



Amendment to the 2019 Universal Registration Document

Universal Registration Document filed with the *Autorité des Marchés Financiers* (French Financial Markets Authority / *AMF*) on August 29th 2019 under number D.19-0775.

A variable capital limited liability credit cooperative
Registered office: 1 rue Louis Lichou, 29480 Le Relecq-Kerhuon, France
Registered with the Trade and Companies Register of Brest under number 775 577 018



This amendment to the universal registration document was filed on September 17th 2019 with the AMF, in its capacity as competent authority under Regulation (EU) No 2017/1129, without prior approval in accordance with Article 9 of that Regulation.

The universal registration document may be used for the purpose of a public offering of securities or for the admission of securities for trading on a regulated market if supplemented by a securities note and, where applicable, a summary and any amendments to the universal registration document. The complete set of documents is approved by the AMF in accordance with Regulation (EU) no. 2017/1129.

TABLE OF CONTENTS

1.	GENERAL INFORMATION	5
2.	RISK FACTORS	6
2.1.	Assessment of the importance of risk factors	6
2.1.1.	Introduction to the risk appetite of the Arkéa group.....	6
2.1.2.	Summary of risk factors	6
2.1.3.	Summary table of risk factors for the Arkéa group.....	7
2.2.	Identification of risk factors	8
2.2.1.	Credit risk.....	8
2.2.1.1.	Customer credit risk	9
2.2.1.2.	Asset quality	9
2.2.1.3.	Credit risks on market counterparties.....	10
2.2.2.	Operational risk	10
2.2.2.1.	Risk of fraud.....	11
2.2.2.2.	Risks linked to information and communication technologies	11
2.2.2.3.	Legal risk	12
2.2.2.4.	Compliance risk including money laundering and terrorist financing risk.....	12
2.2.3.	Structural interest rate and liquidity risks.....	14
2.2.3.1.	Interest rate risk on the banking and insurance portfolio	14
2.2.3.2.	Banking portfolio	14
2.2.3.3.	Insurance portfolio	14
2.2.3.4.	Liquidity risk.....	15
2.2.3.5.	Banking portfolio	15
2.2.3.6.	Insurance portfolio	15
2.2.4.	Risks specific to the insurance business	16
2.2.4.1.	Technical risks of life insurance	16
2.2.4.2.	Repurchase and arbitrage risks	17
2.2.4.3.	Biometric risks	17
2.2.4.4.	Risk of an adverse change in insurance company expenses	17
2.2.4.5.	Disaster risk	17
2.2.4.6.	Technical risks of non-life insurance	18
2.2.4.7.	Underwriting risk in non-life insurance	18
2.2.4.8.	Provisioning risk.....	19

2.2.5.	Market risks	20
2.2.5.1.	Definition and scope.....	20
2.2.5.2.	Equity and other variable-income securities risk	20
2.2.5.3.	Currency risk.....	21
2.3.	Risks relating to the disaffiliation of the Arkéa group from the Crédit Mutuel	21
2.3.1.	Change in the organization of the main players involved in the public stock ownership offering	21
2.3.1.1.	A cooperative banking group independent from the rest of Crédit Mutuel.....	21
2.3.1.2.	The operational implementation of disaffiliation	21
2.3.1.3.	The Arkéa Group's target scheme	22
2.3.2.	Risks relating to the complexity of the context and risks related to the disaffiliation of the Arkéa group from the Crédit Mutuel	23
2.3.2.1.	Risks related to local savings banks.....	24
2.3.2.2.	Risks related to the Arkéa group	26
2.4.	Risk management function.....	29
3.	Statement of the person responsible for the amendment to the Universal Registration Document	30

1. GENERAL INFORMATION

This amendment (the "Amendment") supplements and should be read in conjunction with, the universal registration document prepared by Crédit Mutuel Arkéa and filed with the *Autorité des Marchés Financiers* (AMF) on August 29th 2019 under number D.19-0775 (the "Universal Registration Document") and the 2018 Reference Document prepared by Crédit Mutuel Arkéa and filed with the AMF on April 26th 2019 under number D.19-0410 (the "2018 Reference Document").

Documents available to the public

These documents will be available for inspection at the company's registered office during normal business hours and days. A copy of these documents will be sent free of charge to any person who requests it. These documents can also be consulted on the company's website (<https://www.arkea.com>) and on the AMF website (www.amf-france.org). The information on the website does not form part of this document, unless it is incorporated by reference.

Legal Entity Identification

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FRANCE

96950041VJ1QP0B69503

2. RISK FACTORS

Section 4 of the Universal Registration Document is amended as follows: there were no significant changes in the risk factors in relation to the situation described in the 2018 Registration Document, except as mentioned in this document.

2.1. Assessment of the importance of risk factors

2.1.1. Introduction to the risk appetite of the Arkéa group

Risk appetite is the level and type of risk that a company is able and willing to assume in its exposures and business activities, taking into account its objectives and obligations to stakeholders.

Given the level of its shareholders' equity and the comparative levels of its return on equity and solvency ratios, the Arkéa group's risk appetite is moderate on a long-term and overall basis.

Priority is given to reasonable profitability and risk, which reinforces the trust capital necessary to maintain the commercial relationship with customers. It is a particular feature of the Arkéa Group's cooperative model, where the shareholder is also a customer and gives priority to the quality of a lasting relationship with his bank over the return provided by the share capital he holds. The criterion of the profitability of share capital is used in an overall assessment in the medium or long term, without immediacy.

In line with the link between risk and profitability mentioned above, Arkéa's risk appetite policy aims to place risk at a level compatible with its development objectives while ensuring that it can always be controlled by its organization and know-how. The levels of risk and control of this risk are criteria that receive considerable attention and are particularly selective in their development orientation.

2.1.2. Summary of risk factors

Risks are classified by major category. Within each category, risk factors are ranked in order of importance¹:

- The probability of occurrence is considered “low” if the risk has not already occurred in the past and there is no presumption of occurrence;
- It is considered “medium” if the risk has already occurred in the past and there is no presumption of occurrence;
- It is considered “high” if the risk has already occurred in the past and there is a presumption of occurrence.

The magnitude in the event of occurrence is assessed applying a stress scenario, based on historical risk data (e.g. credit risk) and based on realistic scenarios for risk items that have not materialized

¹ In accordance with Regulation (EU) 2017/1129 of 14 June 2017 amending the Prospectus Directive, which comes into force on July 21, 2019.

significantly in the past. The magnitude in the event of occurrence reflects the impact of the identified risk on the liquidity and solvency indicators, if it materialized.

The magnitude in the event of occurrence is considered low if the risk has no significant impact on the liquidity and solvency ratios; The magnitude in the event of occurrence is considered medium if the risk would significantly affect annual income and ratios, but would not jeopardize the return announced on the various investment vehicles (shares, debt securities); It is considered high if the risk could compromise the return on the various investment vehicles.

