UPDATE to the 2017 REGISTRATION DOCUMENT

INTERIM FINANCIAL REPORT

JUNE 2018

CRÉDIT MUTUEL-CM11 GROUP

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This update to the 2017 Registration Document was filed with the AMF on August 7, 2018 pursuant to Article 212-13 of its General Regulation. It may be used in support of a financial transaction if accompanied by an offering memorandum (note d'opération) authorized by the AMF. This document was prepared by the issuer and its signatories are liable for its content.

Contents

1. Interim financial report as of June 30, 2018 5

1.1 Economic environment in the first half of 2018 7

1.2 Business performance and results of the Crédit Mutuel CM11 and BFCM Groups 9

1.3 The Crédit Mutuel CM11 Group's financial position at June 30, 2018 28

2. The Crédit Mutuel CM11 Group's consolidated financial statements at June 30, 2018 ... 33

3. Statutory auditors' report on the interim financial information of the Crédit Mutuel CM11 Group's 91

4. BFCM Group's consolidated financial statements at June 30, 2018 93

5. Statutory auditors' report on the interim financial information of BFCM Group 145

6. Additions to the accounting information published in the Crédit Mutuel CM11 Group's 2017 Registration Document 147

7. Governance 149

7.1 BFCM – corporate governance report 149

7.2 Caisse Fédérale de Crédit Mutuel – corporate governance report 161

8. Information regarding the Crédit Mutuel CM11 Group and BFCM – Recent events and outlook 175

8.1 Presentation of the Group 175

8.2 Distribution of BFCM's capital as of June 30, 2018 177

8.3 Main risks and uncertainties for the second half of 2018 178

8.4 Recent events specific to the Crédit Mutuel CM11 Group and BFCM that have a material impact on the assessment of its solvency 178

9. Documents available to the public – Person responsible for the information 179

10. Certification statement by the person responsible for updating the Registration Document and for the interim financial report 181

11. Cross-reference table 183

1. Interim financial report as of June 30, 2018

Management report on the financial position and results in the first half of 2018

The following management report should be read in conjunction with the consolidated financial statements of the Crédit Mutuel CM11 Group and the BFCM Group included by way of reference in this document (the "Financial statements as of June 30, 2018 of the Crédit Mutuel CM11 Group" and the "Financial statements as of June 30, 2017 of the BFCM Group", respectively) and in conjunction with the related notes included by way of reference in this update. This update to the Registration Document also serves as the interim financial report of the Crédit Mutuel CM11 Group and the BFCM Group.

These consolidated financial statements were prepared in accordance with international financial reporting standards as adopted by the European Union.

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the period have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2017. These standards include IAS 1-41 and IFRS 1-13, and any related SIC and IFRIC interpretations adopted as of that date.

These standards are available on the European Commission's website at:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

The financial statements are presented in accordance with the format recommended by Recommendation No. 2013-04 of the French accounting standards authority concerning IFRS financial statements. They are consistent with the international accounting standards as adopted by the European Union.

These interim financial statements have been prepared in accordance with IAS 34 relating to interim financial reporting, which allows the publication of condensed financial statements. They supplement the financial statements for the year ended December 31, 2017 presented in the 2017 Registration Document.

Since January 1, 2018, the Group has applied:

- ✓ *IFRS 9*

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules for:

- *classification and measurement of financial instruments (Phase 1),*
- *impairment of credit risks on financial instruments (Phase 2), and*
- *hedge accounting, excluding macro-hedging (Phase 3).*

Classification and measurement, as well as the new impairment model under IFRS 9, are applied retrospectively by adjusting the opening statement of financial position at January 1, 2018 (impact on shareholders' equity). There is no requirement to restate fiscal periods presented as comparative statements. The Group is therefore presenting its 2018 financial statements without comparative figures for 2017 in IFRS 9 format. An explanation of the portfolios' transition between the two standards and the impacts on shareholders' equity at January 1, 2018 are presented in the notes. The Group is not applying Phase 3, which is optional; hedging is therefore recognized according to IAS 39 as adopted by the European Union.

The implementation of IFRS 9 applies to all the Group's activities with the exception of the insurance divisions governed by the Conglomerate directive, for which implementation is deferred until 2021, as provided by the amendment to IFRS 4 as adopted by the European Union. To take advantage of this deferral, certain conditions must be met, including no transfers of financial instruments between the *insurance sector and the other sectors of the conglomerate that would lead to a derecognition of the instruments, other than those measured at fair value through profit or loss in both sectors.*

The principles of IFRS 9 applied by the Group are presented in detail in section 1.3.1.

- ✓ *IFRS 15*

This standard replaces several standards and interpretations on revenue recognition (including IAS 18 Revenue and IAS 11 Construction Contracts). It does not affect revenue that falls within the scope of the standards covering leases, insurance contracts or financial instruments.

Revenue recognition under IFRS 15 reflects the transfer of control of the asset (or service) to a customer, for the amount to which the seller expects to be entitled.

To that end, the standard has developed a five-step model to determine when and for what amount the revenue should be recognized:

- *identify the contract with a customer,*
- *identify the performance obligations in the contract,*
- *determine the transaction price,*
- *allocate the transaction price to the performance obligations, and*
- *recognize revenue when the entity satisfies a performance obligation.*

After analyzing the standard and identifying its potential effects, it was determined that the standard had no material impact for the Group, and the method of recognizing business revenue was therefore unchanged.

Other amendments have little or no impact for the Group:

- *clarifications regarding disclosures under IFRS 12 when an interest in a subsidiary, joint arrangement or associate is classified as an asset held for sale,*
- *application of the fair value through profit or loss option by venture capital/private equity entities to their associates and joint arrangements. The amendment to IAS 28 specifies that this option may be exercised on an entity-by-entity basis,*
- *information regarding transfers to or from the investment property category (IAS 40),*
- *the treatment of advance consideration in connection with foreign currency transactions (IFRIC 22),*
- *share-based payment transactions under IFRS 2. The changes involve:*
  - *the recognition of vesting conditions for the measurement of cash-settled transactions,*
  - *transactions that include a net settlement feature related to tax withheld at source,*
  - *a change in the terms of a share-based payment that results in a change in the classification of the transaction, which is settled in equity instruments rather than in cash.*

1.1 Economic environment in the first half of 2018

1st Half 2018: a darkening horizon

There were many signs of weakness in the first half of the year. After fears of a sharp increase in the price of money by the central banks following the rise in inflation (particularly in the US), the protectionist rhetoric between the United States and the rest of the world fueled concerns over global economic growth. These factors contributed to heightened volatility in the financial markets and kept risk aversion high, significantly limiting an increase in major sovereign yields while putting pressure on most stock indexes.

In the euro zone, the stabilization of economic growth was confirmed and economic statistics offered few pleasant surprises in the face of still-high expectations. At the same time, political risk made a big comeback after a coalition of two parties considered Euroskeptics (M5S and the League) came to power in Italy. However, these parties later managed to ease fears by expressing their desire to have Italy remain in the euro zone while complying with European fiscal rules. The positive signals coming from Spain and Greece were partly eclipsed by concerns over the stability of the German government. The marked depreciation of the euro against the main currencies since the beginning of the year also partly reflects the renewed political risk in Europe, while also including the postponement of the expected hike in the ECB’s key interest rates. The institution announced that it would reduce its support for the economy by discontinuing asset purchases by year-end and that, in its view, there would be enough growth and inflation to increase its key interest rates after the summer of 2019.

In France, growth remained high even though it returned to a more normal level (+2.2% in Q1 2018 on an annual basis vs. +2.8% in Q4 2017). Internal growth engines were mainly impacted by the slowdown in corporate investment in the first quarter. In the first half of the year, activity was also adversely affected by higher oil prices, which put a strain on households' purchasing power despite the first wave of reductions in employee contributions starting January 1, 2018. Temporary factors also limited growth in France, including a harsher winter and labor disputes in the transport sector. Yet the pace of reform continues: reform of the SNCF is now underway, training and unemployment insurance reforms are being implemented, and pension reform is forthcoming.

In the United Kingdom, the Brexit negotiations continue to drag on. Although there seems to be a general agreement on a transition period lasting until the end of 2020, Theresa May's government continues to face internal pressures, particularly on the Northern Ireland border issue. Many uncertainties persist and are having an increasingly severe impact on activity across the Channel, while the Bank of England must choose between supporting the economy and combating inflation, which remains high.

In the United States, economic activity remains particularly strong due to the passing of tax reforms at the end of 2017 and the agreement between Republicans and Democrats on the 2018 budget at the beginning of the year. Against this backdrop, the inflation rate is currently close to the 2% target announced by the Fed, enabling it to speed up its monetary tightening with two key interest rate hikes planned for this year in addition to those implemented in March and June. Nevertheless, the prospect of the mid-term elections in November has clouded the picture, driving Donald Trump to turn up the volume on the world stage. This led to a reversal of the agreement made in 2015 with Iran and increasingly serious and diverse protectionist threats against most of the country's trading partners. Following initial tariffs on steel and aluminum, Washington has set its sights on the auto industry and foreign investments in technology. This has fueled concerns about global growth itself and has negatively impacted all risky assets.

In China, President Xi Jinping continues to carry out the reforms approved during the last Congress of the Communist Party (pollution control, stabilization of the financial system and poverty reduction). Even so, business activity – particularly in terms of exports – has begun to feel the initial effects of the escalation of protectionist measures with the United States. The authorities, however, have been quick to react by raising expectations of monetary policy easing, which has helped drive down the yuan to a low point since the end of 2017, thereby holding economic growth at a level currently close to the government's target (official target of 6.5% in 2018).

Emerging countries, on the other hand, are finding it increasingly difficult to withstand the impacts of the growing protectionist pressures. Risk aversion has intensified capital flight, worsening the internal problems of certain countries (Argentina, Turkey and Brazil) by causing the value of most emerging countries' currencies to plummet against the dollar. Emerging assets are also less attractive, while US government bonds (close to 3%) represent a relatively attractive investment alternative.

Oil prices continued to climb, driven by high demand and production difficulties in several countries (Venezuela, Libya and Angola), while a further increase in US production was hampered by logistical constraints. The high point followed the re-imposition of US sanctions against Iran in anticipation of a drop in that country's crude production. However, by announcing a significant hike in their production to limit the supply shortage, the OPEC countries and Russia helped curb the increase in crude prices.

2018 outlook

During the second half of the year, there is a risk that political uncertainties and protectionist fears may reduce growth potential. However, the underlying trends remain favorable and we expect the economic cycle to remain on track. In the United States, the fiscal stimulus plan may drive global growth. In the developed countries and particularly in Europe, the upward-trending job market is boosting consumption and investment momentum is strong given the need to respond to companies' order backlogs. Although European political risks (Italy and Germany) are impacting the exchange rate of the euro, the drop in the single currency will help boost activity and inflation, allowing the ECB to continue to gradually tighten its monetary policy, which will support the upward movement in global sovereign yields.

However, several factors could undermine our scenario:

- An escalation of protectionist measures on a global scale triggering a sudden disruption of the growth cycle, which would also prevent sovereign yields from rising by encouraging capital flows to safe haven assets;
- Heightened tensions in Europe in terms of the political stability of leading countries (Italy, but also Germany), and even a risk of a weakening of Europe and the euro zone (migratory flows, ability to meet budgetary targets);
- A sudden increase in certain components of inflation, including oil prices, which would put a strain on households' purchasing power for an extended period of time.

1.2 Business performance and results of the Crédit Mutuel CM11 and BFCM Groups

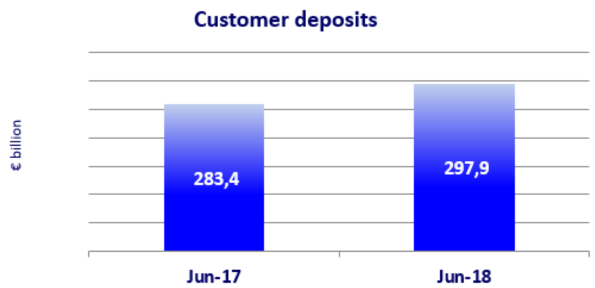
Note: all the changes mentioned are at constant scope and method; see the methodology note on page 23.

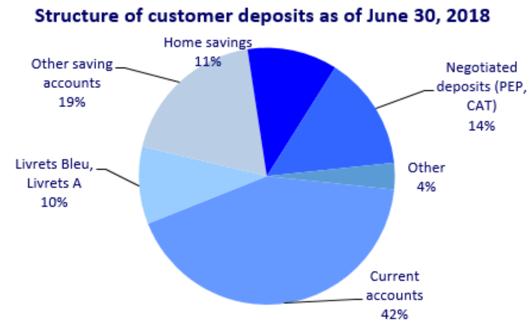
Group business performance

After a year marked by growth in the banking, insurance and services businesses in 2017, the Group's sales activity remained strong during the first half of 2018, benefiting its 24.7 million members-customers.

- **Banking**

Customer deposits stood at €297.9 billion at the end of June 2018, a 5.1% increase driven by current accounts with credit balances (+13.1%) and passbook accounts excluding Livret A and Livret Bleu savings accounts (+6.0%).



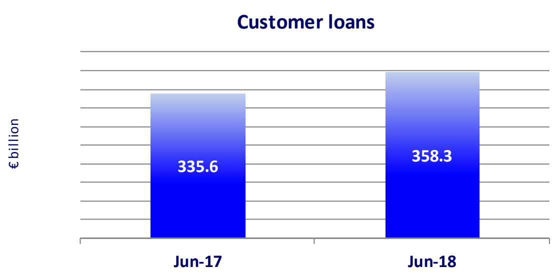


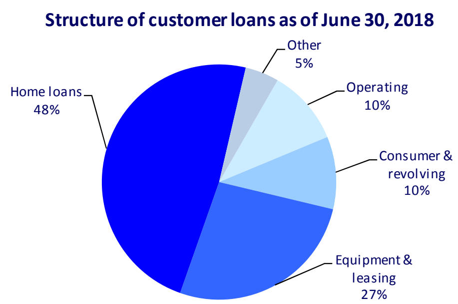
After a high volume of loan repurchases in the first half of 2017 which impacted the total amount of funds released, these transactions returned to normal in the first half of 2018 with a total volume of €39.3 billion in funds released versus €39.9 billion in the first half of 2017.

New home loans therefore fell by 15.4% to €16.2 billion and outstanding loans amounted to €173 billion at end-June 2018, up 5.5%. New investment loans to business and corporate customers rose by 15.5% to €10.3 billion and outstanding equipment loans grew by 11.5% to nearly €82 billion. Consumer loans followed a similar trend with €9.6 billion released in the first half of 2018 (+10.7%) and outstandings up by 9.6% to €35.8 billion at the end of June 2018.

€358.3 billion in outstanding loans

Overall, outstanding loans at end-June 2018 totaled €358.3 billion, a year-over-year increase of 6.8%.





The loan to deposit ratio was 120.3% at June 30, 2018 compared to 118.4% at June 30, 2017.

The Liquidity Coverage Ratio was well above the regulatory requirements at 127% at end-June 2018 compared to 131% at December 31, 2017.

- **Insurance**[1]

31.3 million insurance policies

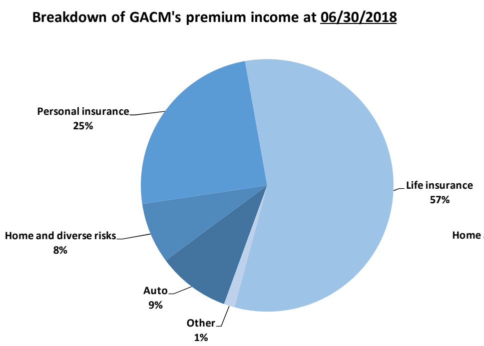
Premium income totaled €6.1 billion, up 7.1%.

