

ARKEA HOME LOANS SFH

Société anonyme

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

Statutory auditors' report on the financial statements

For the year ended 31st December 2018

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.

Statutory auditors' report on the financial statements

For the year ended 31st December 2018

To the General shareholders' Meeting of Arkéa Home Loans SFH,

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 31st December 2018.

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 31st December 2018 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 1st January 2018 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.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to Shareholders

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

The fairness and consistency with the annual financial statements of the information relating to payment terms mentioned in Article D.441-A of the French Commercial Code (code de commerce) requires us to make the following observation:

As indicated in the management report, this information does not include banking and related transactions, as your company considers that they do not fall within the scope of the information to be produced.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Article L.225-37-4 of the French Commercial Code (code de commerce).

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.

Other informations

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

We were appointed as statutory auditors of Arkéa Home Loans SFF by the annual general meeting held on 10 October 2018 for Deloitte & Associé and Mazars.

As at 31st December 2018, Deloitte & Associés and Mazars completed their eleventh 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 Board of Directors performing the functions of Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal

control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

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 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.

Report to the Board of Directors performing the functions of Audit Committee

We submit a report to the Board of Directors performing the functions of Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Board of Directors performing the functions of Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Board of Directors performing the function of Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Board of Directors performing the functions of Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Courbevoie, 29 March 2019

The Statutory Auditors

French original signed by

Deloitte & Associés	Mazars
Jean- Vincent COUSTEL	Franck BOYER

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Financial statements at December 31, 2018

Balance sheet

Assets (in thousands of euros)	Notes	12/31/2018	12/31/2017
Cash and amounts due from central banks		3	5
Due from banks	1	6,955,958	5,147,239
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		441	340
Accrued income	2	31,500	32,294
Total		6,987,902	5,179,877

Liabilities (in thousands of euros)	Notes	12/31/2018	12/31/2017
Central banks, Post Office banks			
Debt from banks			222
Customer items			
Debt securities	3	6,913,277	5,104,478
Other liabilities	4	210	37
Accrued expenses	5	31,808	32,743
Provisions for contingencies and charges			
Subordinated debts			
Reserves for general banking risks			
Shareholders' equity	6	42,607	42,397
Share capital		40,000	40,000
Issue premium			
Retained earnings		215	204
Carried forward		2,022	1,984
Net income		370	208
Total		6,987,902	5,719,877

Off-balance sheet items (in thousands of euros)

	Notes	12/31/2018	12/31/2017
Commitments given		0	0
Financing commitments given			
Guarantees given			
Commitments on securities			
Commitments received	9	9,980,916	6,506,062
Financing commitments given			
Guarantees received		8,980,916	6,506,062
Commitments on securities			
Financial futures and other forward agreements		0	0

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Financial statements at December 31, 2018

Income statements

(in thousands of euros)	Notes	12/31/2018	12/31/2017
Interest income and related revenues	10	171,834	159,665
Interest expense and related costs	10	(168,958)	(157,351)
Income on equities and other variable income instruments			
Commissions (income)		30	7
Commissions (expense)			
Net gains (losses) on sales of securities available for sale			
Other operating income arising from banking activities		0	0
Other operating expense from banking activities		(1)	(1)
Net banking income		2,905	2,320
Operating expense		(2,026)	(1,693)
Depreciation, amortization and provisions on tangible and intangible assets			
Gross operating income		879	627
Net additions to provisions for credit risks			
Operating income		879	627
Income before tax		879	627
Net non-recurring expense or income			
Income taxes		(509)	(419)
Movements in the reserve for general banking risks and regulated provisions			
Net income		370	208

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Financial statements at December 31, 2018

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 2018

Arkéa Home loans SFH completed four issues in 2018, the first on March 29 for €50 million maturing in 25 years (03/31/2043), the second on June 01 for €500 million maturing in 15 years (06/01/2033), the third on June 08 for €500 million maturing in 10 years (06/08/2028), and the last in November 02 for €750 million maturing 6 years (03/04/2024).

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 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 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 2018 is 3,600 €.