2.1.3. Summary table of risk factors for the Arkéa group

Risk categories and factors	Probability of occurrence	X Scale in the event of occurrence	= Materiality
Credit risk			
Customer credit risk	Medium	Medium	Medium
Credit risk on market counterparties	Low	Medium	Low
Operational risk			
Risk of fraud	Medium	Medium	Medium
Compliance risk (including money laundering)	Low	Medium	Low
Risks related to information communication technologies	Low	Medium	Low
Legal risk	Low	Low	Low
Interest-rate and liquidity risk			
Interest-rate risk	Medium	Low	Low
Liquidity risk	Low	Medium	Low
Insurance			
Life insurance	Low	Medium	Low
Non-life insurance	Low	Medium	Low
Market risk			
Risk on equities and other variable income	Medium	Low	Low

securities			
Currency risk	Medium	Low	Low

Legend

Low	Low or not-applicable to Arkéa
Medium	Medium
High	High

The risk factors identified within the Arkéa group do not deviate from the risk appetite framework defined by the group. Thus, their materiality does not exceed the “Medium” level.

In addition to the risks identified above, the vote on the orientation of the Arkéa group's local savings banks in spring 2018 confirmed the Arkéa group's intention to leave the Crédit Mutuel and made it possible to launch a project to define the terms and conditions of its disaffiliation. This point is developed in section 2.3.

2.2. Identification of risk factors

Risks specific to the Arkéa group are identified and presented below in the following categories:

- Credit risk
- Operational risk
- Structural interest rate and liquidity risks
- Risks specific to the insurance business
- Market risks

The risks relating to the disaffiliation of the Arkéa group from the Crédit Mutuel are presented in a separate section.

The management of these risks is detailed on pages 217 to 253 of the 2018 Registration Document.

2.2.1. Credit risk

Credit risk involves the risk incurred in the event of a default by a counterparty or counterparties considered as a single group of customers in the regulatory sense of the term. The default of a counterparty results in its inability to meet its commitments in accordance with the agreed conditions. For example, the commitments in the case of a market counterparty may relate to the repayment of its debt securities or the payment of cash flows under performance swaps (derivative contracts).

As regards corporate debt securities in the investment portfolio, credit risk includes the risk of issuer default but not the spread risk, which is classified as market risk.

Credit risk would result in a deterioration in the credit quality of counterparties across the entire portfolio (systemic risk), in a particular sector or product (e.g. real estate in Brittany), or for a category of borrowers (e.g. individuals or companies).

The materiality in the event of occurrence is considered medium. The materialization of customer credit risk would lead to an increase in provisions and therefore have a one-off impact on the Arkéa group's net income. In accordance with IFRS 9 regulations, outstanding loans are divided into 3 buckets, with different provisioning rates.

- Bucket 1: provisioned over a one-year horizon;
- Buckets 2 & 3: provisioned over the lifetime of the loan.

A deterioration in credit quality would therefore lead to:

- a new breakdown of outstanding by bucket;
- a possible increase in the provision rate within each bucket.

By way of illustration, a one-point increase in the share of total gross outstanding assigned to bucket 3 (non-performing loans) at December 31st 2018 would have an impact of around €200 million on net income. This strong assumption would be equivalent to returning to the level of non-performing loans recorded during the 2009 crisis. Furthermore, a one-point increase in the share of outstanding in bucket 2 would have an impact of around €20 million on net profit.

The weighted assets specific to this risk amounted to €29.6 billion at December 31st 2018.

2.2.1.1. Customer credit risk

At 31 December 2018, the on- and off-balance sheet assets of Arkéa Group customers amounted to €69.7 billion. Loans recorded in the balance sheet (including capital and related receivables) amounted to €57.1 billion, up 10.8%. These mainly concern sectors with moderate risk where the unit amounts of loans granted are generally limited. Housing loans represent almost half of the outstanding amounts. The strong regional presence also encourages proximity and good knowledge of borrowers.

The breakdown of outstanding loans and the breakdown of Habitat loans by type of guarantee on Arkéa's balance sheet as at December 31st 2018 are presented on page 223 of the 2018 Registration Document.

The segment breakdown of the gross exposure (on- and off-balance sheet exposure) of professionals and companies at December 31st 2018 is presented on page 224 of the 2018 Registration Document.

2.2.1.2. Asset quality

The quality of the risk of the customer loan portfolio is assessed through the internal rating of customers. A client's internal rating, at a given time, corresponds to an assessment of the risk that the client will not honor its repayment commitments within the next 12 months. Updated daily to

take into account possible risk events, it is expressed on a scale of 11 ratings, ranging from the highest A+ (lowest risk) to the lowest F (highest risk). Internal notes E- and F include doubtful and disputed receivables, while the other nine notes include sound receivables.

Healthy outstanding represented 97.4% of total outstanding. Doubtful and disputed loans (ratings E- and F) represent 2.6% (outstanding capital loans only). The Arkéa group's outstanding doubtful and disputed receivables (principal and interest) amounted to €1,457.4 million at the end of 2018, compared with €1,481.4 million at the end of 2017, representing a 1.6% decrease over the year. The rate of doubtful and disputed loans (including interest) on the total outstanding amount decreased to 2.6% from 2.9% at the end of 2017.

The breakdown of balance sheet assets (capital) by rating level at the end of 2018 and the presentation of non-performing loans (NPL) are presented on page 225 of the 2018 Registration Document.

2.2.1.3. Credit risks on market counterparties

As part of the credit risk of market counterparties, the Arkéa Group's investment portfolio in interest rate products reached €39.7 billion at December 31st 2018.

The breakdown by structure is presented on page 227 of the 2018 Registration Document. The breakdown of counterparties by internal rating is presented on pages 228 and 229 of the 2018 Registration Document.

The Arkéa group is directly exposed to credit risk only on the insurance (€2.1 billion) and banking (€12.2 billion) portfolios on its own account. For the latter, exposure to credit risk results mainly from the investment of excess cash.

The credit risk attached to the 25.4 billion euros of investments on behalf of third parties of the Suravenir insurance company is mainly borne by policyholders via the return they receive on euro funds.

2.2.2. Operational risk

The concept of operational risk adopted by the Arkéa group covers all risks included in the definition of the Basel III regulation and the administrative order of November 3, 2014.

The decree of November 3, 2014 defines operational risk as “the risk of losses resulting from inadequate or failed internal processes, personnel and systems, or from external events”. Operational risk includes in particular risks related to events with a low probability of occurrence but a high impact: risks related to internal and external fraud, risks related to information technology, legal risk, risk of non-compliance, including the risk of money laundering and terrorist financing and model-related risks.

The overall financial impact of incidents reported in 2018 is up (+7%) compared to 2017: €10.1 million in 2018 compared to €9.5 million in 2017. The main categories of Basel represented, in terms of amount, are process management (EL7 for 35%), external fraud (EL2 for 27%) and business practices (EL4 for 23%). The increase in the financial impact mainly concerns the "external fraud" category, following in particular an increase in phishing attacks and an increase in electronic money

fraud. The cost of incidents reported on external fraud in 2018 was €2.7 million, compared to €2 million in 2017.

