
21/07/2011	15,000	Bonds	15	4,51%
04/10/2011	20,000	Bonds	30	4,12%
11/02/2011	10,000	Bonds	20	4,64%
23/11/2011	10,000	Bonds	30	4,32%
22/09/2011	155,000	Bonds	20	4,2%
13/09/2011	150,000	Bonds	20	4,2%
20/01/2011	10,000	Bonds	18	4,33%
02/02/2012	10,000	Bonds	15	4,05%
07/02/2012	10,000	Bonds	10	3,50%
13/12/2011	100,000	Bonds	30	4,65%
20/12/2011	25,000	Bonds	30	4,56%
22/07/2010	23,000	Bonds	20	4,05%
07/04/2011	5,000	Bonds	20	5,10%
28/03/2011	20,000	Bonds	20	4,96%
13/08/2010	50,000	Bonds	30	4,215%
07/04/2011	4,000	Bonds	20	5,1%
26/05/2011	21,000	Bonds	20	4,81%
11/07/2011	10,000	Bonds	20	4,86%
12/04/2011	16,000	Bonds	20	5,07%
15/11/2011	10,000	Bonds	20	4,26%
27/02/2012	10,000	Bonds	7	E3M +0,94%
11/07/2013	500,000	Bonds	10	2,37%
30/09/2015	500,000	Bonds	7	0,625%
05/10/2017	500,000	Bonds	10	0,75%
<b>Total</b>	<b>5,018,900</b>			

**Note 4. Other liabilities**

	In thousands of euros	
	12/31/2017	31/12/2016
Premium payable on derivatives products		
Government taxes	37	37
Salaries and wages		
Social security taxes		
Other		
<b>TOTAL</b>	<b>37</b>	<b>37</b>

**Note 5. Accrued expenses**

	In thousands of euros	
	12/31/2017	12/31/2016
Tied-up collection operation accounts		
Share premium	17,684	23,067
Prepaid income	283	
Compensatory payment on loan	14,512	10,282
Accrued liabilities	254	135
Various		
Adjustment accounts		
Other accruals		
<b>TOTAL</b>	<b>32,743</b>	<b>33,484</b>

**Note 6. Shareholders' equity**

	In thousands of euros			
	Beginning of the year	Allocation of the previous year result	Changes of the years	End of the year
SHARE CAPITAL	40,000			40,000
ISSUE PREMIUM	0			0
RESERVES	194		10	204
Legal reserve	194			204
Statutory reserve	0			0
Long-term capital gains reserves				
Other reserves				
CARRIED FORWARD	1,947		37	1,984
DEFERRED LOSSES				
NET INCOME	208	(208)	208	208
Dividends		161		
<b>TOTAL</b>	<b>42,349</b>	<b>0</b>	<b>208</b>	<b>42,397</b>

The share capital consists of 4,000,000 ordinary shares each with a par value of €10 for total share capital of €40,000,000.

**Note 7. Breakdown of certain assets / liabilities according to maturity date**

In thousands of euros

Maturity	Less than 3 months	Less than 1 y.	Less than 5 y.	Over 5 years	Debts and accrued interest receivable	Total
<b>Assets</b>						
Due from banks	41,512	2,387,400	2,361,500	86,827		5,147,238
On demand	41,512					41,512
On time		2,387,400	2,631,500	86,827		5,105,726
Advances to customers						
Other customer loans						
Current accounts						
<b>Liabilities</b>						
Due to banks						
Customer deposits and related						
Customer time deposits						
Customer demand deposits						
Debts securities		3,036,400	1,982,500	85,578		5,104,478
Interbank market instruments and negotiable debt instruments						
Debenture loans		3,036,400	1,982,500	85,578		5,104,478

**Note 8. Equity investment held for a long-term investment and shares in affiliated companies**

In thousands of euros

	Equity interests		Subsidiaries and associates	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
<b>COMMITMENTS GIVEN</b>				
Financing commitments				
Guarantees given				
<b>TOTAL COMMITMENTS GIVEN</b>	0	0	0	0
<b>COMMITMENTS RECEIVED</b>				
Guarantees received			6,506,062	5,919,199
<b>TOTAL COMMITMENTS RECEIVED</b>	0	0	6,506,062	5,919,199

As of 12/31/2017, all significant transactions between related parties were carried out at arm's length.