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

Note 1. Due from banks

	12/31/2018			12/31/2017		
	On demand	On time	Total	On demand	On time	Total
Ordinary deposits	41,065		41,065	41,512		41,512
	0	6,818,900	6,818,900	0	5,018,900	5,018,900
Accrued interest receivable		95,993	95,993		86,826	86,827
TOTAL	41,065	6,914,893	6,955,958	41,512	5,105,726	5,147,238

Note 2. Accruals, prepayments and sundry assets

	In thousands of euros	
	12/31/2018	12/31/2017
Discount on loan	12,301	17,684
Bond redemption premium	19,101	14,512
Share premium	98	98
Accrued income		
Miscellaneous accrual accounts		
TOTAL	31,500	32,294

Note 3. Debt securities

In thousands of euros

	12/31/2018			12/31/2017		
	Gross value	Accrued interest payable	Total	Gross value	Accrued interest payable	Total
Certificates of deposit						
Interbank market instruments and negotiable debt instruments						
Debenture loans	6,818,900	94,377	6,913,277	5,018,900	85,578	5,104,478
TOTAL	6,818,900	94,377	6,913,277	5,018,900	85,578	5,104,478

Bonds

In thousands of euros

Issue date	Amount	Type	Duration in years	Rate
24/06/2015	700,000	Bonds	10	1,29 %
08/06/2018	500,000	Bonds	10	1,20 %
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 %
07/04/2011	5,000	Bonds	20	5,10 %
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 %
20/01/2011	10,000	Bonds	18	4,33 %
22/09/2011	155,000	Bonds	20	4,20 %
14/10/2011	55,000	Bonds	15	3,835 %
28/03/2011	20,000	Bonds	20	4,96 %
01/12/2011	20,000	Bonds	30	4,325 %
13/09/2011	150,000	Bonds	20	4,20 %
17/02/2011	10,000	Bonds	15	4,57 %
19/01/2011	15,000	Bonds	15	4,40 %
13/08/2010	50,000	Bonds	30	4,215 %
01/06/2011	10,000	Bonds	15	4,40 %
21/07/2011	26,500	Bonds	20	4,35 %
07/04/2011	4,000	Bonds	20	5,10 %
21/07/2011	15,000	Bonds	15	4,51 %
26/05/2011	21,000	Bonds	20	4,81 %
04/10/2011	20,000	Bonds	30	4,12 %
15/11/2011	10,000	Bonds	20	4,26 %
22/07/2010	23,000	Bonds	20	4,05 %
11/07/2011	10,000	Bonds	20	4,86 %
11/02/2011	10,000	Bonds	20	4,64 %
12/04/2011	16,000	Bonds	20	5,07 %
23/11/2011	10,000	Bonds	30	4,32 %
13/12/2011	100,000	Bonds	30	4,65 %
20/12/2011	25,000	Bonds	30	4,56 %
02/02/2012	10,000	Bonds	15	4,05 %
07/02/2012	10,000	Bonds	10	3,50 %
27/02/2012	10,000	Bonds	7	E3M + 0,94 %
11/07/2013	500,000	Bonds	10	2,375 %
30/09/2015	500,000	Bonds	7	0,625 %
05/10/2017	500,000	Bonds	10	0,75 %
29/03/2018	50,000	Bonds	25	1,534 %
01/06/2018	500,000	Bonds	15	1,50 %
02/11/2018	750,000	Bonds	6	0,375 %
Total	6,818,900			

Note 4. Other liabilities

	In thousands of euros	
	12/31/2018	12/31/2017
Premium payable on derivatives products		
Government taxes	210	37
Salaries and wages		
Social security taxes		
Other		
TOTAL	210	37

Note 5. Accrued expenses

	In thousands of euros	
	12/31/2018	12/31/2017
Tied-up collection operation accounts		
Share premium	12,301	17,684
Prepaid income	263	283
Compensatory payment on loan	19,101	14,512
Accrued liabilities	143	254
Various		
Adjustment accounts		
Other accruals		
TOTAL	31,808	32,743