The weighted assets specific to this risk amounted to €2.3 billion at December 31st 2018.

2.2.2.1. Risk of fraud

The risk of fraud includes both internal and external fraud.

As the Arkéa group does not include any proprietary trading activities, it thus limits the risk of internal fraud linked to rogue trading.

In addition, particularly in view of the digitalization of banking services, exposure to the risk of external fraud is strongly linked to that of cyber risk. This risk is detailed in the paragraph below relating to the risk related to information and communication technologies.

With particular regard to the claims rate observed for external fraud (cf. phishing, electronic money fraud, etc.), the probability of fraud events is considered medium. The extent of the risk of fraud in the event of an occurrence is also described as average. Indeed, a possible fraud has a direct impact (cost of resolution, amount stolen) and an indirect impact (damage to reputation...).

2.2.2.2. Risks linked to information and communication technologies

Given its business profile, past claims and despite an increase in exposure to cyber risk affecting the entire financial sector, the probability of a significant risk related to Information and Communication Technologies being present is considered low.

The main risks to which the Arkéa Group is exposed are as follows:

- a breakdown or failure of its information systems that could lead to an interruption of activity (in particular by blocking means of payment or securities functions);
- a failure of its service providers;
- of a cyber attack that can take different forms.

For example, the main cyber risks identified may lead to the following impacts:

- o Performing fraudulent operations following an intrusion into the IS (example: fraudulent use of Swift access);
- o Data theft or leakage;
- o Data integrity breach that could lead to a business interruption during the reconstruction period;
- o Attack leading to a major unavailability of the IS (DDoS attack, attack targeting one or more datacenters...).

Given the sophistication of the attacks and despite the measures in place, the scale in the event of materialization is considered medium, as these incidents may generate, in addition to the direct

financial impacts, "forensics" costs, IS reconstruction and customer impacts, particularly in the event of a lack of continuity in the reconstruction period.

2.2.2.3. Legal risk

Legal risk is included in operational risks and relates, among other things, to exposure to fines, penalties and damages for acts that may engage the Arkéa Group's liability in connection with its activities.

Provisions have been recorded for legal risks outstanding at December 31st 2018 that could have a negative impact on the Arkéa Group's assets and liabilities, which correspond to the best estimate made by Executive Management on the basis of the information available to it.

Only 5 cases present claims in excess of €1 million for a total of almost €31 million. They have been provisioned up to eight hundred and fifty thousand euros. The most important request, includes 2 files that are not covered by a provision, insofar as the validity of the requests is not established, as confirmed by a second decision obtained on November 6th 2018. In view of these factors, no litigation is likely to significantly affect the Arkéa Group's financial position.

2.2.2.4. Compliance risk including money laundering and terrorist financing risk

Compliance risk is defined as the risk of judicial, administrative or disciplinary sanctions, significant financial loss or damage to reputation, resulting from non-compliance with provisions specific to banking and financial activities, whether legislative or regulatory, national or European, directly applicable, or professional and ethical standards, or instructions from effective managers, issued in accordance with the guidelines of the supervisory body.

The ever-increasing regulatory pressure is increasing the risk of banks being punished or damaging their reputation, requiring increased awareness.

Through its distribution networks and subsidiaries, the Arkéa group covers all business lines of banking and finance. As a manufacturer and distributor, the Arkéa group is thus able to offer its customers, whether they are individuals, professionals, companies or local authorities, a complete range of banking, financial, wealth management and insurance products and services (...).

Given the multiplicity of activities carried out, the range of non-compliance risks to be considered is even wider.

Within the group, non-compliance risks can arise in 4 main areas:

- financial security,
- ethics and professional conduct,
- the protection of clients' interests,
- fiscal transparency.

In addition to these, there is the protection of personal data.

In order to protect itself from any risk of non-compliance, the Group constantly strives to protect the interests of its customers and adapt to economic and social changes, while preserving its integrity and reputation.

The group's framework for controlling non-compliance risks thus deployed is based on a set of rules, coordination of actions at group level, prevention and detection tools, and a training and awareness-raising system that helps to strengthen a common compliance culture.

In order to control the risk of non-compliance, in 2018, the group continued its action through the following initiatives:

- Strengthening of the financial security system:

- Adaptation of the anti-money laundering and anti-terrorist financing system to the changes brought about by the 4th AML/CFT Directive (work carried out on tools for monitoring transactions and due diligence in terms of customer knowledge).

- Changes in the provisions of the General Regulation of the *Autorité des Marchés Financiers* with regard to the directives on market abuse (MAR) and markets in financial instruments ("MiFID 2") aimed at safeguarding the interests of clients and market integrity.

- Strengthening ethical and professional requirements:

- Creation of a common Internet portal for access to internal professional alerts and CSR alerts on the risks of serious violations of human rights, fundamental freedoms, health, safety and the environment, enabling the group's employees, including managers, to contribute to controlling the risk of non-compliance and to fight corruption within the company.

- Implementation of a training system to combat corruption and influence peddling aimed at involving all the group's stakeholders (managers, directors, employees) in the stakes of virtuous behavior and the risks of sanctions or damage to reputation.

- In accordance with the provisions relating to transparency in public life, supervision of the representation of interests and inclusion in the dedicated directory.

- Bringing the framework for preventing and managing conflict of interest situations into line with EBA's guidelines on internal governance, MiFID 2 regulations on financial instruments markets and DDA regulations on insurance.

- Continuation of commitments to protect the interests of clients:

- Incorporation into the systems of regulatory changes linked to the entry into force of the European MiFID 2 Directive on financial instruments, the Insurance Distribution Directive (DDA) and the Payment Services Directive (PSD2).

- Creation of the Banking Inclusion Coordination Committee (BICC), whose work aims to improve the protection of clients in situations of financial fragility.

- In terms of tax transparency, securing the framework for obligations related to FATCA and OECD/CRS regulations (due diligence, reporting).

- In terms of personal data protection, implementation of a group framework system under the responsibility of a dedicated department ensuring compliance with the principles of the European Regulation on the protection of personal data No 2016/679.

2.2.3. Structural interest rate and liquidity risks

2.2.3.1. *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. It may result from maturity differences between fixed-rate sources and applications of funds, a difference in benchmark indices (basis risk) or the exercise of options (such as caps and floors).

2.2.3.2. *Banking portfolio*

Interest rate risk is measured and monitored on the consolidated banking perimeter and on each of its component entities. All balance sheet and off-balance sheet items, in particular financial instruments (swaps, etc.) and deferred departure transactions, are included to the extent of this risk.

Three main indicators, calculated at least quarterly, are used to measure interest rate risk on a static basis: the sensitivity of the net present value (NPV), rate gaps and the sensitivity of the interest margin.

At the end of 2018:

- the Arkéa group's NPV sensitivity level is +3.7% of Tier 1 equity for a 200 bp decrease in interest rates and -11% for a 200 bp increase in interest rates,
- exposure to interest rate risk is limited: the maximum transformation position emerging from the impasse in the standard scenario represents 1.7% of the bank balance sheet,
- the sensitivity of the interest margin remains under control; the maximum annual impact for a 100 bp rate increase is 1.5% of NBI. This level is in line with the Arkéa Group's policy.