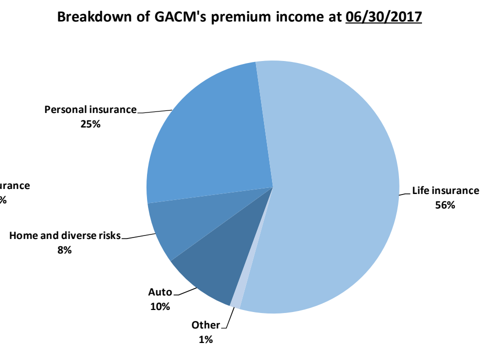
After a year of decline, gross inflows from life insurance and insurance-based savings products grew steadily by 8.0% to €3.5 billion. At a time when interest rates remain very low, the promotion of unit-linked (UL) policies continues. For GACM, the share of unit-linked policies in its gross inflows was therefore 30.8% in the first half of 2018 compared to 28.6% in June 2017, a level higher than that of the market (28.8% at the end of May 2018).

Property insurance premiums rose by 5.3%, outperforming the market once again (+2.2% at end-May 2018). These excellent results are attributable to record levels of new auto insurance, comprehensive home insurance and comprehensive business insurance policies and a continued downward trend in cancellation rates.

Personal insurance premiums were up 5.7%. This growth resulted from the momentum that was built in personal protection insurance in 2017 and the launch of new individual health insurance products in April 2018.

The networks collected €743 million in commissions, a 5.6% increase.





- **Services**

In addition to the banking and insurance businesses, the Group's commercial performance is also reflected in the wide range of services distributed by its networks.

EI Telecom, which offers mobile phone services, now has more than 1.8 million customers in its portfolio. EI Telecom is boosting its sales by offering very generous data plans. This strategy is yielding results, as evidenced by an increase of 90,000 lines for retail customers since the beginning of the year. Products aimed at business customers also rose by 20%.

Euro Protection Surveillance, which sells remote surveillance solutions, is France's leading remote surveillance operator with 461,417 subscriber agreements (+7% compared to June 30, 2017) and an approximately 31% market share in the residential segment.

In terms of new property sales, **CM-CIC Agence Immobilière** had a net number of 4,753 housing units in contract in the first half of 2018,a large portion of which (45%) have also led to the sale of a management mandate (ZenInvest).

[1] *The 2017 data (and changes) are presented on a proforma basis, i.e. by including NEA in the scope of consolidation.*

Group results

The Crédit Mutuel CM11 Group's net income in the first half of 2018 was up 14.9% to €1.548 billion.

Crédit Mutuel CM11 Group

(€ millions)	1st Half 2018	1st Half 2017	change *
Net banking income	**7,083**	**7,150**	**-2.2%**
Operating expenses	(4,424)	(4,360)	+0.8%
Gross operating income	**2,659**	**2,790**	**-6.8%**
Net additions to/reversals from provisions for loan losses	(349)	(398)	-12.3%
Operating income	**2,310**	**2,392**	**-5.9%**
Gains/losses on other assets and associates	68	(271)	Ns
Income before tax	**2,378**	**2,121**	**+9.1%**
Corporate income tax	(830)	(810)	-0.3%
Net income (loss)	**1,548**	**1,316**	**+14.9%**
Non-controlling interests	154	153	+0.6%
Net income attributable to owners of the company	**1,395**	**1,163**	**+16.8%**

** at constant scope* [2]

Net banking income

In the first half of 2018, the Crédit Mutuel CM11 Group's net banking income came to €7.083 billion compared to €7.150 billion in the first half of 2017. This decrease was mainly due to the weaker performance of capital markets activities in a difficult market context compared to the favorable environment in the first half of 2017, and to the reversal of a provision for non-recurring risk in the first half of 2017.

Net banking income from retail banking stood at €5.162 billion (69% of total NBI), an increase of 2.7% over one year, which reflects strong performance at a time of still-low interest rates.

In line with its performance in 2017, the insurance segment posted net insurance income of €988 million in the first half of 2018, thanks in part to the transfer of the activity of Nord Europe Assurances, which merged with Groupe des Assurances du Crédit Mutuel effective January 1, 2018; at constant scope, net insurance income grew by 1.5%.

[2] *For details regarding the change at constant scope, see the methodology note.*

Breakdown of the Crédit Mutuel CM11 Group's net banking income by activity

(€ millions)	1st Half 2018	1st Half 2017	change *
Retail banking	5,162	5,026	+2.7%
Insurance	989	881	+1.5%
Financing and capital markets	341	463	-26.4%
Private banking	250	262	-4.9%
Private equity	221	169	+30.8%
IT, logistics and holding company services	522	720	-27.6%
Intra-Group transactions	*(400)*	*(372)*	*Ns*
TOTAL	**7,083**	**7,150**	**-2.2%**

** at constant scope; see methodology note*

The geographic breakdown of the Group's net banking income illustrates the extent to which the banking and insurance business is concentrated in the French domestic market, which accounted for 78% of net banking income from operating activities in the first half of 2018.

The following table shows the Group's net banking income from all activities by region as of June 30, 2018 and June 30, 2017.

(€ millions)	1st Half 2018	1st Half 2017
France	5,559	5,667
Europe, excluding France	1,420	1,381
Rest of the world	104	102
TOTAL	**7,083**	**7,150**

Gross operating income

The Group's operating expenses rose by 0.8% to €4.424 billion in the first half of 2018. Excluding the contribution to the Single Resolution Fund (SRF), which increased by 24% to €138 million between the two periods, operating expenses remained stable, up 0.2%.

The retail banking cost/income ratio improved by 160 basis points to 64.1%.

Gross operating income was €2.7 billion compared to €2.8 billion in the first half of 2017.

Net additions to/reversals from provisions for loan losses

Net additions to/reversals from provisions for loan losses totaled €349 million in the first half of 2018 (19 basis points), a decrease of €49 million compared to the first half of 2017 (23 basis points). This decrease was particularly significant in the Crédit Mutuel and CIC networks.

The ratio of non-performing loans to gross loans decreased from 3.8% at June 30, 2017 to 3.1% at June 30, 2018, and the overall coverage ratio was 70% at June 30, 2018 compared to 63.5% a year earlier. This increase in the coverage ratio was mainly due to the provision for performing loans related to IFRS 9.

The following table summarizes the Group's data on non-performing loans and provisions for impaired loans in the first half of 2018 and 2017:

(€ billions)	June 30, 2018	June 30, 2017
Gross amount of customer loans	366.4	344.0
Non-performing loans	11.5	13.2
Provisions	8.0	8.4
Ratio of non-performing loans(1) (2)	3.1%	3.8%
Coverage ratio(2)	70.0%	63.5%

(1) non-performing loans/gross amount of customer loans
(2) as the figures were rounded, the ratios indicated may not correspond to division of the rounded outstanding loans shown

Other income statement items

Share of net income (loss) from associates The Group's share of net income from associates was a "normal" €59 million, reflecting in particular the net income of BMCE, Banque de Tunisie and Royale Marocaine d'Assurance. It should be noted that in the first half of 2017, this item represented a loss of €256 million impacted mainly by the sale of the Banco Popular shares to Santander at the decision of the Single Resolution Board.

Gains (losses) on other assets: This item includes a gain of €9 million, €8 million of which was related to the sale of a Banque de Luxembourg entity that included business premises.

Change in value of goodwill: None.

Corporate income tax: The net tax expense for the Group's companies rose to €830 million at June 30, 2018, in line with the increase in income before tax.

Post-tax gain/ (loss) on discontinued operations: None at end-June 2018. At end-June 2017, this item represented the net gain (€5 million) on CIC's private banking businesses in Singapore and Hong Kong, which were sold in late 2017.

Income before tax

Income before tax rose by 9.1% over one year and stood at €2.4 billion in the first half of 2018.

Net income

Net income was €1.548 billion, up 14.9% compared to the first half of 2017 thanks to the strong performance of the retail bankinsurance business, a low level of net additions to/reversals from provisions for loan losses and well-controlled general operating expenses despite the significant increase in regulatory contributions.

Results by activity

Description of the business lines

RETAIL BANKING: this business includes the local Crédit Mutuel banks, the CIC network, Banque Européenne du Crédit Mutuel, CIC Iberbanco, the Targobank branches in Germany and Spain, Cofidis Participations, Banque Casino and all the specialized activities whose products are marketed by the networks, such as equipment leasing and leasing with purchase option, real estate leasing, vendor credit, factoring, asset management, employee savings and real estate sales.

INSURANCE: the insurance business line consists of Groupe des Assurances du Crédit Mutuel.

CORPORATE BANKING: with its teams based in France and at its branches (London, New York, Singapore, Hong Kong), the corporate banking business line provides services to large corporate and institutional customers, taking a comprehensive approach to their requirements. It also supports the work of the "corporate" networks on behalf of their major customers and contributes to the development of international business and the implementation of specialized financing (acquisitions, assets and projects).

CAPITAL MARKETS: the Crédit Mutuel CM11 Group's capital markets activities are recorded on CIC's balance sheet. They include the investment in fixed-income, equities and credit business line and the commercial activity (CM-CIC Market Solutions) in France and at the New York and Singapore branches.

PRIVATE BANKING: the companies that make up this business line operate both in France through CIC Banque Transatlantique and abroad through the Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, Banque Transatlantique Belgium and Banque Transatlantique London subsidiaries and branches. They develop expertise in financial and wealth management for families of business owners and private investors.

PRIVATE EQUITY: this business activity is carried out by CM-CIC Investissement, which has its head office in Paris and offices in Lyon, Nantes, Lille, Bordeaux and Strasbourg, thereby ensuring close ties to customers while gradually entering a phase of international development. It includes equity investments, M&A consulting and financial and capital markets engineering.

IT, LOGISTICS and PRESS: this division includes purely logistics entities, such as the Group's IT companies, the CCS (Centre de Conseil et de Service) economic interest group, EI Telecom, Euro Protection Surveillance, Lyf Pay and the press division.

HOLDING COMPANY SERVICES: this division includes the Group's custody and central treasury/refinancing activities and all activities not assigned to another business.

- ***Retail banking***

Retail banking is by far the Group's largest business segment. At June 30, 2018, it accounted for 69% of the Group's net banking income.

(€ millions)	1st Half 2018	1st Half 2017*	Change
Net banking income	**5,162**	**5,026**	**+2.7%**
Operating expenses	(3,309)	(3,303)	+0.2%
Gross operating income	**1,853**	**1,723**	**+7.5%**
Net additions to/reversals from provisions for loan losses	(369)	(423)	-12.9%
Gains/losses on other assets and associates	4	(8)	Ns
Income before tax	**1,488**	**1,292**	**+15.1%**
Corporate income tax	(524)	(532)	-1.6%
Net income (loss)	**964**	**760**	**+26.8%**

** restated - see methodology note*

The retail banking networks continued to post strong sales growth in support of customers, members and corporates against a backdrop of economic recovery in Europe.

In the first half of 2018, retail banking generated net banking income of €5.162 billion, up 2.7% reflecting the increase in net interest, with the negative interest rate effect on loans offset by an increase in volumes and a positive interest rate effect on deposits. Commission income remained stable relative to the first half of 2017, while renegotiation and prepayment fees decreased significantly.

Operating expenses were tightly controlled, up 0.2% compared to the first half of 2017. Gross operating income rose by 7.5% to €1.853 billion and retail banking's cost/income ratio improved by 160 basis points to 64.1%.

Net additions to/reversals from provisions for loan losses fell by 12.9% to a low level of €369 million.

Income before tax was up 15.1% to €1,488 million.

- The banking networks
    - **Crédit Mutuel bankinsurance branch network**

The number of customers – 87% of whom are individuals – reached 7 million at end-June 2018, growing by nearly 37,000 since the end of December 2017; over one year, the most significant increase was in the business customer and corporate segments (up 2.6% and 1.9% respectively).

Outstanding loans totaled €123.6 billion at end-June 2018, a 4.6% increase over one year. The highest growth was posted by home loans (up 5.2% to €94.3 billion), followed by investment loans to business customers and companies (up 4% to €20.1 billion).

Customer deposits (€109.2 billion) grew by 6.1% thanks to high inflows of demand deposits, the outstanding balance of which increased by 11.9% over one year.

In an environment of persistently low interest rates, net banking income rose by 2.6% to €1.531 billion, despite the significant decrease in loan renegotiation and prepayment fees following a reduction in the volume of these transactions compared to the first half of 2017.

The modest increase in operating expenses (+0.7%) and the sharp decrease in net additions to/reversals from provisions for loan losses (-38.9%) contributed to a 15.5% increase in income before tax over one year.

- **CIC bankinsurance network**

Of a total of 5.1 million customers (1.5% increase over one year), 16% are business customers and companies. The number of customers has increased by nearly 50,000 since end-December 2017.

Outstanding loans rose by 5.6% to €123.8 billion, driven by investment loans (+8.7%) and home loans (+5%). Demand for credit remained high, with investment loans released over one year up 12%.

Savings stood at €172.8 billion at end-June 2018, including €112.7 billion in deposits (+4.2% over one year).

Net banking income rose by 2.1% to €1.728 billion thanks to an increase in net interest and commission income. With well-controlled operating expenses (-0.5%) and the decrease in net additions to/reversals from provisions for loan losses (-44.3%), income before tax was up by 17.7% over one year to €555 million.

- **Banque Européenne du Crédit Mutuel (BECM)**

Banque Européenne du Crédit Mutuel operates in the corporate and real estate companies market in France and Germany, and in the real estate development market in France. Serving more than 21,000 customers, its sales network consists of 51 branches (including 42 in France) and a subsidiary in Monaco.

At end-June 2018, in terms of average monthly capital and for all markets, customer loans grew by 5% to €14.2 billion over 12 months. Deposits increased by 1.6% over one year to €12.3 billion.

At June 30, 2018, net banking income was up 4.8% at €148 million. Net interest increased by 7.1% as a result of the decrease in the cost of customer deposits and growth in outstanding loans. Commission income was €29 million, down 5% compared to the first half of 2017 due to a smaller share of commissions on electronic payments.

General operating expenses totaled €52.7 million (+1.1%). The cost/income ratio fell by an additional 130 basis points to 35.6%.

Net additions to/reversals from provisions for loan losses totaled €12.3 million, including €2.6 million in net additions to provisions for unverified risk. They represent a moderate annual average rate of 0.17% of customer loans.

Income before tax held steady at €83 million at June 30, 2018.

- **Targobank in Germany**

The continued growth in market share in the personal loans segment (8.8% market share versus 8.3% in the first half of 2017) contributed to a 14% increase in new lending to €2.290 billion compared to the first half of 2017.

Customer deposits also rose, totaling €15.4 billion at June 30, 2018, up 5% since the beginning of the period and 9.3% over 12 months.

In the corporate market, the factoring and lease financing activities also increased compared to the previous year. The volume of invoices processed rose by 10% to €25.9 billion and the lease financing portfolio grew by 8% on average compared to the first half of 2017, thanks to a 19% increase in new business to €254 million.

The volume of outstanding loans stood at €14.2 billion at June 30, 2018, up by nearly 12% over 12 months.

At €777 million, net banking income was 1.5% higher than in the first half of 2017.

Targobank Germany's income before tax in the first half of 2018[3] was €244 million, including €214 million for the retail business and €30 million for the corporate business.

➢ Cofidis Participations Group

Sales activity at Cofidis was very strong in the first half of 2018 in terms of products sold both directly and via partners. New lending increased by 15% compared to the previous period.

The rates offered to customers continued to decline as a result of the competitive low interest rate environment and the development of the auto loan business.

Outstandings also increased significantly, up by nearly 6% over one year. Personal outstanding loans, purchases of receivables and auto loans experienced the highest growth.

Net banking income rose by €22 million, spurred by the growth in sales activity and still favorable refinancing terms in the markets.

Operating expenses were controlled, increasing by €12 million compared to 2017 as a result of IT migrations at two subsidiaries (those in Italy and Portugal).

Net additions to/reversals from provisions for loan losses rose by €17 million compared to the first half of 2017. Two factors contributed to this rise: increased risk on the Spanish subsidiary related to the reduced effectiveness of the collection process on several occasions and the implementation of IFRS 9 as of January 1, 2018, which entails setting up provisions for performing loans.

Income before tax was €150 million, down slightly compared to the first half of 2017.

- ***Insurance***

As of June 30, 2018, the insurance business accounted for 13% of the Group's net banking income. The following table shows the components of net income from the insurance business as of June 30, 2018 and June 30, 2017, as presented in the Group's consolidated financial statements.