**Note 9. Commitments given and received**

	In thousands of euros	
	12/31/2017	12/31/2016
<b>Commitments given</b>	<b>0</b>	<b>0</b>
Financing commitments given		
to banks and financial institutions		
to customers		
Guarantees given		
to banks and financial institutions		
to customers		
Commitments on securities		
other commitments given		
<b>Commitments received</b>	<b>6,506,062</b>	<b>5,919,199</b>
Financing commitments received		
from banks and financial institutions		
Guarantees received	6,506,062	5,919,199
from banks and financial institutions	6,506,062	5,919,199
Commitments on securities		
other commitments received		

**Note 10. Interest income and expense, related revenues and costs**

	In thousands of euros			
	12/31/2017		12/31/2016	
	Revenues	Expenses	Revenues	Expenses
Interbank and money market items	154,281	(5,383)	152,851	(5,403)
Customers items	5,383	(151,967)		
Bonds and other fixed-interest securities			5,398	(150,562)
Other interest and similar income				
<b>TOTAL</b>	<b>159,665</b>	<b>(157,351)</b>	<b>158,249</b>	<b>(155,964)</b>

**Note 11. Cash flow statement**

	In thousands of euros	
	12/31/2017	12/31/2016
<b>Cash flows from operating activities</b>		
Net income	208	208
Income Tax	419	434
<b>Pre-tax income</b>	<b>627</b>	<b>642</b>
Amortisation and depreciation of property, plant and equipment and intangible assets		
Depreciation and impairment of goodwill and other fixed assets		
Net additions to depreciations		
Share of earnings of companies carried under equity method		
Net loss/(gain) from investing activities		
Net loss/(gain) from financing activities		
Other movements without cash flows	403	7
<b>Total non-cash items included in net income and other adjustments</b>	<b>403</b>	<b>7</b>
Interbank and money market items	-496	0
Customer items		
Other financial items		
Other non-financial items	(110)	(87)
Dividends received from companies carried under equity method		
Taxes paid	(426)	(411)
<b>Increase/(decrease) in operating assets/liabilities</b>	<b>(496,936)</b>	<b>(497)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(495,907)</b>	<b>151</b>
<b>Cash flows from investing activities</b>		
Financial investments		
Investment property		
Plant, equipment and intangible assets		
Other	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>		
Cash flows from/(to) the shareholders	(160)	(560)
Other cash flows from financing activities	496,400	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>496,240</b>	<b>(560)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>333</b>	<b>(409)</b>
Cash flows from operating activities	(495,907)	151
Cash flows from investing activities	0	0
Cash flows from financing activities	496,240	(560)
<b>Cash and cash equivalents, beginning of the year</b>	<b>40,961</b>	<b>41,370</b>
Cash, due from/to central banks (Assets and liabilities)	2	3
Loans and receivables due from/to banks (Assets and liabilities)	40,959	41,367
<b>Cash and cash equivalents, end of the year</b>	<b>41,294</b>	<b>40,961</b>
Cash, due from/to central banks (Assets and liabilities)	5	2
Loans and receivables due from/to banks (Assets and liabilities)	41,289	40,959
<b>CHANGE IN NET CASH</b>	<b>333</b>	<b>(409)</b>

Net cash and cash equivalents includes the net balance of cash accounts, accounts with central banks and demand loans and borrowings with credit institutions.

Changes in cash and cash equivalents resulting from operating activities include changes in cash and cash equivalents generated by the group's activities, including those related to negotiable debt securities.

Changes in cash and cash equivalents related to financing transactions include changes related to shareholders' equity and subordinated debt.

#### **Note 12. Tax consolidation**

The company is included in the consolidation scope of the Crédit Mutuel Arkéa Group, whose parent company has been Crédit Mutuel Arkéa since 1/1/2008. With regard to corporation tax, under the terms of the tax consolidation agreement, tax is determined by the subsidiary as if it were not consolidated. The amount thus calculated, less any tax deductions and credits, is due to the parent company.

#### **Note 13. Consolidated accounts**

Arkéa Home Loans SFH has neither exclusive control nor significant influence over any company. It is therefore not required to produce consolidated financial statements. Its accounts are fully consolidated into the consolidated financial statements of the Crédit Mutuel Arkéa Group located at 1, rue Louis Lichou 29480 Le Relecq Kerhuon.

The consolidated financial statements are available on Crédit Mutuel Arkéa's website at [http://www.arkea.com/banque/assurance/credit/mutuel/ecb\\_5034/fr/rapports-annuels](http://www.arkea.com/banque/assurance/credit/mutuel/ecb_5034/fr/rapports-annuels).