	In thousands of euros			
	Beginning of the year	Allocation of the previous	Changes of the years	End of the year
SHARE CAPITAL	40,000			40,000
ISSUE PREMIUM	0			0
RESERVES	204		10	215
Legal reserve	204		10	215
Statutory reserve	0			0
Long-term capital gains reserves				
Other reserves				
CARRIED FORWARD	1,984		38	2,022
DEFERRED LOSSES				
NET INCOME	208		(208)	370
Dividends			160	
TOTAL	42,397	0	371	42,607

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
Assets					Total
Due from banks	51,065	2,877,400	3,931,500	95,993	6,955,958
On demand	41,065				41,065
On time	10,000	2,877,400	3,931,500	95,993	6,914,893
Advances to customers					
Other customer loans					
Current accounts					
Liabilities					
Due to banks					
Customer deposits and related					
Customer time deposits					
Customer demand deposits					
Debts securities	1,210,000	3,526,400	2,082,500	94,377	6,913,277
Interbank market instruments and negotiable debt instruments					
Debenture loans	1,210,000	3,036,400	2,082,500	94,377	6,913,277

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

In thousands of euros				
	Equity interests		Subsidiaries and associates	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
COMMITMENTS GIVEN				
Financing commitments				
Guarantees given				
TOTAL COMMITMENTS GIVEN	0	0	0	0
Financing commitments				
Guarantees received			8,980,916	6,506,062
TOTAL COMMITMENTS RECEIVED	0	0	8,980,916	6,506,062

As of 12/31/2018, all significant transactions between related parties were carried out at arm's length.

Note 9. Commitments given and received

	In thousands of euros	
	12/31/2018	12/31/2017
Commitments given	0	0
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		
Commitments received	8,980,916	6,506,062
Financing commitments received		
from banks and financial institutions		
Guarantees received		
from banks and financial institutions	8,980,916	6,506,062
Commitments on securities	8,980,916	6,506,062
other commitments received		

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

	In thousands of euros			
	12/31/2018		12/31/2017	
	Revenues	Expenses	Revenues	Expenses
Interbank and money market items	166,450	(5,383)	154,281	(5,383)
Customers items				
Bonds and other fixed-interest securities	5,384	(163,575)	5,383	(151,967)
Other interest and similar income				
TOTAL	171,834	(168,958)	159,665	(157,351)

Note 11. Cash flow statement

	In thousands of euros	
	12/31/2018	12/31/2017
Cash flows from operating activities		
Net income	370	208
Income Tax	509	419
Pre-tax income	879	627
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	(508)	403
Total non-cash items included in net income and other adjustments	(508)	403
Interbank and money market items	(1,800,000)	(496,400)
Customer items		
Other financial items		
Other non-financial items	46	(110)
Dividends received from companies carried under equity method		
Taxes paid	(490)	(426)
Increase/(decrease) in operating assets/liabilities	(1,800,444)	(496,936)
CASH FLOWS FROM OPERATING ACTIVITIES	(1,800,073)	(495,907)
Cash flows from investing activities		
Financial investments		
Investment property		
Plant, equipment and intangible assets		
Other	0	0
CASH FLOWS FROM INVESTING ACTIVITIES	0	0
Cash flows from financing activities		
Cash flows from/(to) the shareholders	(160)	(160)
Other cash flows from financing activities	1,800,000	496,400
CASH FLOWS FROM FINANCING ACTIVITIES	1,799,840	496,240
Net increase/(decrease) in cash and cash equivalents	(232)	333
Cash flows from operating activities	(1,800,072)	(495,907)
Cash flows from investing activities	0	0
Cash flows from financing activities	1,799,840	496,240
Cash and cash equivalents, beginning of the year	41,294	40,961
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
Cash and cash equivalents, end of the year	41,062	41,294
Cash, due from/to central banks (Assets and liabilities)	(3)	5
Loans and receivables due from/to banks (Assets and liabilities)	41,065	41,289
CHANGE IN NET CASH	(232)	333

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.

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.