(€ millions)	**1st Half 2018**	**1st half 2017 proforma**	Change
Net banking income	**988**	**973**	**+1.5%**
Operating expenses	(306)	(306)	+0.0%
Gross operating income	**682**	**668**	**+2.2%**
Gains/losses on other assets and associates	13	2	Ns
Income before tax	**695**	**670**	**+3.8%**
Corporate income tax	(235)	(216)	+8.5%
Net income (loss)	**460**	**453**	**+1.5%**

[3] *Contribution to consolidated income before tax.*

Crédit Mutuel's insurance business, carried out through Groupe des Assurances du Crédit Mutuel (GACM), is fully integrated into the Crédit Mutuel CM11 Group at both the sales and technical levels. GACM crossed a new threshold in 2018 with the merger with Nord Europe Assurances (NEA) and its subsidiaries, the insurance companies of Crédit Mutuel Nord Europe.

The 2017 data (and changes) are presented on a proforma basis, i.e. by including NEA in the scope of consolidation.

Insurance premium income therefore increased by 7.1% to €6.1 billion.

After a year of decline, gross inflows from life insurance and insurance-based savings products grew steadily by 8.0% to €3.5 billion. At a time when interest rates remain very low, the promotion of unit-linked (UL) policies continues. For GACM, the share of unit-linked policies in its gross inflows was therefore 30.8% in the first half of 2018 compared to 28.6% in June 2017, a level higher than that of the market (28.8% at the end of May 2018).

Property insurance premiums rose by 5.3%, outperforming the market once again (+2.2% at end-May 2018). These excellent results are attributable to record levels of new auto insurance, comprehensive home insurance and comprehensive business insurance policies and a continued downward trend in cancellation rates.

Personal insurance premiums were up 5.7%. This growth resulted from the momentum that was built in personal protection insurance in 2017 and the launch of new individual health insurance products in April 2018.

The networks collected €743 million in commissions, a 5.6% increase.

GACM ended the first half of 2018 with net income[4] of €460 million compared to €453 million a year earlier, up 1.5% on a proforma basis.

This income reflects the Group's sales performance and its strong underwriting income, with the exception of the home insurance branch, which was affected by many weather events throughout the first half of the year (total expense of €87 million for GACM). The management centers once again focused all their efforts on processing the more than 52,000 claims filed by policyholders related to the natural events during the half-year period (versus nearly 30,000 at end-June 2017).

- ***Corporate banking and capital markets***

As of June 30, 2018, financing and capital markets accounted for 5% of the Group's net banking income. The following table shows the components of net income from financing and capital markets as of June 30, 2018 and June 30, 2017.

(€ millions)	**1st Half 2018**	**1st Half 2017**	Change
Net banking income	**341**	**463**	**-26.4%**
Operating expenses	(182)	(172)	+5.6%
Gross operating income	**159**	**291**	**-45.4%**
Net additions to/reversals from provisions for loan losses	31	27	+13.8%
Income before tax	**190**	**318**	**-40.3%**
Corporate income tax	(69)	(105)	-34.1%
Net income (loss)	**121**	**213**	**-43.4%**

[4] *Contribution to the Crédit Mutuel CM11 Group's consolidated net income*

Corporate banking

(€ millions)	1st Half 2018	1st Half 2017	Change
Net banking income	**186**	**188**	**-1.0%**
Operating expenses	(61)	(61)	-0.3%
Gross operating income	**126**	**127**	**-1.3%**
Net additions to/reversals from provisions for loan losses	29	22	+36.6%
Income before tax	**155**	**149**	**+4.2%**
Corporate income tax	(53)	(46)	+15.7%
Net income (loss)	**102**	**103**	**-1.0%**

Net corporate banking customer loan outstandings were up by 9.6% to €18.6 billion.

Net banking income fell slightly by 1% to €186 million due to a drop in the specialized financing activity (overall decrease in margins and commissions).

Net banking income in the first half of 2018 was also affected by the decrease in the dollar against the euro.

Operating expenses fell slightly by 0.3% to €61 million, which included the increase in the contribution to the Single Resolution Fund.

As regards net additions to/reversals from provisions for loan losses, there was a net reversal of €29 million compared to €22 million a year earlier.

Income before tax stood at €155 million, up 4.2% compared to the first half of 2017.

Capital markets activities

(€ millions)	1st Half 2018	1st Half 2017	Change
Net banking income	**154**	**275**	**-43.8%**
Operating expenses	(121)	(111)	+8.8%
Gross operating income	**33**	**163**	**-79.7%**
Net additions to/reversals from provisions for loan losses	2	6	Ns
Income before tax	**35**	**169**	**-79.5%**
Corporate income tax	(16)	(59)	-72.7%
Net income (loss)	**19**	**110**	**-83.1%**

Capital markets generated income of €154 million compared to €275 million in the first half of 2017, when high volumes were recorded in a more favorable market environment.

Increased volatility and numerous uncertainties resulting, in particular, from political risk in Italy and US protectionist measures helped drive down the income of the "investment" activity in France of CM-CIC Marchés, which nevertheless generated income in line with its budget.

Operating expenses were up by 8.8% as a result of a significant increase in the contribution to the Single Resolution Fund, which rose from €9 million at end-June 2017 to €21 million in 2018.

Income before tax in the first half of the year was €35 million.

- ***Private banking***

At June 30, 2018, the private banking business line accounted for 3% of the Group’s net banking income. The following table shows the components of net income from private banking:

(€ millions)	1st Half 2018	1st Half 2017	change *
Net banking income	**250**	**262**	**-4.9%**
Operating expenses	(179)	(171)	+4.7%
Gross operating income	**71**	**92**	**-22.8%**
Net additions to/reversals from provisions for loan losses	(5)	0	Ns
Gains/losses on other assets and associates	8	0	Ns
Income before tax	**73**	**92**	**-20.3%**
Corporate income tax	(16)	(21)	-21.1%
Gains/losses after corp. tax on disc. operations	0	5	Ns
Net income (loss)	**57**	**76**	**-20.1%**

* at constant scope – see methodology notes

The following table provides indicators of the performance of the private banking business line at June 30, 2018.

(€ billions)	**June 30, 2018**	**change over 12 months**
Deposits	21	+5.4%
Loans	12	+8.1%
Managed savings	95	+4.4%

Net banking income was €250 million compared to €262 million at June 30, 2017, down 4.9% with a 12.1% drop in commission income, which did not include all the income of the asset management subsidiaries.

Operating expenses totaled €179 million (+4.7%).

Net additions to/reversals from provisions for loan losses totaled €5 million.

Income before tax amounted to €73 million compared to €92 million at end-June 2017.

It should be noted that net income in the first half of 2017 included, under "Net gains/losses on discontinued operations”, the results of the private banking business in Singapore and Hong Kong, which was sold in late 2017.

These results do not include those of the CIC Banque Privée branches in France, which are integrated into the CIC banks. Recurring income before tax of the CIC Private Banking branches was €43 million.

- ***Private equity***

At June 30, 2018, 2% of the Group's net banking income was generated by the private equity business line. The following table shows the components of income from this business line

(in € millions)	**1st Half 2018**	**1st Half 2017**	Change
Net banking income	**221**	**169**	**+30.8%**
Operating expenses	(24)	(25)	-3.7%
Income before tax	**196**	**144**	**+36.0%**
Corporate income tax	0	2	Ns
Net income (loss)	**196**	**146**	**+34.7%**

The following table shows the breakdown of investments and funds managed by this business segment.

(€ millions)	**June 30, 2018**
Total investments made by the Group during the half-year period	153
Total capital invested by the Group	2,289
Value of the Group's portfolio, excluding funds managed for third parties	2,507
Funds managed for third parties	174

The Group's proprietary investment portfolio totaled €2.3 billion at the end of June 2018, including €153 million invested in 2018 and €354 million divested by all the entities of the private equity division since the beginning of the year. The portfolio is made up of 339 non-fund holdings, the vast majority of which are in companies that are customers of the Group's networks. Funds managed on behalf of third parties totaled €174 million.

The strong performance of the private equity business in 2017 continued in the first half of 2018, with net banking income of €221 million compared to €169 million a year earlier. Income before tax was €196 million versus €144 million the previous year (+36%).

- ***Logistics and holding company services***

(€ millions)	**1st Half 2018**	**1st Half 2017***	Change
Net banking income	**522**	**720**	**-27.6%**
Operating expenses	(824)	(783)	+5.2%
Gross operating income	**(303)**	**(63)**	**Ns**
Net additions to/reversals from provisions for loan losses	(5)	(2)	Ns
Gains/losses on other assets and associates	43	(271)	Ns
Income before tax	**(264)**	**(336)**	**Ns**
Corporate income tax	14	40	Ns
Net income (loss)	**(251)**	**(297)**	**Ns**

** restated - see methodology note*

Net banking income from logistics and holding company services was €522 million at June 30, 2018 compared to €720 million at June 30, 2017. These figures reflect the following factors:

- Net banking income from the Group's "IT, logistics and press" activities was €814 million at June 30, 2018 (+3.4%). This change was mainly due to the improvement in the sales margins posted by Euro Information and its subsidiaries.
- The Group's holding company services generated negative net banking income of €293 million at June 30, 2018 compared to negative NBI of €67 million at June 30, 2017. This change mainly stemmed from the reversal of a provision for non-recurring risk in the first half of 2017.

General operating expenses totaled €824 million at June 30, 2018 compared to €783 million at June 30, 2017 (+5.2%).

"Gains/(losses) on other activities and associates" mainly included the Group's share of net income from associates, particularly BMCE, Banque de Tunisie and Royale Marocaine d'Assurance. It should be noted that in the first half of 2017, this item represented a loss of €271 million impacted mainly by the sale of the Banco Popular shares to Santander at the decision of the Single Resolution Board.

Methodology notes

1/ **Changes at constant scope** are calculated by offsetting:

- the impact of the first-time consolidation at January 1, 2018 of the NEA entities merged into GACM; the changes are calculated on a proforma basis, i.e. by including NEA in the intermediary balances for the first half of 2017.
- the deconsolidation in 2017 of CIC's private banking business in Singapore and Hong Kong.

These items are detailed below under the different intermediary balances:

€ millions	1st Half 2018			1st Half 2017			Movements	
	Published	chg. in scope	at constant scp.	Published	chg. in scope	at constant scp.	Gross	at constant scp.
Net banking income	7,083		7,083	7,150	92	7,242	-0.9%	-2.2%
Operating expenses	(4,424)		(4,424)	(4,360)	(28)	(4,388)	+1.5%	+0.8%
Gross operating income	**2,659**	**0**	**2,659**	**2,790**	**64**	**2,854**	**-4.7%**	**-6.8%**
Net additions to/reversals from provisions for loan losses	(349)		(349)	(398)		(398)	-12.3%	-12.3%
Operating income	**2,310**	**0**	**2,310**	**2,392**	**64**	**2,456**	**-3.4%**	**-5.9%**
Net gains/(losses) on other assets and associates	68		68	(271)	(5)	(276)	Ns	Ns
Income before tax	**2,378**	**0**	**2,378**	**2,121**	**59**	**2,180**	**+12.1%**	**+9.1%**
Corporate income tax	(830)		(830)	(810)	(23)	(833)	+2.5%	-0.3%
Net gains/(losses) on discontinued operations	0		0	5	(5)	0	Ns	Ns
Net income (loss)	**1,548**	**0**	**1,548**	**1,316**	**31**	**1,347**	**+17.7%**	**+14.9%**
Non-controlling interests	154		154	153		153	+0.6%	+0.6%
Net income attributable to owners of the company	**1,395**	**0**	**1,395**	**1,163**	**31**	**1,194**	**+19.9%**	**+16.8%**

2/ The results of entities in which the group holds a non-controlling interest have been moved from the retail banking business line to the holding company services business line so that the retail bank only shows the results of networks and subsidiaries over which the group exercises complete management influence.

Alternative performance indicators – article 223-1 of the General Regulations of the AMF / ESMA guidelines (ESMA/20151415)

Heading	Definition / calculation method	Justification for use of ratios
cost/income ratio	calculated on the basis of consolidated income statement balances: ratio of general operating expenses (sum of "general operating expenses" and "allocations/reversals to and from depreciation, amortization and impairment of property, equipment and intangible assets in the consolidated income statement) and "net banking income in IFRS"	measurement of the bank's operational efficiency
Net additions to/reversals from provisions for loan losses in relation to customer outstanding loans (expressed as a % or in basis points)	Net additions to/reversals from provisions for customer loan losses, as set out in Note 31 of the notes to the consolidated financial statements, in relation to gross loan outstandings at the end of the period	Used to assess the level of risk as a percentage of loan commitments in the statement of financial position
net additions to/reversals from provisions for loan losses	The "net additions to/reversals from provisions for loan losses" line item in the consolidated publishable income statement	measures the risk level
customer loans	"loans and receivables due from customers" line item under assets in the consolidated statement of financial position	measures customers' activity in terms of credit
Customer deposits; bank deposits	"Amounts due to customers" line item under liabilities in the consolidated statement of financial position	measures customers' activity in terms of statement of financial position sources of funds
Insurance-based savings	Life insurance policies held by our customers - management data (insurance company)	measures customers' activity in terms of life insurance
Banking financial savings	Off-statement of financial position savings held by our customers or in custody (securities accounts, UCITS, etc.) - management data (group entities)	measures customers' activity in terms of off-statement of financial position sources of funds (excluding life insurance)
Total savings	Sum of bank deposits, insurance-based savings and banking financial savings	measures customers' activity in terms of savings
Operating expenses; general expenses, management expenses	Sum of "general operating expenses" and "allocations/reversals to and from depreciation, amortization and impairment of property, equipment and intangible assets"	measures the level of operating expenses
Interest margin; net interest revenue; net interest income	calculated on the basis of consolidated income statement balances: Difference between interest received and interest paid: - interest received = the "interest income" line item in the consolidated publishable income statement - interest paid = the "interest expense" line item in the consolidated publishable income statement	representative measure of profitability
New loans	The amount of new loans released for customers - source management data, sum of the individual data of entities in the "retail banking - banking network" segment + COFIDIS	measures customers' activity in terms of new loans
Loan-to-deposit ratio; cost/income ratio	Ratio calculated on the basis of consolidated income statement balances: Ratio expressed as a percentage between total customer loans ("loans and receivables due from customers" line item under assets in the consolidated statement of financial position) and customer deposits ("amounts due to customers" line item under liabilities in the consolidated statement of financial position)	Measurement of level of dependence on external refinancing
Coverage ratio	Calculated as the ratio of provisions recorded for credit risk (including collective provisions) to gross outstandings identified as in default within the meaning of the regulations	This coverage ratio measures the maximum residual risk related to outstandings in default ("non-performing")

API, reconciliation with the accounts:

€ millions

Retail banking cost/income ratio	1st Half 2018	1st Half 2017
Retail banking general operating expenses	(3,309)	(3,303)
Retail banking net banking income	5,162	5,026
Retail banking cost/income ratio	64.1%	65.7%

Net additions to/reversals from provisions for loan losses / gross operating income	1st Half 2018	1st Half 2017
Net additions to/reversals from provisions for loan losses	(349)	(398)
Gross operating income	2,659	2,790
Net additions to/reversals from provisions for loan losses / gross operating income	13.1%	14.3%

Net income / average assets	June 30, 2018	June 30, 2017
Net income (loss)	1,548	1,316
Average assets	643,272	615,989
Net income / average assets	0.48%	0.43%

Loans / deposits	June 30, 2018	June 30, 2017
Net customer loans	358,347	335,615
Customer deposits	297,891	283,400
Loans / deposits	120.3%	118.4%

Overall net additions to/reversals from provisions for customer loan losses as a percentage of outstanding loans	June 30, 2018	June 30, 2017
Net additions to/reversals from provisions for loan losses	(352)	(393)
Gross customer loans	366,394	343,997
Overall net additions to/reversals from provisions for customer loan losses as a percentage of outstanding loans	0.19%	0.23%

* Annualized

Coverage ratio	June 30, 2018	June 30, 2017
Provisions	8,047	8,382
Gross non-performing loans	11,490	13,207
Coverage ratio	70.0%	63.5%

Non-performing loan ratio	June 30, 2018	June 30, 2017
Gross non-performing loans	11,490	13,207
Gross customer loans	366,394	343,997
Non-performing loan ratio	3.1%	3.8%

BFCM Group earnings

The factors impacting the BFCM Group's results in the first half of 2018 were the same as those for the Crédit Mutuel CM11 Group. The following table shows the BFCM Group's key figures for the first half of 2018 and the first half of 2017.