2.2.3.3. *Insurance portfolio*

A change in interest rates has a direct impact on the valuation and profitability of the bond portfolio, whether it is managed on own account or in euros. Fixed-rate bonds expose Suravenir to a risk of changes in the value of assets; variable-rate bonds expose it to a risk of fluctuations in income.

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 2018. At the end of 2018, the risk going forward concerned an average guaranteed return of 0.20%, 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. At end-2018, a 100-basis point increase in rates would have a negative impact of €16.2 million on Suravenir's earnings, and shareholders' equity would decline by €147 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 31st 2018, some 33% of the bond portfolio in general assets was hedged against an increase in interest rates.

2.2.3.4. *Liquidity risk*

Liquidity risk is the risk that the reporting company will not be able to meet its obligations or to unwind or offset a position because of its situation or the market situation within a specified period of time and at a reasonable cost. It arises from a maturity mismatch 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.

2.2.3.5. *Banking portfolio*

Liquidity risk is measured and monitored on the consolidated banking perimeter and on each of its component entities. They are mainly based on three elements:

- liquidity impasses;
- liquidity ratios (regulatory and non-regulatory);
- refinancing and liquid asset volumes (particularly in the short term).

Several ratios are particularly monitored: LCR, NSFR and loans to deposits ratio.

At the end of December 2018, the LCR ratio was 130% and the gross loans to deposits ratio reached 104%.

2.2.3.6. *Insurance portfolio*

Liquidity risk arises when the company is forced to sell assets following a wave of massive repurchases. This risk is assessed by studying liquidity gaps that compare asset flows

(coupons/repayments...) with liability outflows, in a central scenario and a stressed scenario (tripling of repurchases/deterioration of asset valuations).

In the event of a cash shortfall, Suravenir may repo securities, in particular those eligible for ECB refinancing, at their market value adjusted by a haircut, in order to provide additional liquidity. As at December 31st 2018, the studies carried out show that in the deterministic stress scenario, Suravenir could face a tripling of repurchases without experiencing a liquidity problem.

2.2.4. Risks specific to the insurance business

2.2.4.1. *Technical risks of life insurance*

Suravenir is exposed to underwriting risk in its life insurance and pension business.

Suravenir is one of the main players in the life insurance and pension market in France. Suravenir specializes in the design, manufacture and management of life insurance and pension contracts. Its contracts are marketed by a large number of distribution partners: banking networks, Internet channels, independent wealth management advisors, brokers, etc.

In 2018, Suravenir posted more than €41 billion in life insurance assets under management, thanks to an increase in gross inflows to nearly €4.5 billion. Its turnover amounts to nearly 4.7 billion euros.

Underwriting risk refers to the risk of loss or adverse change in the value of insurance liabilities. This situation results from an increase in claims not anticipated during pricing, risk acceptance or risk monitoring (provisioning risk).

With regard to the provisions set up to cover these risks, the distribution of the various technical provisions provided for by the French Insurance Code according to the nature of the products and therefore the Arkéa group's commitments is specified below:

Insurance companies' technical reserves

	12.31.2018
Life insurance, excluding unit-linked contracts	32,012,177
<i>of which profit-sharing</i>	2,129,752
Non-life insurance	470,912
Unit-linked contracts	10,841,617
Other	155,973
TOTAL	43,480,679
Active deferred profit-sharing	0
Reinsurers' share	-87,473
NET TECHNICAL PROVISIONS	43,393,206

The main underwriting risks relating to Suravenir's activities are described below.

With regard to underwriting risk, Suravenir's ORSA (Own Risk and Solvency Assessment) process includes stress tests measuring the impact of a major increase in mortality or surrenders: application of a pandemic-type mortality shock (i.e. an increase of 0.2% in mortality rates in the first year of projection), surrender shock on life insurance policies (application of a 20% mass surrender shock).

The results of these tests confirm Suravenir's ability to meet its commitments and verify regulatory requirements in adverse situations of policyholder behavior.

2.2.4.2. Repurchase and arbitrage risks

Surrender risk (lapse risk) is the risk of loss or adverse change in the value of insurance liabilities resulting from an upward or downward change in life insurance policy surrender rates or early repayment rates in creditor insurance. This risk also exists in the event of arbitrage by policyholders between unit-linked and euro-linked products.

This risk is the main underwriting risk in life insurance.

The actuarial function annually establishes (structural) surrender laws specific to each significant portfolio of life insurance contracts. In addition, monthly monitoring of the surrender rates of the various contracts (euros and units of account) is also carried out to measure changes linked to surrenders and arbitrage between funds.

2.2.4.3. 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 an 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 an 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.

Exposure to underwriting risk is measured mainly by the actuarial function. In particular, it contributes to the Suravenir risk dashboard. At the end of 2018, the underwriting risk monitoring indicators did not exceed the limits set by the company.

2.2.4.4. 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.

2.2.4.5. Disaster risk

Disaster risk is defined as the risk of loss or adverse change in the value of insurance liabilities attributable to a sudden event that directly causes serious damage to policyholders and whose origin may be a natural phenomenon, human intervention or a combination of both within the scope of the borrowers' insurance business, the individual life insurance business and the floor guarantees of certain life insurance contracts.

Suravenir uses reinsurance to cover part of the contracts and risks insured under the provident insurance business, in particular to cover catastrophe risk. Thus, in order to reduce the portfolio's sensitivity to exceptional events or to share the commitments of a small portfolio, Suravenir has to cede part of its risks to one or more reinsurers, on a proportional or non-proportional basis. Two types of risks are covered:

- guarantee portfolios for which the size does not allow sufficient pooling at Suravenir level or for which Suravenir does not have sufficient expertise: increased risks, dependency and minimum guarantees priced a priori. These risks are ceded to reinsurance as a proportional share, the ceding rate of which varies by treaty.

- the risk related to the occurrence of exceptional events, covered by non-proportional excess of loss (XS) treaties, per head and per event. In this context, 10% of the highest capital at the aggregate of borrower and individual provident contracts is exposed to the XS reinsurance treaty. This exposure is measured based on sensitivity tests of the priority level obtained to an extreme loss experience (VAR 99.5%). Capacity is set according to the maximum amount insured. For any insured policy with an outstanding amount exceeding the XS Treaty capacity level per life, optional reinsurance is put in place on an ad hoc basis. This type of treaty is reviewed annually.

As part of the study of its commitments and exposure to risks, Suravenir is required to simulate serious events each year that could significantly affect the contracts it insures. At the end of 2018, the indicators for measuring the effectiveness of reinsurance coverage remained within the limits set by the company.

2.2.4.6. *Technical risks of non-life insurance*

Suravenir Assurances is exposed to underwriting and provisioning risks in its property and personal insurance business, particularly in the health, automobile and home insurance sectors.

Underwriting risk relates to guarantees granted for which the pricing would be insufficient to cover insurance commitments. Within this risk, we distinguish between the concepts of underpricing risk, disaster risk and anti-selection risk.