(€ millions)	1st Half 2018	1st Half 2017	change *
Net banking income	**5,222**	**5,359**	**-4.2%**
Operating expenses	(3,087)	(3,067)	-0.3%
Gross operating income	**2,135**	**2,292**	**-9.4%**
Net additions to/reversals from provisions for loan losses	(314)	(344)	-8.6%
Operating income	**1,821**	**1,948**	**-9.5%**
Gains/losses on other assets and associates	89	(258)	Ns
Income before tax	**1,910**	**1,691**	**+9.2%**
Corporate income tax	(654)	(687)	-7.8%
Gains/losses after corp. tax on disc. operations	0	5	Ns
Net income (loss)	**1,256**	**1,009**	**+20.7%**
Non-controlling interests	188	192	-1.9%
Net income attributable to owners of the company	**1,068**	**816**	**+30.7%**

** at constant scope*

Net banking income

The BFCM Group's net banking income totaled €5.222 billion at June 30, 2018 compared to €5.359 billion at June 30, 2017, down 4.2%. The main factors that contributed to the change in the BFCM Group's net banking income between the first half of 2017 and the first half of 2018 are described below and are the same as those for the Crédit Mutuel CM11 Group.

- weaker performance of capital markets activities in a difficult market context compared to the favorable environment in the first half of 2017
- reversal of a provision for non-recurring risk in the first half of 2017.

Retail banking accounted for the greatest proportion of BFCM Group's earnings, followed by insurance and financing & capital market activities. The table below shows the breakdown of net banking income by activity. An analysis of the Crédit Mutuel CM11 Group's results by business segment is presented starting on page 13 of this document.

Breakdown of the BFCM Group's net banking income by activity

(€ millions)	**1st Half 2018**	**1st Half 2017**	change *
Retail banking	3,628	3,530	+2.8%
Insurance	939	852	-0.5%
Financing and capital markets	341	463	-26.4%
Private banking	250	262	-4.9%
Private equity	221	169	+30.8%
IT, logistics and press & holding company services	(121)	117	Ns
Intra-Group transactions	*(34)*	*(34)*	*Ns*
TOTAL	**5,222**	**5,359**	**-4.2%**

** at constant scope; see methodology note*

The BFCM Group's net banking income at June 30, 2018 fell by 4.2% compared to June 30, 2017.

Retail banking accounted for 69% of the BFCM Group's net banking income, posting 2.8% growth in NBI to €3.628 billion thanks to the increase in net interest (+4%) and stable commission income (+0.1%).

Net insurance income (€939 million) was virtually unchanged at constant scope.

Since the net banking income of the financing and capital markets, private banking and private equity business lines are the same in the consolidation scope of both the Crédit Mutuel CM11 and BFCM groups, the above comments also apply to this section.

The decrease in the net banking income of logistics and holding company services reflects the base effect of a reversal of a non-recurring provision recognized in the first half of 2017.

France accounted for nearly 72% of the BFCM Group's net banking income (excluding logistics and holding company services) at June 30, 2018 and June 30, 2017. The following table shows the breakdown of the BFCM Group's net banking income by geographic region at June 30, 2018 and June 30, 2017.

(€ millions)	**1st Half 2018**	**1st Half 2017**
France	3,698	3,877
Europe, excluding France	1,420	1,381
Rest of the world	104	102
TOTAL	**5,222**	**5,359**

Gross operating income

The BFCM Group's gross operating income was €2.135 billion at June 30, 2018 compared to €2.292 billion at June 30, 2017, down by 9.4%. General operating expenses totaled €3.087 billion at June 30, 2018 versus €3.067 billion at June 30, 2017, up by a mere 0.3%.

The BFCM Group's retail banking cost/income ratio improved from 61.8% at June 30, 2017 to 60.1% at June 30, 2018.

Net additions to/reversals from provisions for loan losses

The BFCM Group's net additions to/reversals from provisions for loan losses totaled €314 million at June 30, 2018 compared to €344 million at June 30, 2017, down significantly by €30 million (-8.6%). The reasons for this decrease are generally the same as those indicated for the Crédit Mutuel CM11 Group.

Operating income

The BFCM Group's operating income was €1.821 billion at June 30, 2018 compared to €1.948 billion at June 30, 2017, down 9.5%.

Other income statement items

Share of net income (loss) from associates The Group's share of net income from associates was a "normal" €81 million, reflecting in particular the net income of BMCE, Banque de Tunisie and Royale Marocaine d'Assurance. It should be noted that in the first half of 2017, this item represented a loss of €242 million impacted mainly by the sale of the Banco Popular shares to Santander at the decision of the Single Resolution Board.

Gains (losses) on other assets: This item includes a gain of €8 million related to the sale of a Banque de Luxembourg entity that included business premises.

Change in value of goodwill: None.

Corporate income tax: The net tax expense for the Group's companies rose to €654 million at June 30, 2018, in line with the increase in income before tax.

Post-tax gain/ (loss) on discontinued operations: None at end-June 2018. At end-June 2017, this item represented the net gain (€5 million) on CIC's private banking businesses in Singapore and Hong Kong, which were sold in late 2017.

Net income (loss)

Net income attributable to owners of the BFCM Group was €1.068 billion at June 30, 2018 compared to €816 million in the first half of 2017.

Transactions with Crédit Mutuel CM11 Group entities

As of June 30, 2018, outstanding loans to Crédit Mutuel CM11 Group entities not part of the BFCM Group totaled €30.8 billion.

Transactions with Crédit Mutuel CM11 Group entities not part of the BFCM Group (mainly the local banks and the CF de CM) accounted for -€40 million of the BFCM Group's gross operating income. In the first half of 2018, net interest income from these transactions amounted to €228 million, net commission income was -€17 million and the net expense from other activities recognized by these entities was -€252 million.

1.3 The Crédit Mutuel CM11 Group's financial position at June 30, 2018

Starting on January 1, 2018, the Group applied IFRS 9 as adopted by the European Union on November 22, 2016. The Group made the choice offered by the standard's transitional arrangements not to restate data from prior periods. Therefore, for the statement of financial position, the data presented by way of comparison with the June 30, 2018 data in the consolidated financial statements and the following comments is the January 1, 2018 data.

€ millions	**06/30/2018** IFRS 9	**01/01/2018** IFRS 9	**12/31/2017** IAS 39
Crédit Mutuel CM11 Group total assets	662,343	618,288	619,199

Total assets amounted to €662.3 billion at June 30, 2018, up 7.1% (€44 billion) from January 1, 2018.

The impact of first-time application of IFRS 9 was a €911 million decrease in the Group's total assets to €618.288 billion. This decrease was mainly due to the following factors:

- The application of the new model for recognizing credit risk resulted in the adjustment for impairment losses on financial assets at amortized cost (€1.1 billion increase). This adjustment mainly applies to customer loans.
- The effect of these adjustments on deferred tax, which generated an increase in tax assets.

Assets

The Group's consolidated assets totaled €662.3 billion at June 30, 2018 compared to €618.3 billion at January 1, 2018, an increase of €44 billion. This increase in total assets was attributable to several factors: growth in investments by the insurance businesses (+€15.7 billion), in loans and receivables due from customers (+€15.1 billion), in cash and amounts due from central banks (+€4.9 billion) and in loans and receivables due from credit institutions (+€4 billion).

Investments by the insurance businesses and reinsurers' share of technical reserves. Following the Group's decision to allow its insurance subsidiaries to defer the application of IFRS 9, all the financial assets and property investments of these subsidiaries were combined on a specific line of the statement of financial position, on which financial assets continue to be recognized according to IAS 39. At June 30, 2018, investments by the insurance businesses and reinsurers' share of the technical reserves amounted to €122 billion.

Loans and receivables due from customers. Loans and receivables due from customers totaled €358.3 billion at June 30, 2018 compared to €343.2 billion as of January 1, 2018, reflecting the Group's strong sales growth.

Liabilities (excluding shareholders' equity)

The Group's consolidated liabilities excluding shareholders' equity totaled €619.8 billion at June 30, 2018 compared to €578.3 billion at January 1, 2018. These liabilities include €8.3 billion in subordinated debt as of June 30, 2018, an increase of €525 million compared to January 1, 2018. The growth in liabilities excluding shareholders' equity in the first half of 2018 was mainly due to the increase in liabilities related to the policies of the insurance businesses (+€14.1 billion), amounts due to credit institutions (+€11 billion) and amounts due to customers (mainly deposits) (+€9.4 billion).

Financial liabilities at fair value through profit or loss. The total amount of financial liabilities at fair value through profit or loss was €6.2 billion at June 30, 2018, an increase of €724 million over the half-year period.

Amounts due to credit institutions. Amounts due to credit institutions rose by €10.9 billion to €57.9 billion at June 30, 2018 compared to €47 billion at January 1, 2018.

Amounts due to customers. Amounts due to customers consist mainly of demand deposits, term accounts, regulated savings accounts and repurchase agreements. Amounts due to customers totaled €297.9 billion at June 30, 2018 versus €288.4 billion at January 1, 2018, a €9.4 billion increase related mainly to demand deposits.

Debt securities. Debt securities consist of negotiable certificates of deposit and bond issues. Debt securities rose by €1.9 billion to €114.4 billion as of June 30, 2018. The Group's debt issues are presented in the section "Liquidity and refinancing."

Consolidated shareholders' equity

Consolidated shareholders' equity attributable to owners of the company was €39.3 billion at June 30, 2018 compared to €37.7 billion at January 1, 2018, an increase of €1.6 billion due mainly to retained earnings and the impact of the NEA/GACM merger.

Non-controlling interests increased from €2.3 billion at January 1 to €3.2 billion at June 30, 2018 as a result of the NEA/GACM merger.

In terms of total shareholders' equity, the equity of the NEA entity, which joined the Crédit Mutuel CM11 Group, more or less explains the €1.1 billion impact of the NEA/GACM merger.

Liquidity and refinancing

The Crédit Mutuel CM11 Group has a strong liquidity position thanks to a customer deposit-centered policy of refinancing the retail banking activity. In addition, BFCM regularly issues bonds on medium- and long-term financial markets to investors inside and outside the euro zone. The portion in euros was 67% in 2017.

At June 30, 2018, the Crédit Mutuel CM11 Group's market funding totaled €135.8 billion, with medium and long-term resources accounting for 64% and money market resources 36%.

Money market resources amounted to €49.4 billion, up by €0.8 billion from the middle of 2017 (€48.6 billion). These funds are well diversified and initially raised primarily in euros (55%), US dollars (24%) and pounds sterling (21%).

With respect to the €9.6 billion in medium and long-term wholesale funding maturities throughout 2018 and the €13 billion annual issue target, €7.2 billion had already been raised on the markets as of June 30, 2018.

The group completed six public issues for a total of €4.6 billion as follows:

- Via the EMTN program
  - €1.5 billion in a +7-year issue in January
  - €500 million (equivalent) for a +3-year issue in pounds sterling in January
  - €85 million (equivalent) for a +6-year issue in Swiss francs in April
- Via the SFH program
  - €1.0 billion in an 8-year issue in January
  - €1.0 billion in a 10-year issue in April

A 10-year €500 million BFCM subordinated debt issue took place in May.

The remaining €2.6 billion was divided into EMTN (nearly €1.1 billion) and NEU MTN (formerly BMTN medium-term notes) (€1.5 billion) private placements.

The Group's liquidity structure remains comfortably secure: as of June 30, 2018, €104.4 billion in liquid, ECB-eligible assets covered 151% of the wholesale funding maturities over the next 12 months plus a potential to refinance the foreign branches.

European sovereign debt exposure

The following table shows the Group's exposure to the most fragile sovereign debt as of June 30, 2018:

(€ millions)	**06/30/2018**
Portugal	22
Ireland	167
Total exposure on Portugal and Ireland*	**189**
Italy	555
Spain	396
Total exposure on Italy and Spain*	**951**

* net of any insurance policyholder profit-sharing portion.

At June 30, 2018, all the Portuguese and Irish sovereign debt securities held by the Group represented approximately 0.4% of shareholders' equity. Additional information regarding the Group's European sovereign debt exposure is provided in Note 7b to the Crédit Mutuel CM11 Group's financial statements for the first half of 2018.

Capital adequacy ratios

At June 30, 2018, the Crédit Mutuel CM11 Group's shareholders' equity totaled €42.5 billion (€40.6 billion at June 30, 2017).

The Group's risk-weighted assets (RWA) stood at €201.2 billion at March 31, 2018 (compared to €198.9 billion at end-June 2017, up 1.1%). At €178.7 billion, credit risk-weighted assets represented 89% of the total. CET1 capital[5] rose by 1.1% to €32.3 billion at end-March 2018.

As of March 31, 2018, the Common Equity Tier 1 (CET1) ratio was 16.1%[5], stable compared to June 30, 2017. The Tier 1 ratio was also 16.1%[5] at end-March 2018 and the overall solvency ratio was 19.3%[5].

Including net income for the first quarter of 2018, the CET1 ratio was 16.3%[5] compared to 16.5% at December 31, 2017. This slight decrease resulted from the implementation of IFRS 9, which had an impact of 15 basis points.

These ratios are higher than the European Central Bank's requirements established at the time of the 2018 Supervisory Review and Evaluation Process (SREP): the CET1 capital requirement with which the Group must comply on a consolidated basis was set at 8.50% (including 1.50% for the Pillar 2 requirement and 2.50% for the conservation buffer) and the requirement related to the overall ratio at 12%. The Group therefore has a surplus over the SREP requirement of 760 basis points for its CET1 ratio and 730 basis points for the overall ratio.

The leverage ratio (excluding transitional measures) was 5.8% at March 31, 2018 (5.9% at end-December 2017).

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[5] *Without transitional measures.*

2. The Crédit Mutuel CM11 Group's consolidated financial statements at June 30, 2018

The financial statements are unaudited but were subjected to a limited review

Statement of Financial Position - Assets

in € millions	06/30/2018	01/01/2018	Notes
Cash and amounts due from central banks	61,945	57,049	**4**
Financial assets at fair value through profit or loss	19,211	15,994	**9a**
Hedging derivative instruments	2,716	3,010	**10a**
Financial assets at fair value through equity	26,243	26,735	**7**
Securities at amortized cost	3,201	3,312	**5c**
Loans and receivables due from credit and similar institutions at amortized cost	45,235	41,201	**5a**
Loans and receivables due from customers at amortized cost	358,347	343,211	**5b**
Remeasurement adjustment on interest-rate risk hedged investments	710	429	**10b**
Investments by the insurance businesses and reinsurers' share of technical reserves	122,015	106,267	**12a**
Current tax assets	1,481	1,832	**13a**
Deferred tax assets	1,541	1,558	**13b**
Accruals and other assets	9,409	8,046	**14a**
Non-current assets held for sale	884	119	
Deferred profit sharing	0	0	
Investments in associates	1,570	1,676	**15**
Investment property	72	73	**16**
Property and equipment	2,933	2,969	**17a**
Intangible assets	708	690	**17b**
Goodwill	4,124	4,118	**18**
Total assets	**662,343**	**618,288**	

Statement of Financial Position - Liabilities

in € millions	06/30/2018	01/01/2018	Notes
Due to central banks	31	285	**4**
Financial liabilities at fair value through profit or loss	6,173	5,449	**9b**
Hedging derivative instruments	2,836	3,254	**10a**
Debt securities at amortized cost	114,353	112,431	**6c**
Amounts due to credit and similar institutions at amortized cost	57,917	46,961	**6a**
Amounts due to customers at amortized cost	297,891	288,443	**6b**
Remeasurement adjustment on interest-rate risk hedged investments	(240)	(518)	**10b**
Current tax liabilities	827	831	**13a**
Deferred tax liabilities	1,191	1,215	**13b**
Accruals and other liabilities	10,943	7,475	**14b**
Liabilities associated with non-current assets held for sale	748	14	
Liabilities related to policies of the insurance businesses	115,673	101,540	**12b**
Provisions	3,229	3,184	**19**
Subordinated debt at amortized cost	8,250	7,725	**20**
Shareholders' equity	**42,522**	**40,000**	**21**
Shareholders' equity attributable to owners of the company	**39,301**	**37,696**	**21**
- Subscribed capital and issue premiums	6,092	6,010	**21a**
Consolidated reserves	30,960	28,607	**21a**
Gains and losses recognized directly in equity	854	871	**21b**
Net income for the year	1,395	2,208	
Shareholders' equity attributable to non-controlling interests	**3,221**	**2,304**	
Total liabilities and shareholders' equity	**662,343**	**618,288**	

INCOME STATEMENT

in € millions	06/30/2018 IFRS 9	06/30/2017 IAS 39	Notes
Interest income	8,025	7,295	23
Interest expense	(4,952)	(4,410)	23
Fee and commission income	2,384	2,427	24
Fee and commission expense	(642)	(622)	24
Net gain (loss) on financial instruments at fair value through profit or loss	332	539	25
Net gains(losses) on financial assets at fair value through equity (2018) / on available-for-sale financial assets (2017) (1)	76	139	26
Net income from the Insurance business line	1,366		27
Income from other activities (2)	908	7,982	28
Expenses on other activities (2)	(415)	(6,200)	28
Net banking income	**7,083**	**7,150**	
General operating expenses	(4,204)	(4,129)	29a, 29b
Depreciation, amortization and impairment of non-current assets	(220)	(230)	29c
Gross operating income	**2,659**	**2,791**	
Net additions to/reversals from provisions for loan losses	(349)	(398)	30
Operating income	**2,310**	**2,393**	
Share of net income (loss) of associates	59	(256)	15
Gains (losses) on other assets	9	0	31
Change in value of goodwill	0	(15)	32
Income before tax	**2,378**	**2,121**	
Corporate income tax	(830)	(810)	33
Net gains/(losses) on discontinued operations	**0**	5	
Net income (loss)	**1,548**	**1,316**	
Net income (loss) - Non-controlling interests	154	153	
Net income (loss) attributable to owners of the company	**1,395**	**1,163**	

(1) includes gains/(losses) on loans and receivables for 2017
(2) includes income/expense on insurance businesses

Consolidated statement of financial position (IFRS) - Assets

in € millions	12/31/2017 published
Cash and amounts due from central banks	57,049
Financial assets at fair value through profit or loss	32,742
Hedging derivative instruments	3,010
Available-for-sale financial assets	103,164
Loans and receivables due from credit institutions	37,609
Loans and receivables due from customers	344,942
Remeasurement adjustment on interest-rate risk hedged investments	429
Held-to-maturity financial assets	10,720
Current tax assets	1,832
Deferred tax assets	1,255
Accruals and other assets	13,991
Non-current assets held for sale	119
Deferred profit sharing	0
Investments in associates	1,744
Investment property	2,816
Property and equipment	2,969
Intangible assets	690
Goodwill	4,118
Total assets	**619,199**

Consolidated statement of financial position (IFRS) - Liabilities and shareholders' equity

in € millions	12/31/2017 published
Amounts due from central banks	285
Financial liabilities at fair value through profit or loss	9,821
Hedging derivative instruments	3,254
Due to credit institutions	43,890
Due to customers	288,532
Debt securities	112,431
Remeasurement adjustment on interest-rate risk hedged investments	(518)
Current tax liabilities	831
Deferred tax liabilities	1,273
Accruals and other liabilities	11,207
Liabilities associated with non-current assets held for sale	14
Technical reserves of insurance companies	96,423
Provisions	3,041
Subordinated debt	7,725
Shareholders' equity	**40,990**
Shareholders’ equity attributable to owners of the company	**38,600**
- Subscribed capital and issue premiums	6,010
Consolidated reserves	29,035
Gains and losses recognized directly in equity	1,347
Net income for the year	2,208
Shareholders' equity attributable to non-controlling interests	**2,390**
Total liabilities and shareholders' equity	**619,199**

Net income and gains and losses recognized directly in shareholders' equity

in € millions	06/30/2018 IFRS 9
Net income (loss)	**1,548**
Translation adjustments	27
Remeasurement of financial assets at fair value through equity - debt instruments	(75)
Reclassification of financial assets from fair value through equity to fair value through profit or loss	0
Remeasurement of investments by insurance businesses	(54)
Remeasurement of hedging derivative instruments	(1)
Share of unrealized or deferred gains and losses of equity-accounted entities	5
Total recyclable gains and losses recognized directly in equity	**(98)**
Remeasurement of financial assets at fair value through equity - equity instruments at the reporting date	140
Remeasurement of financial assets at fair value through equity - equity instruments sold during the period	0
Remeasurement adjustment related to own credit risk on financial liabilities under the fair value option	0
Remeasurement of non-current assets	0
Actuarial gains and losses on defined benefit plans	31
Share of non-recyclable gains or losses of associates	1
Total non-recyclable gains and losses recognized directly in equity	**173**
Net income and gains and losses recognized directly in shareholders' equity	**1,623**
attributable to owners of the company	1,378
attributable to non-controlling interests	246

in € millions	06/30/2017 IAS 39
Net income (loss)	**1,316**
Translation adjustments	(68)
Remeasurement of available-for-sale financial assets	107
Remeasurement of hedging derivative instruments	24
Share of unrealized or deferred gains and losses of equity-accounted entities	13
Total recyclable gains and losses recognized directly in equity	**78**
Remeasurement of non-current assets	0
- Actuarial gains and losses on defined benefit plans	61
Total non-recyclable gains and losses recognized directly in equity	**61**
Net income and gains and losses recognized directly in shareholders' equity	**1,454**
attributable to owners of the company	*1,307*
attributable to non-controlling interests	*147*

The items relating to gains and losses recognized directly in shareholders' equity are presented net of tax effects.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In € millions	Capital	Issue premiums	Reserves (1)	Gains and losses recognized directly in equity				Net income attributable to owners of the company	Shareholders' equity attributable to owners of the company	Non-controlling interests	Total consolidated shareholders' equity
				Translation adjustments	Financial assets at fair value through equity	Hedging derivative instruments	Actuarial gains and losses				
Shareholders' equity at December 31, 2016	**5,941**	**(0)**	**26,828**	**84**	**1,532**	**(21)**	**(300)**	**2,410**	**36,474**	**3,113**	**39,587**
Appropriation of earnings from previous year			2,410					(2,410)	0		0
Capital increase	74								74		74
Distribution of dividends			(68)						(68)	(58)	(127)
Changes in ownership of a subsidiary not resulting in loss of control			(56)						(56)	(313)	(369)
Sub-total: movements arising from shareholder relations	**74**	**0**	**2,286**	**0**	**0**	**0**	**0**	**(2,410)**	**(50)**	**(371)**	**(422)**
Consolidated net income for the period								1,163	1,163	153	1,316
Change in fair value of assets at fair value through equity					150	25			174	(4)	170
Change in actuarial gains and losses							57		57	4	61
Translation adjustments				(87)					(87)	(5)	(92)
Sub-total	**0**	**0**	**0**	**(87)**	**150**	**25**	**57**	**1,163**	**1,307**	**147**	**1,455**
Impact of acquisitions and disposals on non-controlling interests									0		0
Other movements		(0)	(28)						(28)	4	(24)
Shareholders' equity at June 30, 2017	**6,014**	**(0)**	**29,085**	**(3)**	**1,682**	**4**	**(243)**	**1,163**	**37,703**	**2,893**	**40,595**
Appropriation of earnings from previous year			(0)					(0)	(0)		(0)
Capital increase	(5)								(5)		(5)
Distribution of dividends			0						0	(0)	0
Changes in ownership of a subsidiary not resulting in loss of control			(58)						(58)	(642)	(699)
Sub-total: movements arising from shareholder relations	**(5)**	**0**	**(58)**	**0**	**0**	**0**	**0**	**(0)**	**(63)**	**(642)**	**(704)**
Consolidated net income for the period								1,045	1,045	66	1,111
Change in fair value of assets at fair value through equity					(13)	0			(12)	(4)	(16)
Change in actuarial gains and losses							(29)		(29)	0	(29)
Translation adjustments				(52)					(52)	(2)	(54)
Sub-total	**0**	**0**	**0**	**(52)**	**(13)**	**0**	**(29)**	**1,045**	**951**	**60**	**1,012**
Impact of acquisitions and disposals on non-controlling interests			0						0	82	82
Other movements			7			0			7	(4)	3
Shareholders' equity at December 31, 2017	**6,010**	**(0)**	**29,035**	**(55)**	**1,670**	**4**	**(273)**	**2,208**	**38,600**	**2,390**	**40,990**
Impact of first-time application of IFRS 9			*(429)*		*(476)*				*(904)*	*(86)*	*(991)*
Shareholders' equity at January 1, 2018	**6,010**	**(0)**	**28,607**	**(55)**	**1,194**	**4**	**(273)**	**2,208**	**37,696**	**2,304**	**40,000**
Appropriation of earnings from previous year			2,208					(2,208)	0		0
Capital increase	82								82		82
Distribution of dividends			(81)						(81)	(78)	(159)
Changes in ownership of a subsidiary not resulting in loss of control			4						4	(101)	(98)
Sub-total: movements arising from shareholder relations	**82**	**0**	**2,131**	**0**	**0**	**0**	**0**	**(2,208)**	**4**	**(180)**	**(175)**
Consolidated net income for the period								1,395	1,395	154	1,548
Change in fair value of assets at fair value through equity					2	(1)			1	(14)	(13)
Change in actuarial gains and losses							31		31	0	31
Translation adjustments				31					31	1	31
Sub-total	**0**	**0**	**0**	**31**	**2**	**(1)**	**31**	**1,395**	**1,457**	**140**	**1,598**
Impact of acquisitions and disposals on non-controlling interests			251		(80)				171	954	1,125
Other movements		0	(28)						(28)	2	(26)
Shareholders' equity at June 30, 2018	**6,092**	**(0)**	**30,960**	**(24)**	**1,116**	**3**	**(241)**	**1,395**	**39,301**	**3,221**	**42,522**

(1) Reserves as of June 30, 2018 include the legal reserve of €348 million, regulatory reserves for a total of €5,158 million and other reserves amounting to €25,454 million.

CONSOLIDATED STATEMENT OF CASH FLOWS

in € millions	06/30/2018	06/30/2017 IAS 39
Net income (loss)	1,548	1,316
Corporate income tax	830	810
Income before tax	**2,378**	**2,125**
=+/- Net depreciation/amortization expense on property, equipment and intangible assets	223	231
- Impairment of goodwill and other non-current assets	(1)	15
+/- Net additions to/reversals from provisions and impairment losses	98	(146)
+/- Share of net income/loss of associates	(59)	256
+/- Net loss/gain from investing activities	(21)	1
+/- (Income)/expense from financing activities	0	0
+/- Other movements	(901)	(396)
= Total non-monetary items included in income before tax and other adjustments	**(660)**	**(39)**
+/- Cash flows relating to interbank transactions *(a)*	4,428	(4,543)
+/- Cash flows relating to customer transactions *(b)*	(5,777)	554
+/- Cash flows relating to other transactions affecting financial assets and liabilities *(c)*	611	2,116
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	2,594	3,950
- Corporate income tax paid	(500)	(547)
= Net decrease/(increase) in assets and liabilities from operating activities	**1,356**	**1,530**
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	3,074	3,616
+/- Cash flows relating to financial assets and investments in non-consolidated companies ***(d)***	**(470)**	**50**
+/- Cash flows relating to investment property ***(e)***	**(652)**	**3**
+/- Cash flows relating to property, equipment and intangible assets ***(f)***	**(193)**	**(180)**
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	(1,314)	(127)
+/- Cash flows relating to transactions with shareholders ***(g)***	(80)	(53)
+/- Other cash flows relating to financing activities ***(h)***	2,615	(628)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	2,535	(682)
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (D)	**38**	**(116)**
Net increase / (decrease) in cash and cash equivalents (A + B+ C + D)	**4,333**	**2,692**
Net cash flows from (used in) operating activities (A)	3,074	3,616
Net cash flows from (used in) investing activities (B)	(1,314)	(127)
Net cash flows from (used in) financing activities (C)	2,535	(682)
Impact of movements in exchange rates on cash and cash equivalents (D)	38	(116)
Cash and cash equivalents at beginning of period	**51,511**	**55,630**
Cash and amounts due to/from central banks (assets & liabilities)	56,766	61,044
Demand loans and deposits - credit institutions (assets & liabilities)	(5,255)	(5,415)
Cash and cash equivalents at end of period	**55,844**	**58,321**
Cash and amounts due to/from central banks (assets & liabilities)	61,915	63,037
Demand loans and deposits - credit institutions (assets & liabilities)	(6,071)	(4,716)
CHANGE IN CASH AND CASH EQUIVALENTS	**4,333**	**2,692**

Notes to the consolidated financial statements

The notes to the financial statements are presented in millions of euros.

NOTE 1 - Accounting principles and methods

1.1 Accounting reference framework

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the period have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2017. These standards include IAS 1-41 and IFRS 1-13, and any SIC and IFRIC interpretations adopted as of that date. These standards are available on the European Commission's website at:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

The financial statements are presented in accordance with the format recommended by Recommendation No. 2013-04 of the French accounting standards authority concerning IFRS financial statements. They are consistent with the international accounting standards as adopted by the European Union.

These interim financial statements have been prepared in accordance with IAS 34 relating to interim financial reporting, which allows the publication of condensed financial statements. They supplement the financial statements for the year ended December 31, 2017 presented in the 2017 Registration Document.

Information regarding risk management is provided in the Group's management report.

Since January 1, 2018, the group has applied:

✓ IFRS 9

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules for:

- classification and measurement of financial instruments (Phase 1),
- impairment of credit risks on financial instruments (Phase 2), and
- hedge accounting, excluding macro-hedging (Phase 3).

Classification and measurement, as well as the new impairment model under IFRS 9, are applied retrospectively by adjusting the opening statement of financial position at January 1, 2018 (impact on shareholders' equity). There is no requirement to restate fiscal periods presented as comparative statements. The Group is therefore presenting its 2018 financial statements without comparative figures for 2017 in IFRS 9 format. An explanation of the portfolios' transition between the two standards and the impacts on shareholders' equity at January 1, 2018 are presented in the notes. The Group is not applying Phase 3, which is optional; hedging is therefore recognized according to IAS 39 as adopted by the European Union.

The implementation of IFRS 9 applies to all the Group's activities with the exception of the insurance divisions governed by the Conglomerate directive, for which implementation is deferred until 2021 as provided by the amendment to IFRS 4, as adopted by the European Union. To take advantage of this deferral, certain conditions must be met, including no transfers of financial instruments between the insurance sector and the other sectors of the conglomerate that would lead to a derecognition of the instruments, other than those measured at fair value through profit or loss in both sectors.

The principles of IFRS 9 applied by the Group are presented in detail in section 1.3.1.

✓ IFRS 15

This standard replaces several standards and interpretations on revenue recognition (including IAS 18 Revenue and IAS 11 Construction Contracts). It does not affect revenue that falls within the scope of the standards covering leases, insurance contracts or financial instruments.

Revenue recognition under IFRS 15 reflects the transfer of control of the asset (or service) to a customer, for the amount to which the seller expects to be entitled.

To that end, the standard has developed a five-step model to determine when and for what amount the revenue should be recognized:

- identify the contract with a customer,
- identify the performance obligations in the contract,
- determine the transaction price,
- allocate the transaction price to the performance obligations, and
- recognize revenue when the entity satisfies a performance obligation.

After analyzing the standard and identifying its potential effects, it was determined that the standard had no material impact for the Group, and the method of recognizing business revenue was therefore unchanged.