The funding risk is related to a shortfall in actuarial liabilities on the balance sheet.

2.2.4.7. *Underwriting risk in non-life insurance*

Underwriting risk in non-life insurance is the risk of a drift in the profitability of insurance products due to inadequate acceptance rules, pricing and/or reinsurance coverage of the guarantees offered to policyholders.

Underwriting risk is composed of three subtypes of risks:

1. The underpricing risk resulting from the mismatch between the pricing of guarantees and the profitability objectives of the portfolio. This risk is related to the design of new products, changes in the offer and/or prices,
2. The anti-selection risk which leads to an over-subscription of an unwanted risk by an inappropriate pricing.

Monitoring and analysis of this data makes it possible to define and implement appropriate policies:

- modification of the underwriting policy in terms of pricing, selection, product development and guarantees offered,
- targeting of actions by geographical area and distributor.

3. Disaster risk resulting from the occurrence of extreme or exceptional events. The coverage of these possible losses remains the main objective of reinsurance coverage. (see "The reinsurance mechanism is described on page 247 of the 2018 Registration Document").

Suravenir Assurances carries personal risks almost exclusively. The range of products in the contract portfolio covers all the needs of the individual. The breakdown of this portfolio by major products (more than 90% of premiums) shows a balanced distribution between the 3 main branches (Motor, Home and Personal Protection) and thus, the absence of significant concentration of underwriting risks from this point of view.

At December, 31st 2018, 69% of major contracts came from bank branches (local savings banks) and banking federations (*Crédit Mutuel de Bretagne, du Massif Central and Sud-Ouest*). Nevertheless, Suravenir Assurances has been able to diversify its business providers outside this historical network: in 2018, for example, the other channels (brokerage and Internet) contributed 47% of new business.

Thus, Suravenir Assurances' portfolio of contracts was first developed in the historical areas of the distribution federations (Bretagne, Massif Central and Sud-Ouest). Since 2009, the other distribution channels have been involved in spreading risks throughout France (metropolitan France). This geographical dispersion is mainly virtuous in terms of climatic risks or natural disasters.

In the event of an exceptional climatic event whose statistical probability of occurrence is once every two hundred years (storm whose cost of compensating policyholders is approximately €115 million), the reinsurance program is structured so that the remaining charge for Suravenir Assurances is limited to €7.5 million, in accordance with the risk appetite framework defined by Suravenir Assurances' Board of Directors.

2.2.4.8. *Provisioning risk*

Provisioning risk is the risk of loss or adverse change in the value of insurance liabilities due to inadequate provisioning assumptions. The provisioning risk therefore arises from the risk of a subsequent shortfall in provisions.

This risk is intrinsically linked to underwriting risk, as the monitoring of provisions must be carried out in a manner consistent with the management of risks and claims related to marketed guarantees.

The management and control of provisioning risk within the Arkéa group is carried out in particular through the following studies:

- Monitoring of bonuses / mali: surplus / shortfall in claims reserves payable for a financial year;
- Analysis and comparison of the C/P ratio (Claims/Premiums) by product;

- Monitoring of the distortion between provisions under French accounting standards and those under Solvency 2.

In addition, as part of its regulatory tasks, the Actuarial function, on the basis of an independent recalculation, ensures the appropriateness of the methodologies, underlying models and assumptions used to calculate technical provisions under Solvency 2. Its conclusions are formalized in the Actuarial Report.

2.2.5. Market risks

2.2.5.1. *Definition and scope*

Market risk or price risk arises from adverse changes in market parameters that have an impact on the value of financial instruments recorded on the balance sheet.

Market risks in the banking scope come either from the portfolios of financial instruments managed by the Arkéa group's Financial Markets Department or from the Arkéa Direct Bank portfolio. The Arkéa group is mainly exposed to first-order spread, interest rate and exchange rate risks. The proprietary exposure to optional risks is not significant.

The weighted assets specific to this risk amounted to €106 million at December 31st 2018.

At the end of 2018, the balance sheet exposure to market risks for investments amounted to €10.7 billion.

The banking group's exposure to market risks at December 31st 2018 is presented on page 248 of the 2018 Registration Document.

Changes in the value of the Arkéa group's portfolios recorded at fair value are subject to sensitivity limits. These daily measures of the sensitivity of portfolios to normative and low changes in spreads and interest rates are supplemented monthly by a calculation of potential loss. The objective is to assess the impact on the income statement and shareholders' equity of tensions that may appear on the markets under reasonably possible conditions, based on a full revaluation of the positions.

The overall potential loss is the sum of the impacts of the shocks obtained for each of the market risks. The maximum potential loss at 99% at December 31st 2018 is presented on page 251 of the 2018 Registration Document.

2.2.5.2. *Equity and other variable-income securities risk*

Equity risk arises in the event of adverse changes in the equity markets, leading to a decrease in the value of the portfolio. Some unlisted variable-income securities are exposed to the real estate risk that arises in the event of an adverse change in the valuation of the underlying real estate assets. The fair value of the Arkéa group's portfolio of shares and other variable-income securities amounted to €18.0 billion at December 31st 2018 in the IFRS financial statements.

From an accounting point of view (see notes 28a and 28b of the notes to the consolidated financial statements as at December 31st 2018, the risk of equities and other variable-income securities covers two very distinct areas (banking and insurance), in four categories (JVOCI, JVR, AFS, JVO).

2.2.5.3. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The probability of occurrence of currency risk is considered low in view of the low exposure and existing hedges. If achieved, the impact would also be small.

The group's currency position remains insignificant due to a cumulative exposure limit of 5 million euro equivalents. As it is permanently less than 2% of the group's equity capital, it does not give rise to a regulatory capital requirement in accordance with Article 351 of Regulation (EU) No 575/2013.

2.3. Risks relating to the disaffiliation of the Arkéa group from the Crédit Mutuel

2.3.1. Change in the organization of the main players involved in the public stock ownership offering

2.3.1.1. *A cooperative banking group independent from the rest of Crédit Mutuel*

At its meeting of January 17th 2018, the Board of Directors of Crédit Mutuel Arkéa mandated the managers to take all necessary measures to enable Crédit Mutuel Arkéa to become a cooperative banking group independent of the rest of Crédit Mutuel, in order to pursue its original development strategy based on three strengths: its territorial roots, its culture of innovation and its intermediate size.

The directors of the local savings banks and federations of Crédit Mutuel de Brittany, du Sud-Ouest and Massif Central were invited to vote in the first half of 2018, as part of an orientation vote. The Board of Directors of the federation of Crédit Mutuel Massif Central opposed the principle of consulting the Boards of Directors within its scope. However, the consultation was initiated by 6 of the 30 local savings banks that are members of the federation of Crédit Mutuel Massif Central. At the end of the consultation process initiated by the local savings banks of the Arkéa Group and the meeting of the Boards of Directors of the federations, the Arkéa Group made official the results of the votes of the 307 local savings banks that were cast. 94.5% of them voted in favor of Crédit Mutuel Arkéa's independence project, which will thus become a cooperative and territorial group, independent from the rest of Crédit Mutuel. This vote acknowledges the Arkéa group's intention to leave the Crédit Mutuel and makes it possible to open a project to define the terms and conditions for its disaffiliation within the framework of general decision (DCG) n°1-2019.