Other amendments have little or no impact for the Group:

- clarifications regarding disclosures under IFRS 12 when an interest in a subsidiary, joint arrangement or associate is classified as an asset held for sale,
- application of the fair value through profit or loss option by venture capital/private equity entities to their associates and joint arrangements. The amendment to IAS 28 specifies that this option may be exercised on an entity-by-entity basis,
- information regarding transfers to or from the investment property category (IAS 40),
- the treatment of advance consideration in connection with foreign currency transactions (IFRIC 22),
- share-based payment transactions under IFRS 2. The changes involve:
    - the recognition of vesting conditions for the measurement of cash-settled transactions,
    - transactions that include a net settlement feature related to tax withheld at source,
    - a change in the terms of a share-based payment that results in a change in the classification of the transaction, which is settled in equity instruments rather than in cash.

1.2 Scope and basis of consolidation

1.2.1 Consolidating entity

The Crédit Mutuel CM11 Group (Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Anjou) is a mutual group and member of a central body, in accordance with Articles L.511-30 *et seq* of the French Monetary and Financial Code. Crédit Mutuel's local cooperative banks, fully owned by their shareholding members, are at the base of the Group, in line with an "inverted pyramid" capital control structure.

To effectively reflect the common interests of our members during consolidation, the consolidating entity is defined with a view to reflecting the shared links in terms of operations, financial solidarity and governance.

Within this framework, the consolidating entity at the head of the Group is made up of the companies placed under the same collective accreditation for banking activities, granted by the French Credit Institutions and Investment Firms Committee (CECEI).

In this way, the consolidating entity comprises:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE), Fédération du Crédit Mutuel du Sud-Est (FCMSE), Fédération du Crédit Mutuel Ile-de-France (FCMIDF), Fédération du Crédit Mutuel Savoie-Mont Blanc (FCMSMB), Fédération du Crédit Mutuel Midi-Atlantique (FCMMA), Fédération du Crédit Mutuel Loire Atlantique Centre Ouest (FCMLACO), Fédération du Crédit Mutuel du Centre (FCMC), Fédération du Crédit Mutuel de Normandie (FCMN), Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV), Fédération du Crédit Mutuel Méditerranée (FCMM) and Fédération du Crédit Mutuel d'Anjou (FCMA). As the policy bodies for the Groups, they determine their main policy guidelines, decide on their strategies and organize the representation of the local cooperative banks.
- Caisse Fédérale de Crédit Mutuel (CF de CM), Caisse Régionale du Crédit Mutuel du Sud-Est (CRCMSE), Caisse Régionale du Crédit Mutuel d'Ile-de-France (CRCMIDF), Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc (CRCMSMB), Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA), Caisse Régionale du Crédit Mutuel Loire Atlantique Centre Ouest (CRCMLACO), Caisse Régionale du Crédit Mutuel du Centre (CRCMC), Caisse Régionale du Crédit Mutuel de Normandie (CRCMN), Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV), Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM) and Caisse Régionale du Crédit Mutuel d'Anjou (CRCMA). Serving the local cooperative banks, the Caisse Fédérale de Crédit Mutuel is responsible for the network's common services, ensures its coordination and manages the Group's logistics. It centralizes the funds held on deposit by the local cooperative banks, while at the same time refinancing them and allocating funds on their behalf as required by the regulations (mandatory reserves, allocated resources, deposits with the Caisse Centrale du Crédit Mutuel, etc.).
- The Crédit Mutuel local cooperative banks that are members of FCMCEE, FCMSE, FCMIDF, FCMSMB, FCMMA, FCMLACO, FCMC, FCMN, FCMDV, FCMM and FCMA: these constitute the foundations of the Group's banking network.

1.2.2 Consolidation scope

The general principles for the inclusion of an entity in the consolidation scope are defined in IFRS 10, IFRS 11 and IAS28R.

The consolidation scope comprises:

- Controlled entities: control is considered to be exercised when the Group holds power over the entity, is exposed or is entitled to variable returns because of its links with the entity, and can exercise its power over the entity to influence its returns. Entities that are controlled by the Group are fully consolidated.

- Entities under joint control: joint control is exercised by virtue of a contractual agreement providing for joint control of an entity, which exists only if the decisions concerning the entity's key activities require unanimous agreement of the parties sharing the control. Two or more parties exercising joint control constitute a partnership, which is either a jointly controlled operation/asset or a jointly controlled entity:

- a jointly controlled operation/asset is a partnership where the parties that exercise joint control have rights to and obligations for the underlying assets and liabilities: the assets, liabilities, revenues and expenses are accounted for proportionally to the interest held in the entity;
- a jointly controlled entity is a partnership where the parties that exercise joint control have rights to the entity's net assets: jointly controlled entities are accounted for using the equity method.

All the entities under the joint control of the Group are jointly controlled entities within the meaning of IFRS 11.

- Entities over which the Group exercises significant influence: these are the entities that are not controlled by the consolidating entity, but in which the Group has the power to participate in determining their financial and operating policies. The share capital of the entities in which the Group exercises a significant influence is consolidated using the equity method.

Entities controlled by the Group or over which it exercises significant influence and which are not material in relation to the consolidated financial statements are not consolidated. This situation is presumed if the total statement of financial position or the income statement of an entity represents less than 1% of the related consolidated or sub-consolidated (if applicable) totals. This is a purely relative criterion: an entity may be included in the consolidated group regardless of the 1% threshold if it is regarded as a strategic investment given its activity or its development.

Companies that are 20%-50% owned by the Group's private equity businesses and over which the Group has joint control or exercises significant influence are excluded from the scope of consolidation and accounted for under the fair value through profit or loss option.

- **Changes in the consolidation scope**

See Note 3 regarding the consolidation scope

1.2.3 Consolidation methods

The consolidation methods used are as follows:

- **Full consolidation**

This method involves substituting for the value of the shares each of the assets and liabilities of each subsidiary and recognizing the interests of non-controlling shareholders in shareholders' equity and in the income statement. This method is applicable to all entities under control, including those that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating party.

- **Consolidation using the equity method**

This involves substituting for the value of the shares the Group's interest in the equity and in the earnings of the relevant entities. It applies to all entities under joint control, qualified as jointly controlled entities or for all entities over which the Group exercises significant influence.

1.2.4 Closing date

All Group companies falling within the scope of consolidation have a December 31 closing date.

1.2.5 Elimination of intercompany transactions

Intercompany transactions and the profits arising from transfers between Group entities that have a significant effect on the consolidated financial statements are eliminated.

1.2.6 Translation of financial statements expressed in foreign currencies

The statements of financial position of foreign entities are translated into euro at the official year-end exchange rate. Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of equity, under "Translation adjustments". Their income statements are translated into euros at the average exchange rate for the year (the Group considers that any differences between the average rate for the year and the rates applicable on each transaction date are immaterial), and the resulting differences are recorded under "Translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

1.2.7 Goodwill

- **Measurement differences**

On taking control of a new entity, its assets, liabilities and any operating contingent liabilities are measured at fair value. Any difference between carrying amounts and fair value is recognized as goodwill.

- **Goodwill**

In accordance with IFRS 3R, when the Bank acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at the lesser of fair value net of selling costs and carrying amount. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Change in value of goodwill".

If the Group's stake in an entity it already controls increases/decreases, the difference between the acquisition cost/selling price of the shares and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the statement of financial position when it relates to fully-consolidated companies and under the heading "Investments in associates" when it relates to equity-accounted companies.

Goodwill does not include direct expenses associated with acquisitions, which are recognized in profit or loss under IFRS 3R.

Goodwill is tested for impairment regularly and at least once a year. The tests are designed to identify whether goodwill has suffered a prolonged decline in value. If the recoverable amount of the cash-generating unit (CGU) to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These impairment losses on goodwill – which are recognized through the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the Group's business lines.

1.2.8 Non-controlling interests

Non-controlling interests correspond to interests that do not provide control as defined in IFRS 10, and include instruments representing current ownership interests that entitle the owner to a pro rata share of the net assets of the entity in the event of liquidation, and other equity instruments issued by the subsidiary.

1.3 Accounting principles and methods

1.3.1 Financial instruments under IFRS 9

1.3.1.1 Classification and measurement of financial assets

According to IFRS 9, the classification and measurement of financial assets depends on the business model and contractual characteristics of the instruments.

- **Loans, receivables and purchased debt securities**

The asset is classified:

- at amortized cost, if it is held with a view to collecting contractual cash flows and if its characteristics are similar to those of a so-called basic agreement that implicitly entails a high predictability of the related cash flows (hold to collect model),
- at fair value through equity, if the instrument is held with a view to both collecting contractual cash flows and selling the asset based on opportunities, but not for trading purposes, and if its characteristics are similar to those of a so-called basic agreement that implicitly entails a high predictability of the related cash flows (hold to collect and sell model),
- at fair value through profit or loss, if:
  - it is not eligible for the two previous categories (because it does not meet the "basic" criterion and/or is managed according to the "other" business model), or
  - the Group makes an irrevocable election at initial recognition to classify it in this way. This option is used to reduce an accounting mismatch relative to another related instrument.

Cash flow characteristics:

The contractual cash flows, which represent only repayments of principal and payments of interest on the principal balance, are compatible with a so-called basic agreement.

In a basic agreement, interest mainly represents consideration for the time value of money (including in case of negative interest) and credit risk. Interest may also include liquidity risk, administrative fees to manage the asset and a profit margin.

All the contractual clauses must be analyzed, including those that could change the repayment schedule or the amount of the contractual cash flows. The option under the agreement, on the part of the borrower or the lender, to repay the financial instrument early is compatible with the SPPI (*Solely Payment of Principal and Interest*) nature of the contractual cash flows insofar as the amount repaid essentially represents the principal balance and accrued interest and, where applicable, a reasonable compensatory payment.

The early repayment penalty is considered reasonable if:

- it is regulated or limited by competitive market practices,
- it corresponds to the difference between the contractual interest that should have been collected up to the due date of the loan and the interest that would be generated by reinvesting the amount repaid in advance at a rate reflecting the reference interest rate,
- it is equal to the fair value of the loan or to the cost of unwinding a related swap.

An analysis of the contractual cash flows may also require comparing them with those of a benchmark instrument when the time value of money component included in the interest can be changed as a result of the instrument's contractual clauses. This is the case, for example, if the interest rate of the financial instrument is revised periodically, but there is no correlation between the frequency of the revisions and the term for which the interest rate is defined (monthly revision of a one-year rate, for example), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the undiscounted contractual cash flows of the financial asset and those of the benchmark instrument is or may become significant, the financial asset cannot be considered basic.

Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year, and cumulatively over the life of the instrument. The quantitative analysis takes into account a set of reasonably possible scenarios. For this the group has used yield curves since 2000.

In addition, a specific analysis is conducted in the case of securitizations insofar as there is a payment priority order between the holders and concentrations of credit risk in the form of tranches. In this case, the analysis requires an examination of the contractual characteristics and the credit risk of the underlying financial instruments.

Note that:

- derivatives embedded in financial assets are no longer recognized separately, which implies that the entire hybrid instrument is then considered non-basic and recognized at fair value through profit or loss,
- units in UCITS or UCIs are not basic instruments and are also classified at fair value through profit or loss.

Business models

The business model represents the way in which instruments are managed in order to generate cash flows and revenue. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather on a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at initial recognition and may be reassessed in case of a change in model.

To determine the model, all available information must be observed, including:

- the way in which the business's performance is reported to decision-makers,
- the way in which managers are compensated,
- the frequency, schedule and volumes of sales in previous periods,
- the reasons for the sales,
- future sales forecasts,
- the way in which risk is assessed.

Under the hold to collect model, certain examples of authorized sales are explicitly indicated in the standard:

- in relation to an increase in credit risk,
- close to maturity,
- exceptional (for example, related to liquidity stress).

These "authorized" sales are not included in the analysis of the significant and frequent nature of the sales carried out on a portfolio. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.

For other sales, thresholds have been defined based on the maturity of the securities portfolio (the group does not sell its loans).

The group has mainly developed a model based on the collection of contractual cash flows from financial assets, which applies in particular to the customer financing activities.

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and on the sale of these assets, and a specific model for other financial assets, including trading assets.

Within the group, the hold to collect and sell model applies primarily to the proprietary cash management and liquidity portfolio management activities.

Finally, financial assets held for trading include securities acquired at inception with the intention of selling them within a short period of time, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

✓ Financial assets at amortized cost

These mainly include:

- cash and cash equivalents, which include cash accounts, deposits and demand loans and borrowings with central banks and credit institutions,
- other loans to credit institutions, as well as those to customers (granted directly or the share in syndicated loans), not measured at fair value through profit or loss,
- a portion of the securities held by the group.

Financial assets included in this category are initially measured at fair value, which is usually the net amount disbursed. The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.

The assets are subsequently recognized at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts future cash payments or receipts over the expected life of the financial instrument in order to obtain the net carrying amount of the financial asset or liability. It includes estimated cash flows, without taking into account future credit losses, as well as commissions paid or received when they are treated as interest, directly related transaction costs and all premiums and discounts.

For securities, the amortized cost includes amortization of the premiums and discounts and acquisition costs, if material. Purchases and sales are recognized at the settlement date.

Income received is presented in “Interest and similar income” in the income statement.

Commissions received or paid that are directly related to setting up the loan and are treated as an additional component of interest are recognized over the life of the loan using the effective interest rate method and are shown under interest items in the income statement.

Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

A loan restructured due to financial difficulties encountered by the debtor is considered a new contract. Following the definition of this concept by the European Banking Authority, it was incorporated in the Group’s information systems in order that the accounting and prudential definitions were harmonized.

The fair value of assets at amortized cost is disclosed in the notes to the financial statements at the end of each reporting period and corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

✓ Financial assets at fair value through equity

Since the group does not sell its loans, this category includes only securities. These are recognized at fair value at the time of acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the “Unrealized or deferred gains and losses” line within a specific equity account, excluding accrued income. These unrealized gains or losses recognized in equity are taken to profit or loss only in case of disposal or impairment (see sections “1.3.1.7. Derecognition of financial assets and liabilities" and “1.3.1.8. Measurement of credit risk").

Income accrued or received is recognized in profit or loss under “Interest and similar income” using the effective interest rate method.

✓ Financial assets at fair value through profit or loss

These are recognized at fair value on initial recognition and at subsequent reporting dates until their disposal (see section “1.3.1.7. Derecognition of financial assets and liabilities"). Changes in fair value and income received or accrued on assets included in this category are recognized in profit or loss under “Net gains/(losses) on financial instruments at fair value through profit or loss”.

Purchases and sales of securities at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are taken to income.

❑ Equity instruments acquired

Equity instruments acquired (shares, in particular) are classified:

- at fair value through profit or loss; or
- at fair value through equity, at initial recognition, if the group irrevocably elects to do so.

✓ Financial assets at fair value through equity

Shares and other equity instruments are recognized at fair value at the time of acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account. These unrealized gains or losses recognized in equity are never taken to profit or loss, including in case of disposal (see section "3.1.7 Derecognition of financial assets and liabilities"). Only dividends received on variable-income securities are recognized in the income statement under "Net gains/(losses) on financial assets at fair value through equity".

Purchases and sales are recognized at the settlement date.

✓ Financial assets at fair value through profit or loss

Equity instruments are recognized in the same way as debt instruments at fair value through profit or loss.

1.3.1.2 Classification and measurement of financial liabilities

Financial liabilities are included in one of the following two categories:

✓ financial liabilities at fair value through profit or loss

- those incurred for trading purposes, which by default include derivative liabilities that do not qualify as hedging instruments, and
- non-derivative financial liabilities which the group designated at inception to be measured at fair value through profit or loss (fair value option). This includes:
    - financial instruments containing one or more separable embedded derivatives,
    - instruments that, without application of the fair value option, create an accounting mismatch relative to another related instrument,
    - instruments belonging to a group of financial assets measured and managed at fair value.

✓ financial liabilities at amortized cost

These include other non-derivative financial liabilities, such as amounts due to customers and credit institutions, debt securities (certificates of deposit, interbank instruments, bonds, etc.) and subordinated debt (term or perpetual) not classified at fair value through profit or loss (fair value option).

Subordinated debt is separate from other debt securities since, in case of liquidation of the debtor's assets, it could only be repaid after payment is made to the other creditors. Debt securities include the non-preferred senior securities created by the Sapin 2 law.

These liabilities are initially recognized at fair value and then measured at amortized cost using the effective interest rate method at subsequent reporting dates. The initial fair value of issued securities is the issue value less transaction costs, where applicable.

Regulated savings contracts

The “comptes épargne logement” (CEL - home savings accounts) and “plans épargne logement” (PEL - home savings plans) are products regulated by French law, which are available to customers (natural persons). These products combine a stage of interest-bearing savings, which give right to a preferential home loan in a second stage. They generate two types of commitments for the distributing institution:

- A commitment to pay future interest on the amounts deposited as savings at a fixed rate for the PEL and variable-rate equivalent for the CEL (periodically revised on the basis of an indexation formula);
- A commitment to grant a loan to the customers who request it at predetermined conditions (both for the PEL and the CEL).

The commitments have been estimated on the basis of customer statistical behavior and market inputs. A provision is established in the liabilities section of the statement of financial position to cover potential future costs arising from unfavorable conditions relating to these products, on the basis of interest rates offered to individual customers on similar, non-regulated products. This approach is applied by homogenous generation of regulated terms for the PEL and the CEL. The impact on the income statement is recognized as “Interest paid to customers”.

1.3.1.3 Distinction between Debt and Shareholders’ equity

According to the IFRIC 2 interpretation, shares owned by member-shareholders are equity if the entity has an unconditional right to refuse redemption, or if there are legal or statutory provisions prohibiting or seriously restricting redemption. In view of the existing legal or statutory provisions, the shares issued by the structures making up the consolidating entity of the Crédit Mutuel Group are recognized in equity.

The other financial instruments issued by the Group qualify as debt instruments for accounting purposes, where there is a contractual obligation for the Group to provide cash to the security holders. This is in particular the case for all the subordinated securities issued by the Group.

1.3.1.4 Foreign exchange transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the year-end exchange rate.

- **Monetary financial assets and liabilities**

Foreign currency gains and losses on the translation of such items are recognized in the income statement under “Net gain/(loss) on financial instruments at fair value through profit or loss”.

- **Non-monetary financial assets and liabilities**

Foreign currency gains and losses on the translation of such items are recognized in the income statement under “Net gains/(losses) on financial instruments at fair value through profit or loss” if the item is classified at fair value through profit or loss or under unrealized or deferred gains and losses if they are financial assets at fair value through equity.

1.3.1.5 Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time adoption, to apply the new hedge accounting provisions or to maintain the provisions of IAS 39.

The group has elected to continue to apply the provisions of IAS 39. Additional information is, however, disclosed in the notes to the financial statements or in the management report on risk management and the effects of hedge accounting on the financial statements, in accordance with revised IFRS 7.

In addition, the provisions of IAS 39 concerning the fair value hedge of interest rate risk associated with a portfolio of financial assets or liabilities, as adopted by the European Union, continue to apply.

❑ Determining the fair value of derivatives

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model, interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned, the specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions, and the counterparty risk present in the positive fair value of over-the-counter derivatives. The latter includes proprietary counterparty risk associated with negative fair values for over-the-counter derivatives.

In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

Derivatives are recognized as financial assets when their market value is positive and as financial liabilities when their market value is negative.

❑ Classification of derivatives and hedge accounting

✓ Derivatives classified as financial assets or financial liabilities at fair value through profit or loss

By default, all derivatives not designated as hedging instruments under IFRS are classified as "financial assets or financial liabilities at fair value through profit or loss", even if they were contracted for the purpose of hedging one or more risks.

✓ Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, corresponds to the definition of a derivative. In particular, it has the effect of inducing changes in some of the cash flows of the combined instrument in a way similar to that of a standalone derivative.

Embedded derivatives are separated from the host contract and accounted for as a derivative at fair value through profit or loss provided that they meet the following three conditions:

- it corresponds to the definition of a derivative;
- the hybrid instrument is not measured at fair value through profit or loss;
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the separate measurement of the embedded derivative is sufficiently reliable to provide useful information.

Under IFRS 9, only derivatives embedded in financial liabilities may be detached from the host contract in order to be recognized separately.

✓ Recognition

Realized and unrealized gains and losses are recognized in the income statement under "Net gains(losses) on financial instruments at fair value through profit or loss".

✓ Hedge accounting

Three types of hedging relationship are possible. The hedging relationship is selected on the basis of the type of risk being hedged.

- A fair value hedge hedges the exposure to changes in fair value of financial assets or financial liabilities.
- A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a financial asset or liability, firm commitment or highly probable forecast transaction.
- The hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The group has not used this form of hedging.

Hedging derivatives must meet the criteria stipulated by IAS 39 to be designated as hedging instruments for accounting purposes. In particular:

- the hedging instrument and the hedged item must both qualify for hedge accounting.
- the relationship between the hedged item and the hedging instrument must be formally documented upon inception of the hedging relationship. This documentation specifies, among other things, the risk management objectives determined by management, the type of risk hedged, the underlying strategy and the methods used to assess hedge effectiveness.
- hedge effectiveness must be demonstrated upon inception of the hedging relationship, subsequently throughout its life and at least at each reporting date. The ratio of the change in value or gain/loss on the hedging instrument to that of the hedged item must be within a range of 80% to 125%.

Where applicable, hedge accounting is discontinued on a prospective basis.

✓ Fair value hedging of identified financial assets or liabilities

In a fair value hedging relationship, derivatives are remeasured at fair value through profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss" symmetrically with the remeasurement of the hedged items to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or is a financial asset classified under "Financial assets at fair value through equity". Changes in fair value of the hedging instrument and the hedged risk component offset each other partially or fully and only the ineffective portion of the hedge is recognized in profit or loss.

In a fair value hedge, changes in the fair value of the derivative instrument are taken to income under "Interest income/expense" symmetrically with the change in interest income/expense of the hedged item.

If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued on a prospective basis. The related hedging derivatives are transferred to "financial assets or financial liabilities at fair value through profit or loss" and accounted for in accordance with the principles applicable to this category. The carrying amount of the hedged item is subsequently no longer adjusted to reflect changes in fair value. In the case of interest rate instruments initially identified as hedged, the remeasurement adjustment is amortized over their remaining life. If the hedged item no longer appears in the statement of financial position, in particular due to early repayments, the cumulative adjustment is immediately recognized in through profit or loss.

✓ Macro-hedging derivatives

The group avails itself of the possibilities offered by the European Commission as regards accounting for macro-hedging transactions. In fact, the changes made by the European Union to IAS 39 (carve-out) allow the inclusion of customer demand deposits in portfolios of hedged fixed-rate liabilities with no measurement of ineffectiveness in case of under-hedging. Demand deposits are included based on the run-off rules defined for asset-liability management purposes.

For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged items to ensure that there is no over-hedging.

The accounting treatment of fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.

Changes in fair value of hedged portfolios are recorded on the statement of financial position under “Remeasurement adjustment on interest-rate hedged portfolios” through profit or loss.

- ✓ **Cash flow hedging instruments**

In the case of a cash flow hedging relationship, derivatives are remeasured at fair value in the statement of financial position, with the effective portion recognized in equity. The portion considered ineffective is recognized in profit or loss under “Net gains (losses) on financial instruments at fair value through profit or loss”.

The amounts recognized in shareholders’ equity are carried to the income statement under “Interest income and expense”, at the same rate as the cash flows of the hedged item affect the income statement.

The hedged items remain recognized in accordance with the specific provisions for their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. Cumulative amounts recognized in shareholders’ equity as a result of the remeasurement of a hedging derivative remain recognized in equity until the hedged transaction affects earnings or when it becomes apparent that the transaction will not take place. These amounts are subsequently carried to the profit and loss account.

If the hedged item no longer exists, the cumulative amounts recorded in equity are immediately transferred to profit or loss.

1.3.1.6 Financial guarantees (sureties, deposits and other guarantees) and financing commitments

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, these financial guarantees are still measured using French GAAP (i.e. as off-balance sheet items), pending an addition to the standards to enhance the current mechanism. Consequently, these guarantees are subject to a provision in liabilities in the event of a likely outflow of resources.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating or index, etc.) or a non-financial variable, provided that in this event the variable is not specific to one of the parties to the agreement, fall within the scope of application of IFRS 9. These guarantees are thus treated as derivatives.

Financing commitments that are not regarded as derivatives within the meaning of IAS 39 are not shown in the statement of financial position. However, a provision is made in accordance with IAS 37.

1.3.1.7 Derecognition of financial assets and liabilities

The group derecognizes all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows of the asset expire or when the group has transferred the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards related to ownership of the asset.

At the time of derecognition of a:

- financial asset or liability at amortized cost or at fair value through profit or loss, a gain or loss on disposal is recorded in the income statement in an amount equal to the difference between the carrying amount of the asset or liability and the amount of the consideration received or paid,

- debt instrument at fair value through equity: the unrealized gains or losses previously recognized in equity are taken to profit or loss, as are the capital gains and losses on disposal,
- equity instrument at fair value through equity: the unrealized gains or losses previously recognized in equity and the capital gains and losses on disposal are recognized in consolidated reserves with no impact on the income statement.

The group derecognizes a financial liability when the obligation specified in the contract is extinguished, is canceled or expires. A financial liability may also be derecognized in case of a substantial change in its contractual terms and conditions or an exchange with the lender for an instrument whose contractual terms and conditions are substantially different.

1.3.1.8 Measurement of credit risk

The impairment model under IFRS 9 is based on an "expected losses" approach while the IAS 39 model was based on incurred credit losses, for which the accounting of credit losses at the time of the financial crisis was considered too little too late.

Under the IFRS 9 model, impairment provisions are recognized for financial assets for which there is no objective evidence of losses on an individual basis, based on past losses observed and reasonable and justifiable cash flow forecasts.

The impairment model under IFRS 9 therefore applies to all debt instruments measured at amortized cost or at fair value through equity, as well as to financing commitments and financial guarantees. These are divided into three categories:

- Status 1 – non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition,
- Status 2 - downgraded performing loans: provisioning on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition, and
- Status 3 – non-performing loans: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. The scope of this category is the same as that for loans impaired individually under IAS 39.

For statuses 1 and 2, the basis of calculation of interest income is the gross value of the asset before impairment while, for status 3, it is the net value after impairment.

❑ **Definition of the boundary between statuses 1 and 2**

The group uses the models developed for prudential purposes and has therefore applied a similar breakdown of its outstanding loans:

- ✓ low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns, specialized financing,
- ✓ high default portfolios (HDP), for which historical data is used to develop a statistical rating model: mass corporate, retail.

A significant increase in credit risk, which entails transferring a loan out of status 1 into status 2, is assessed by:

- ✓ taking all reasonable and supportable information into account; and
- ✓ comparing the default risk on the financial instrument on the reporting date with the default risk on the initial recognition date.

For the group, this involves measuring the risk at the level of the borrower, where the counterparty rating system is common to the entire group. All the group's counterparties eligible for internal approaches are rated by the system. This system is based on:

- statistical algorithms or "mass ratings" based on one or more models, using a selection of representative and predictive risk variables (HDP), or
- manual rating grids developed by experts (LDP).

Change in risk since initial recognition is measured on a contract-by-contract basis. Unlike status 3, transferring a customer's contract into status 2 does not entail transferring all the customer's outstanding loans or those of related parties (absence of contagion).

It should be noted that the group applies the principle of symmetry set out in the standard. This means that the criteria for transferring into and out of status 2 are the same.

The group has demonstrated that a significant correlation exists between the probabilities of default at 12 months and at termination, which allows it to use 12-month credit risk as a reasonable approximation of the change in risk since initial recognition, as the standard permits.

✓ Quantitative criteria

For LDP portfolios, the boundary is based on an allocation matrix that relates the internal ratings at origination and at the reporting date.

For HDP portfolios, a continuous and growing boundary curve relates the probability of default at origination and the probability of default at the reporting date. The group does not use the operational simplification offered by the standard, which allows outstanding loans with low risk at the reporting date to be maintained in status 1.

✓ Qualitative criteria

As well as this quantitative data, the group uses qualitative criteria such as payments not made or overdue by more than 30 days, the notion of restructured loans, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

❑ Statuses 1 and 2 - Calculation of expected credit losses

Expected credit losses are measured by multiplying the outstanding amount of the loan by its probability of default (PD) and by the loss given default (LGD). The off-statement of financial position exposure is converted to an on-statement of financial position equivalent based on the probability of a drawdown. The one-year probability of default is used for status 1 and the probability of default at termination for status 2.

These parameters are taken from the models developed for prudential purposes and adapted to IFRS 9 requirements. They are used for both assignment to the statuses and the calculation of expected losses.

✓ Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach,
- for low default portfolios, on an external probability of default scale based on a history dating back to 1981,

✓ Loss given default

This is based:

- for high default portfolios, on the flows of collections observed over a long period of time, discounted at the interest rates of the contracts,
- for low default portfolios, on the regulatory levels.

✓ Conversion factors

These are used to convert off-statement of financial position exposure to an on-statement of financial position equivalent and are mainly based on the prudential models.

✓ Forward-looking aspect

To calculate expected credit losses, the standard requires that reasonable and justifiable information, including forward-looking information, be taken into account. The development of the forward-looking aspect requires anticipating changes in the economy and relating these anticipated changes to the risk parameters. This forward-looking aspect is determined at the group level and applies to all the parameters.

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral, pessimistic), which will be weighted based on the group's view of changes in the economic cycle over five years. The group mainly relies on macroeconomic data available from well-known national or international statistics agencies. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- they are recent, meaning they occurred a few weeks before the reporting date;
- they cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

The forward-looking aspect for maturities other than one year is derived from the forward-looking aspect for the one-year maturity.

The forward-looking aspect is also included in the LGD by incorporating information observed over a period close to current conditions.

For low default portfolios, forward-looking information is incorporated into the large accounts and bank models, and not into the local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

❑ Status 3 - Non-performing loans

Impairment is recognized when there is objective evidence of a measurable decrease in value as a result of an event or events occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at each reporting date. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, discounted at the original effective interest rate, taking into account the effect of guarantees. For variable-rate loans, the last known contractual interest rate is used.

The existence of unpaid past due amounts for more than three months or of current accounts that have been non-compliant for more than three months represents objective evidence of a loss event. Likewise, an impairment loss is recognized when it is probable that the borrower will not be able to repay the full amount due, when an event of default has occurred, or where the borrower is subject to court-ordered liquidation.

❑ Originated credit-impaired financial assets

These are contracts for which the counterparty is non-performing on the date of initial recognition or acquisition. If the borrower is non-performing at the reporting date, the contracts are classified into status 3; otherwise, they are classified as performing loans, identified in an "originated credit-impaired assets" category, and provisioned based on the same method used for exposures in status 2, i.e. an expected loss over the residual maturity of the contract.

- **Recognition**

Impairment charges and provisions are recorded in net additions to provisions for loan losses. Reversals of impairment charges and provisions are recorded in net reversals from provisions for loan losses for the portion relating to the change in risk and in net interest for the portion relating to the passage of time. Impairment provisions are deducted from the asset in the case of loans and receivables and the provision is recorded under "provisions" in liabilities for financing and guarantee commitments (see "1.3.1.6. Financial guarantees and financing commitments" and "1.3.3.2. "Provisions").

Loan losses are recorded in losses and the corresponding impairments and provisions are written back.

1.3.1.9 Determination of fair value of financial instruments

Fair value is the amount at which an asset may be sold or a liability transferred between knowledgeable, willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

This fair value needs to be determined upon subsequent measurements. The method used for this determination depends on whether the market on which the instrument is traded is considered active or not.

- **Financial instruments traded in an active market**

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and those prices represent actual market transactions regularly occurring on an arm's length basis.

- **Financial instruments not traded in an active market**

The data observable on a market are to be used provided that they reflect a transaction's reality in normal conditions at the date of valuation and that it is not necessary to make too large an adjustment to this value. In the other cases, the Group uses non-observable mark-to-model data.