This project aims to preserve the fundamental characteristics of the cooperative model and the “*raison d'être*” of the Arkéa group. It is also a growth driver and will enable the Arkéa group to continue to serve its members, customers and partners.

2.3.1.2. *The operational implementation of disaffiliation*

The Arkéa group has begun the operational implementation of its disaffiliation. On June 29th 2018, Crédit Mutuel Arkéa's Board of Directors approved the main principles of the target organizational structure of the future independent group. Work to define the detailed technical details of the project has been underway for several months and is in the process of being finalized with the supervisors.

Disaffiliation operations will then be initiated in conjunction with the Confederation Nationale du Crédit Mutuel (CNCM) and within the limits of the powers granted to it by law.

On February 18th 2019, the CNCM's Board of Directors recognized the possibility of leaving the Crédit Mutuel by adopting DCG n°1-2019, relating to the disaffiliation of Crédit Mutuel's banks at their request. In accordance with the DCG, the main steps of disaffiliation are as follows:

- (i). The Boards of Directors of the local savings banks of the Arkéa Group wishing to disaffiliate from the Crédit Mutuel must adopt a notification file for the disaffiliation project. The consultation of the Boards of Directors of the local savings banks will take place at the end of the ongoing discussions with the ECB and the ACPR on the basis of a consultation file;
- (ii). each federation must then notify the CNCM of the disaffiliation project of each local savings bank;
- (iii). once authorized by the Board of Directors of the CNCM within two months of receipt of the disaffiliation project, each federation may organize consultation with the members of each local savings bank at an Extraordinary General Meeting. The proposed disaffiliation must be adopted by a two-thirds majority of the members present or represented;
- (iv). in the event of approval of the disaffiliation project by the members, the Board of Directors of the CNCM shall decide on the request for disaffiliation within two months of receipt of the complete file sent by the federations. In particular, a memorandum of understanding between the outgoing local savings banks and the CNCM must be concluded setting out the commitments of the local savings banks and the practical arrangements for their disaffiliation.

2.3.1.3. *The Arkéa Group's target scheme*

As part of the target scheme project, the Arkéa group will be formed around Arkéa (currently Crédit Mutuel Arkéa), a cooperative public limited company with variable capital and union of cooperatives, which will remain individually authorized as a cooperative bank.

Arkéa will be governed in particular by Act No. 47-1775 of September 10th 1947 on the status of cooperation (the "1947 Law") and Article L. 512-1 of the CMF.

The local savings banks will become the SCLs (*Sociétés cooperatives locales*/ local cooperatives companies), retaining their status as cooperative companies with variable capital, and will continue to form the union of Arkéa cooperatives between them, in accordance with the 1947 Law. The purpose of the new SCLs will be refocused on their primary purpose: to develop membership and facilitate access to banking, financial and insurance services. They will thus be in charge of supporting and promoting membership as part of their territorial influence.

To this end, all the regulated financial activities of the local savings banks will be transferred to Arkéa, which will open local branches within the SCLs accordingly. In addition, under this new organization, all banking operations and investment services will then be carried out by Arkéa's local branch, opened on the same premises as SCL.

Each SCL may also advise its local Arkéa branch in order to provide banking, financial and insurance services adapted to its members.

In accordance with the 1947 Law, each member will continue to participate in the social life of the SCL according to the principle of "one person, one vote" and stand for election to the Board of Directors of its SCL. The SCLs will continue to hold the A shares issued by Arkéa. In other words, Arkéa's governance will be based on the involvement and participation of each SCL playing their role as shareholder.

In addition, an affiliation agreement between all SCLs and Arkéa will be concluded for a period of 99 years with a view to implementing solidarity, mutual assistance and support mechanisms to promote the achievement of SCL's primary mission, namely to promote access to banking, financial and insurance services for all.

Regional federations will ensure the proper functioning and governance of SCL.

A scheme for the issuance of shares is being discussed with the ACPR and the ECB. In this respect, it is specified that the work in progress favors a scheme in which Arkéa's shares would be issued by Arkéa itself. In any event, the proposed scheme will be submitted to the authorities in advance.

2.3.2. Risks relating to the complexity of the context and risks related to the disaffiliation of the Arkéa group from the Crédit Mutuel

Crédit Mutuel Arkéa considers that the factors described below could affect the implementation of the disaffiliation of the Arkéa group from the Crédit Mutuel. They are related to events that may or may not occur. Their probability of occurrence and their magnitude in the event of occurrence are assessed by Crédit Mutuel Arkéa for each risk factor.

The disaffiliation project as envisaged by Crédit Mutuel Arkéa is new and complex to implement. Investors' attention is drawn to the complexity of the situation related to the proposed disaffiliation of the Arkéa group from the Crédit Mutuel and the uncertainties and risks associated with it. This complexity concerns in particular, but not exclusively, the accounting and prudential consolidation mechanisms that will have to be implemented in order to determine the scope of the Arkéa group's supervision by the supervisory authorities, once it has been removed from the Crédit Mutuel.

Because of its novel and complex nature, the disaffiliation project presupposes, for its implementation, that conditions are met, in particular with regard to the various stages described in the paragraph on the operational implementation of disaffiliation.

Before any investment decision is made, potential investors must conduct a thorough analysis of the disaffiliation project, the Arkéa group's target organizational structure as described above and the uncertainties and risks associated with it, as described below. In particular, investors should carefully examine all the information included in this Prospectus and in particular, when making their investment decision, the risk factors related to the change in the organization of the main players in the corporate shares and the risks related to the disaffiliation of the Arkéa group from the Crédit Mutuel listed in this Prospectus.

The implementation of the disaffiliation of the Arkéa group will not change its nature as a cooperative and territorial group. However, its disaffiliation from the Crédit Mutuel has consequences that may be difficult for the investor to understand but which must be understood and analyzed before any investment decision is taken. Due to its unprecedented nature, Crédit Mutuel

Arkéa cannot guarantee that the project will be completed, that it will not be subject to major changes compared to what was initially planned or that new difficulties will not emerge during its implementation.

2.3.2.1. Risks related to local savings banks

- Uncertainties as to the shares issued by the local savings banks before the disaffiliation of the Arkéa group from the Crédit Mutuel.

Crédit Mutuel Arkéa's analysis of the implementation of the disaffiliation of the Arkéa group from the Crédit Mutuel confirmed that, in the planned target scheme, the A, B and C shares issued by the local savings banks to date will not be affected.

Indeed, the early repayment cases based on a legal basis applicable to A, B and C shares result from (i) the 1947 Law and (ii) Regulation (EU) No 575/2013 of June 26th 2013, as amended to take into account the equity status of the shares. These texts do not include any case of early repayment relating to the loss of the banking licence of the local savings banks or a change of purpose as long as the cooperative status remains.

Similarly, the contractual terms of the A, B and C shares do not include any case of early repayment relating to the loss of the approval of the local savings banks that have become SCL.

The risk is therefore low, in the planned target scheme, that the shares issued by the local savings banks before the Arkéa group's disaffiliation from the Crédit Mutuel will be affected.

- Uncertainties regarding the implementation of a new share issue scheme after the disaffiliation of the Arkéa group from the Crédit Mutuel.

The disaffiliation of the Crédit Mutuel local savings banks will result in the loss of the benefit of the collective banking licence granted under the conditions of Article R.511-3 of the CMF, which will have an impact on their ability to issue B shares to the public in the future.

These B shares are currently an essential source of financing for Crédit Mutuel Arkéa. A scheme for the issuance of shares is being discussed with the ACPR and the ECB. In this respect, it is specified that the work in progress favors a scheme in which Arkéa's shares would be issued by Arkéa itself. In any event, the proposed scheme will be submitted to the authorities in advance.

It is therefore possible that the Arkéa group may not obtain the approval of the authorities, which could prevent the disaffiliation project from being carried out according to the planned target scheme.

- Risks related to the future of the local savings banks that voted against the disaffiliation project

Under the DCG, the operational implementation of the disaffiliation of the Arkéa group remains subject to the approval and vote of the Boards of Directors of the local savings banks, the disaffiliation of Crédit Mutuel Arkéa (the inter-federal fund of the Arkéa group) not automatically leading to the disaffiliation of the local savings banks that are shareholders.

Local savings banks that vote against the disaffiliation of Crédit Mutuel as a whole, or do not wish to participate in the vote, may not be part of this new organization.

Even if 94.5% of the local savings banks that voted in 2018 did so in favor of independence, these results do not in any way prejudice the results of the future vote of the local savings banks on the operational implementation of this disaffiliation with regard to Crédit Mutuel as a whole.

Each local savings bank will be asked to give its opinion on the implementation phase of the Arkéa group's disaffiliation to approve the disaffiliation project, the terms and conditions of disaffiliation and the filing of an application for disaffiliation by the federation concerned, in accordance with the DCG.

Local savings banks that choose to vote against disaffiliation may join another federal or inter-federal mutual in order to benefit from a new collective agreement. This new affiliation will not constitute a case of early repayment of the A, B and C shares held by the members. These local savings banks will be reimbursed for the A shares they hold in the share capital of Crédit Mutuel Arkéa.

It is possible that some local savings banks may ultimately choose to vote against the disaffiliation from Crédit Mutuel as a whole. However, the financial consequences for the Arkéa group will depend on the number and characteristics (company shares, reserves, loans, deposits) of the local savings banks that choose to vote against disaffiliation. Based on the April 2018 orientation vote, the impact of this exit on the Arkéa group would be minimal.

➤ Risks related to the final vote of the members

The local savings banks that vote for the disaffiliation from the Crédit Mutuel must convene their extraordinary general meeting in order to adopt the disaffiliation project in accordance with the DCG and approve the amendment of their articles of association relating thereto.

The vote of the members, which, in accordance with Article 2.3 of the DCG, may not take place less than two months after the authorization granted by the CNCM to convene the extraordinary general meeting of the local savings banks concerned, shall concern the express approval of the disaffiliation project, the terms of disaffiliation contained in the notification file previously approved by the Boards of Directors of these local savings banks and its consequences, in particular financial consequences, for these local savings banks and their members, in accordance with Appendix 2 of the DCG.

In accordance with Appendix 2 of the DCG, a presentation document summarizing the main points of the notification file as well as the amendments to the Articles of Association will be notified to the members at least fifteen (15) days before each extraordinary general meeting is held. Members will thus be able to express their opinion on the basis of clear, precise and exhaustive information on the disaffiliation project and its consequences for their local savings bank, its members, customers, creditors, employees and the entire Crédit Mutuel, in accordance with the DCG.

The extraordinary general meeting of each local savings bank concerned shall decide in favor of the request for disaffiliation by a two-thirds majority of the members present or represented, in accordance with Article 2.4 of the DCG.

In the event of disapproval by an extraordinary general meeting, the federation concerned may not transmit a new request for disaffiliation of the local savings bank concerned before a period of three (3) years, in accordance with Article 2.3 of the DCG.

The results of the orientation vote on the Arkéa group's independence project in no way prejudice the results of the future vote of the local savings banks on the operational implementation of this disaffiliation with regard to Crédit Mutuel as a whole.

It is possible that the extraordinary general meetings of some local savings banks will not adopt the disaffiliation project and will not approve the amendment of their articles of association relating thereto. However, the financial consequences for the Arkéa group will depend on the number and characteristics (company shares, reserves, loans, deposits) of the local savings banks that choose to vote against the disaffiliation project and the amendment of their articles of association. Based on the April 2018 orientation vote, the impact of this exit on the Arkéa group would be minimal.

➤ *Risks related to the convergence process of the member local savings banks of the federation of Crédit Mutuel Massif Central towards Crédit Mutuel Alliance Fédérale*

Federation of Crédit Mutuel Massif Central has initiated the implementation of the convergence process towards Caisse Fédérale de Crédit Mutuel (Crédit Mutuel Alliance Fédérale - formerly CM11 group). Between September and October 2018, the extraordinary general meetings of the local savings banks of Federation of Crédit Mutuel Massif Central met to decide on the convergence process. The statutory amendments necessary to continue the process have been approved by the thirty local savings banks affiliated to Federation of Crédit Mutuel Massif Central and should take effect for these no later than January 1st 2020.

On September 5th 2019, Crédit Mutuel Arkéa signed a memorandum of understanding with Caisse Fédérale de Crédit Mutuel and federation of Crédit Mutuel Massif Central to define the terms of the separation of the Crédit Mutuel Massif Central, which will take place on January 1st 2020.

It should be noted that, to date, the banking activity of each of Crédit Mutuel Massif Central's thirty local savings banks is carried out through Crédit Mutuel Arkéa's collective agreement as a credit institution.

Based on financial data at the end of 2018, the impact of the exit of the thirty local savings banks of the CMMC on the solvency of the Arkéa group is limited, estimated at the end of 2018 to a decrease of between 20 bp and 30 bp on the CET1 ratio, and would be positive *a priori* on the Arkéa group's income.

In any event, the precise consequences remain subject to the outcome of discussions between Crédit Mutuel Arkéa, Caisse Fédérale de Crédit Mutuel and federation of Crédit Mutuel Massif Central.

2.3.2.2. Risks related to the Arkéa group

Following the disaffiliation of the Arkéa group from the Crédit Mutuel, of which the CNCM is the central body, the Arkéa group will always be formed around Arkéa (currently Crédit Mutuel Arkéa), which is approved as a cooperative bank and supervised directly by the ACPR and the ECB.

➤ Risks related to the approval of the supervisory authorities

In accordance with the provisions of the CMF, and at the same time as Crédit Mutuel Arkéa's disaffiliation from the Crédit Mutuel, the CNCM, as the central body, must notify the ACPR of Crédit Mutuel Arkéa's disaffiliation.

The ACPR and the ECB will have to review the banking authorization of Crédit Mutuel Arkéa and the local savings banks attached to it.

At this stage, extensive and documented work is underway with these authorities to obtain their agreement. No assurance can be given as to whether or not their agreement will be obtained or as to the time and manner in which their agreement will be obtained. The change of Crédit Mutuel Arkéa's corporate name will require the prior approval of these authorities.

It is therefore possible that the Arkéa Group may not obtain the agreement of the ACPR and the ECB, which could prevent the disaffiliation project from proceeding according to the planned target scheme.

➤ Risks related to prudential calculations

In addition, the disaffiliation of the Arkéa group from the Crédit Mutuel could lead to an evolution of the internal weighted risk calculation model leading to an increase in capital requirements, or even a transition to a standard model.

At December 31st 2018, credit risk was determined for €95.5 billion of net risk exposures, including:

- €64.8 billion of risk exposures are assessed using an internal rating approach,
- and €30.7 billion of risk exposures are already assessed using a standard approach.

Consequently, the disaffiliation from Crédit Mutuel as a whole could lead to a review of the method of assessing weighted risks for the €64.8 billion of risk exposures currently assessed using an internal rating approach, without compromising the financial strength of the Arkéa group.

➤ Risks related to the operational procedures for disaffiliation set by the DCG

The DCG provides that the notification file must mention "the commitments proposed to compensate all past and future costs incurred by Crédit Mutuel entities as a result of the disaffiliation project". In addition, the application file for disaffiliation to be sent to the CNCM by the federations after the vote of the members of the local savings banks concerned who are affiliated to them must include the draft memorandum of understanding setting out the commitments of these local savings banks and the operational arrangements for disaffiliation.

In this context, the local savings banks will make a financial proposal to the Board of Directors of the CNCM on the basis of objective and legally sound elements.

Finally, the DCG provides that the Board of Directors of the CNCM must determine the final terms of the disaffiliation, "taking into account, in particular, on the effective date of the disaffiliation, the amount of the indemnity to be paid to the *Caisse Centrale de Crédit Mutuel* and the memorandum of understanding setting out the commitments of the fund and the practical arrangements for disaffiliation". DCG does not specify either the method of calculating this indemnity or its amount, which may ultimately be material, which Crédit Mutuel Arkéa could then dispute.

In addition, in accordance with Article 2.4 of the DCG, in the event of a change in the legal or factual circumstances between the authorization given to the federations to organize the vote of the members and the approval vote of each extraordinary general meeting, or after the latter vote, the Board of Directors of the CNCM may request any useful additional information from the local savings banks and federations concerned in order to "assess at an early date whether the essential conditions for disaffiliation are still met and the consequences of such a change for the Crédit Mutuel in the event of disaffiliation" and "decide whether to grant the disaffiliation request".

It is therefore possible that Crédit Mutuel Arkéa does not agree with the CNCM on the operational arrangements for disaffiliation set by the DCG, which could prevent the disaffiliation project from being carried out.

➤ Risks related to the business issues of disaffiliation

The disaffiliation of the Arkéa group from the Crédit Mutuel has a number of consequences, in particular the business issues related to the adoption by Crédit Mutuel Arkéa of a name and trademarks that do not include the use of the terms "Crédit Mutuel".

In addition, the assumption that a significant number of local savings banks will be opened in the scope of the Brittany and South-West federations could increase competition with the Arkéa group in these two territories.

In any case, the competition prevailing in the banking sector in France is strong. The Arkéa group considers that the intensification of competition in the context of its disaffiliation project will not affect its development capacities.

The preparatory work leading to the adoption of a new brand is being completed in order to initiate a new business and industrial dynamic.

It is therefore possible that Crédit Mutuel Arkéa's disaffiliation from the Crédit Mutuel may have commercial impacts on the Arkéa group. However, work in progress indicates that the consequences of the occurrence of this risk are small.

➤ Risks related to Crédit Mutuel Arkéa's governance

The CNCM thus amended its Articles of Association by an Extraordinary General Assembly on May 16th 2018 (the "Articles of Association").

A new article 29 relating to the sanctions that may be imposed by the CNCM has been incorporated. This new Article 29 is accompanied by a disciplinary regulation which would have the same legal force as the Articles.

The regulatory measures mentioned in the powers of the Board of Directors refer to the creation of a new Article 33 of the Articles, entitled "Withdrawal of confidence or approval as a regulatory measure", which makes it possible to exclude the leaders of regional groups out of any sanction procedure.

It is possible that these provisions of the Articles of Association may be implemented by the CNCM, as the potential negative impact on the Arkéa Group may be assessed as significant.

➤ Risks related to potential litigation

Following the implementation of the disaffiliation of the Arkéa group from the Crédit Mutuel, there is a risk of legal dispute over the disaffiliation of the Arkéa group, particularly in connection with the application of the DCG.

In addition, the operational implementation of the disaffiliation of the Arkéa group could give rise to various actions or litigation against the Arkéa group by members, customers or counterparties of the Crédit Mutuel.

The litigation or legal proceedings that may potentially be instituted could have a potentially significant negative impact on the Arkéa Group.

➤ Risks related to the loss of inter-federal solidarity

As from the effective date of disaffiliation, Crédit Mutuel Arkéa will no longer benefit from the inter-federal solidarity mechanism in the event of the implementation of the Arkéa group's independence from Crédit Mutuel as a whole.

However, it is specified that Crédit Mutuel Arkéa has its own solidarity mechanism which would be used in the first instance.

Thus, an affiliation agreement between all SCLs and Arkéa will be concluded for a period of 99 years with a view to implementing solidarity, mutual assistance and support mechanisms to promote the achievement of the primary mission of SCLs, namely to promote access to banking, financial and insurance services for all.

For more information on the solidarity mechanism, investors may refer to section 1.6 on solidarity relations in the 2018 Registration Document.

Crédit Mutuel Arkéa's exit from the inter-federal solidarity mechanism could lead to the downgrading of some Arkéa group financial ratings. However, it should be noted that the Fitch Ratings agency already assigns a rating to the Arkéa group independently from Crédit Mutuel as a whole, without taking into account this inter-federal solidarity mechanism.

At this stage, there is no certainty as to how this situation may evolve and/or when it may result, or what impact it may have on B shares.

2.4. Risk management function

The numbering of the following items presented on pages 222 to 253 of the 2018 Registration Document is updated:

4.4.1 Credit risk

4.4.2 Operational risk

4.4.3 Structural interest rate and liquidity risks

4.4.4 Risks specific to the insurance business

3. Statement of the person responsible for the amendment to the Universal Registration Document

I certify, after having taken all reasonable measures to this effect, that the information contained in this amendment is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its scope.

Done at Relecq-Kerhuon, September 17th, 2019

Ronan LE MOAL, Chief Executive Officer of Crédit Mutuel Arkéa