When no observable data is available or when adjustments in market prices require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, including the adjustments linked to risks that would be integrated by the market. In particular, these valuation adjustments enable the integration of risks that are not captured by the model: liquidity risks associated with the instrument or parameter in question; specific risk premiums intended to compensate for additional costs that an active management strategy associated with the model would involve under certain market conditions.

In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

In any event, the adjustments applied by the Group are reasonable and appropriate and rely on judgments made.

- **Fair value hierarchy**

A three-level hierarchy is used for fair value measurement:

- Level 1: quoted prices in active markets for identical assets or liabilities; this notably concerns debt securities quoted by at least three contributors, and derivatives quoted on an organized market;
- Level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices). Level 2 concerns, in particular, interest rate swaps whose fair value is generally calculated using yield curves based on the market interest rates observed at the reporting date;
- Level 3: data relating to the assets or liabilities that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters. The instrument is classified at the same level of the hierarchy as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diversity and volume of the instruments valued at level 3, the sensitivity of the fair value to changes in parameters would be immaterial.

1.3.2 Insurance businesses

The Group's insurance divisions governed by the Conglomerate directive may defer the application of IFRS 9 until 2021, as provided by the amendment to IFRS 4 as adopted by the European Union. Their financial instruments will therefore continue to be measured and recognized under IAS 39. In terms of presentation, the Group has chosen to adopt an “IFRS” approach rather than strictly apply Recommendation 2017-02 of the Autorité des Normes Comptables (French accounting standards authority). Therefore, all financial instruments of the insurance divisions are combined, under assets, on the line “Investments by the insurance businesses and reinsurers’ share of technical reserves” and, under liabilities, on the line “Liabilities related to policies of the insurance businesses”, including technical reserves. The impact of financial instruments and technical reserves on the income statement is included in the line “Net income from the insurance businesses”. Other assets/liabilities and income statement items are presented under the common "bankinsurance" headings. When they are relevant, the disclosures under IFRS 7 are provided separately for the insurance divisions.

In accordance with the regulation on adoption of November 3, 2017, the Group ensures that there are no transfers of financial instruments between the insurance sector and the other sectors of the conglomerate that would lead to a derecognition of the instruments, other than those measured at fair value through profit or loss in both sectors.

The accounting policies and valuation methods applying to the assets and liabilities generated by the issuing of insurance contracts are established pursuant to IFRS 4. They also apply to reinsurance contracts issued or effected, and to financial contracts that have a discretionary profit-sharing clause.

Aside from the above cases, the other assets held and liabilities issued by insurance companies follow the rules common to all of the Group’s assets and liabilities.

1.3.2.1 Insurance businesses – Financial instruments

Under IAS 39, the financial instruments of insurers may be classified in one of the following categories:

- financial assets/liabilities at fair value through profit or loss,
- available-for-sale financial assets,
- held-to-maturity financial assets,
- loans and receivables,
- financial liabilities at amortized cost.

They are combined, under assets, on the line “Investments by the insurance businesses and reinsurers’ share of technical reserves” and, under liabilities, on the line “Liabilities related to policies of the insurance businesses”.

The classification into either of these categories reflects the management intention and determines the recognition rules for the instruments.

The fair value of these instruments is measured according to the general principles set out in section 1.3.1.9.

- Financial assets and liabilities at fair value through profit or loss

Classification criteria

The classification of instruments into this category results either from a real trading intention or from the use of the fair value option.

a) Instruments held for trading:

Securities held for trading include securities acquired at inception with the intention of selling them within a short period of time, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

b) Instruments under the fair value option:

Financial instruments may be designated, at inception and irrevocably, at fair value through profit or loss in the following cases:

a. financial instruments containing one or more separable embedded derivatives,

b. an instrument that, without application of the fair value option, creates an accounting mismatch relative to another related instrument,

c. instruments belonging to a group of financial assets measured and managed at fair value.

This option is used, in particular, for the insurance businesses' unit-linked policies to ensure consistency with the treatment of liabilities.

Basis for recognition and measurement of related income and expenses

Assets classified as "*Assets at fair value through profit or loss*" are recognized at fair value on initial recognition and at subsequent reporting dates until their disposal. Changes in fair value and income received or accrued on these assets are recognized in profit or loss under "Net income from the insurance businesses".

- Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets are financial assets that have not been classified as "*loans and receivables*", "*held-to-maturity financial assets*" or "*financial assets at fair value through profit or loss*".

Basis for recognition and measurement of related income and expenses

Available-for-sale financial assets are recognized initially and subsequently carried at fair value until disposal. Changes in fair value are shown on the "*Unrealized or deferred gains and losses*" line within a specific equity account, excluding accrued income. These unrealized or deferred gains or losses recognized in equity are only transferred to the income statement in the event of disposal or a lasting impairment in value. On disposal, these unrealized gains or losses previously recognized in equity are taken to profit or loss, as are the capital gains and losses on disposal.

Income accrued or received on fixed-income securities is recognized in profit or loss using the effective interest rate method. It is shown under "Net income from the insurance businesses", as are dividends received on variable-income securities.

Impairment and credit risk

a) Permanent impairment specific to shares and other equity instruments

Impairment is recognized on variable-income available-for-sale financial assets in case of a prolonged or significant decline in fair value relative to cost.

For variable-income securities, the Group considers the loss of at least 50% of the security's value compared to its acquisition cost or a loss of value lasting more than 36 consecutive months as implying impairment. Such instruments are analyzed on a line-by-line basis. Judgment must also be exercised for securities that do not meet the above criteria but for which management believes that recovery of the invested amount in the near future cannot reasonably be expected. The loss is recognized in profit or loss under "Net income from the insurance businesses".

Any subsequent decrease is also recognized in the income statement.

Permanent impairment of shares or other equity instruments recognized in profit or loss is irreversible so long as the instrument is carried in the statement of financial position. In the event of a subsequent appreciation in value, this will be recognized in equity within "*Unrealized or deferred gains and losses*".

b) Impairment related to credit risk

Impairment losses on fixed-income available-for-sale financial assets (such as bonds) are recognized under "*Net additions to/reversals from provisions for loan losses*". In fact, these fixed-income instruments may be impaired only if credit risk exists, as impairment in case of loss due to a simple increase in interest rates is not allowed. In case of impairment, all the cumulative unrealized capital losses recognized in equity must be recognized in profit or loss. These impairment losses are reversible and any subsequent appreciation in value related to an event occurring after impairment is recognized is also recognized in profit or loss under "*Net additions to/reversals from provisions for loan losses*", in the event that the issuer's credit situation improves.

- Held-to-maturity financial assets

Classification criteria

This category includes fixed or determinable income securities with a fixed maturity date which the entity has the intention and ability to hold to maturity.

Any interest-rate risk hedges applicable to this category do not qualify for hedge accounting as defined in IAS 39.

Furthermore, disposals or transfers of securities in this portfolio are very restricted, due to the provisions laid down in IAS 39; breaching this rule would entail the declassification of the whole portfolio at the Group level, and forbid access to this category for two years.

Basis for recognition and measurement of related income and expenses

The securities in this category are initially recognized at fair value and then measured at amortized cost using the effective interest rate method, which includes amortization of premiums and discounts, as well as acquisition costs, if material.

Income received on these securities is shown under "Net income from the insurance businesses" in the income statement.

Credit risk

Impairment is recognized when there is objective evidence of a decrease in value of the asset as a result of events occurring after initial recognition which may generate a loss (actual credit risk). They are tested for impairment on an individual basis at each reporting date. Impairment is measured by comparing the carrying amount to the present value of future cash flows discounted at the original interest rate, including guarantees. It is recognized in the income statement under "*Net additions to/reversals from provisions for loan losses*". Any subsequent appreciation in value related to an event occurring after impairment is recognized is also recognized in profit or loss under "*Net additions to/reversals from provisions for loan losses*".

- Loans and receivables

Classification criteria

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended for sale at the time of their acquisition or grant. At inception, loans and receivables are measured and recognized at fair value, which is usually the net amount disbursed. They are subsequently recognized at amortized cost using the effective interest rate method (other than for loans and receivables recognized at fair value by option).

Credit risk

Impairment is recognized when there is objective evidence of a decrease in value of the asset as a result of events occurring after initial recognition which may generate a loss (actual credit risk). Impairment is measured by comparing the carrying amount to the present value of future cash flows discounted at the effective interest rate, including guarantees. It is recognized in the income statement under "*Net additions to/reversals from provisions for loan losses*". Any subsequent appreciation in value related to an event occurring after impairment is recognized is also recognized in profit or loss under "*Net additions to/reversals from provisions for loan losses*".

- Financial liabilities at amortized cost

These include amounts due to customers and credit institutions, debt securities (certificates of deposit, interbank instruments, bonds, etc.) and subordinated debt (term or perpetual) not classified at fair value through profit or loss (fair value option).

These liabilities are initially recognized at fair value and then measured at amortized cost using the effective interest rate method at subsequent reporting dates. The initial fair value of issued securities is the issue value less transaction costs, where applicable.

1.3.2.2 Insurance businesses – Non-financial assets

Investment properties and other property and equipment and intangible assets follow the accounting methods described elsewhere.

However, financial assets representing technical provisions related to unit-linked contracts are shown under the line item "Financial assets at fair value through profit or loss".

1.3.2.3 Insurance businesses – Non-financial liabilities

Insurance liabilities, which represent liabilities to policyholders and beneficiaries, are shown under the line item "Technical reserves of insurance policies". They are measured, recognized and consolidated according to French GAAP.

Technical reserves of life insurance policies consist mainly of mathematical reserves, which generally correspond to the surrender value of the policies. The risks covered mainly include death, disability and incapacity for work (for borrower's insurance).

Technical reserves of unit-linked contracts are measured, on the reporting date, based on the realizable value of the assets underlying these contracts.

Reserves of non-life insurance policies correspond to unearned premiums (portion of premiums issued related to subsequent years) and claims payable.

Insurance policies that have a discretionary profit-sharing clause are subject to "shadow accounting". The resulting provision for deferred profit-sharing represents the share of capital gains and losses accruing to policyholders. These provisions for deferred profit-sharing are recognized on the assets or liabilities side, by legal entity and without compensation between entities in the scope of consolidation. On the assets side, these are recorded under a separate heading.

On the reporting date, the liabilities carried for these policies (net of other related asset or liability items such as deferred acquisition expenses and the value of the portfolios acquired) are tested to check that they are sufficient to cover the future cash flows estimated at this date. Any shortfall in technical provisions is recognized through profit or loss for the period (and may be reversed at a later stage).

1.3.2 Non-financial instruments

1.3.3.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

- **Finance leases - lessor accounting**

In accordance with IAS 17, finance lease transactions with non-Group companies are included in the consolidated statement of financial position in an amount corresponding to the net investment in the lease.

In the lessor's financial statements, the analysis of the economic substance of the transaction results in:

- the recognition of a financial receivable due from the customer, reduced in line with the lease payments received;
- the breakdown of lease payments between principal repayments and interest, known as financial amortization;
- the recognition of an unrealized reserve, equal to the difference between:
  - the net financial outstanding amount, being the debt of the lessee in the form of the outstanding principal and the interest accrued at the end of the financial year;
  - the net carrying amount of the leased non-current assets;
  - the deferred tax provision.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see section "1.3.1.8. Measurement of credit risk").

- **Finance leases - lessee accounting**

In accordance with IAS 17, assets acquired under finance leases are included in property and equipment and an amount due to credit institutions is recorded as a liability. Lease payments are broken down between principal repayments and interest.

1.3.3.2 Provisions

Additions to and reversals from provisions are classified according to the nature of the corresponding income and expense items.

A provision is recognized when it is likely that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of this obligation is discounted, where appropriate, to determine the amount of the provision.

The provisions made by the Group cover in particular:

- ✓ Operating risk;
- ✓ Social commitments;
- ✓ Execution risk on signature commitments;
- ✓ Litigation risk and guarantee commitments given;
- ✓ Tax risks;
- ✓ Risks related to home savings accounts and plans.

1.3.3.3 Employee benefits

Social obligations are subject, where relevant, to a provision reported under the line item "Provisions". A change in this item is recognized in the income statement under the "Payroll costs" heading, except for the portion resulting from actuarial variances, which is recognized as unrealized or deferred gains or losses in equity.

- **Defined benefit post-employment benefits**

These benefits include retirement plans, early retirement plans, and additional retirement plans, under which the Group has a formal or implicit liability to provide benefits promised to employees.

These obligations are calculated using the projected unit credit method, which involves awarding benefits to periods of service under the contractual formula for calculating the retirement plan benefits, subsequently discounted on the basis of demographic and financial assumptions, including:

- The discount rate, determined by reference to the long-term interest rates of high-quality corporate bonds, at year-end;
- The rate of wage increase, assessed according to the age group, the management/non-management category, and regional features;
- The rate of inflation, estimated on the basis of a comparison between the OAT (French government bond) yields and OAT yields inflated for different maturities;
- Rates of employee turnover determined by age group on the basis of an average ratio over three years of the number of resignations and dismissals over the total number of employees working in the company under permanent contracts at the financial year-end;
- The age of retirement: an estimate is made by individual on the basis of real or estimated date of entry into working life and assumptions related to the retirement reform legislation (Fillon law), with a maximum ceiling at age 67;
- The mortality rate according to INSEE (*the French National Institute for Statistics and Economic Studie*s) TF 00-02 table.

The differences arising from changes in these assumptions and from the differences between previous assumptions and actual results represent actuarial variances. If the retirement plan has assets, these are valued at their fair value, and affect the income statement for the expected yield. The difference between the actual and expected yield is also an actuarial variance.

Actuarial variances are recognized as unrealized or deferred gains or losses in equity. Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized through profit or loss for the year.

Supplementary benefits provided by pension funds

The AFB stepping stone agreement of September 13, 1993 modified the pension plans of credit institutions. Since January 1, 1994, all banks are members of the French pension plans of Arrco and Agirc. The four pension funds of which the Group's banks are members have been merged. They provide for the payment of the various charges required by the stepping stone agreement, drawing on their reserves completed if necessary by additional annual contributions paid in by the member banks concerned and whose average rate over the next ten years is capped at 4% of the payroll expense. After the merger, the pension fund was transformed into an IGRS (public institution to manage additional retirement benefits) in 2009. It has no asset shortfall.

Other post-employment defined benefits

A provision is recognized for retirement bonuses and supplementary retirement benefits, including special plans. They are valued on the basis of entitlements acquired by all the staff in active service, notably on the basis of staff turnover in the consolidated entities concerned and the estimated future salaries and wages to be paid to the beneficiaries at the time of their retirement, increased where appropriate by social security contributions. The retirement bonuses of the Group's banks in France are covered up to at least 60% by an insurance contract taken out with ACM Vie, an insurance company of the Crédit Mutuel Group, which is fully consolidated.

- **Post-employment benefits covered by defined contribution plans**

The Group's entities contribute to a number of pension plans managed by organizations that are independent from the Group, for which the entities have no additional formal or implicit payment obligation, in particular if the assets in the pension plans are not sufficient to meet liabilities.

As these plans do not represent obligations of the Group, they are not subject to a provision. The related expenses are recognized in the financial year in which the contributions must be paid.

- **Long-term benefits**

These are benefits to be paid, other than post-employment benefits and termination benefits, which are expected to be paid more than 12 months after the end of the period during which the employee rendered the related service, for example long service awards, time savings accounts, etc.

The Group's obligation in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are taken to the income statement as and when they arise.

Obligations in respect of long service awards are sometimes covered by insurance policies. A provision is established only for the uncovered part of these obligations.

- **Employee supplementary retirement plans**

Employees of the Crédit Mutuel CM11 and CIC Groups benefit from, as a complement to the mandatory retirement plans, supplementary retirement plans offered by ACM Vie SA.

Employees of the Crédit Mutuel CM11 Group benefit from two supplementary retirement plans, one with defined contributions and the other with defined benefits. The rights under the defined contributions plan are vested even if the employee leaves the company, unlike the rights under the defined benefits plan which, in accordance with the new regulation, only vest definitively when the employee leaves the company to retire.

In addition to the mandatory retirement plans, CIC Group's employees benefit from a supplementary defined contribution plan from ACM Vie SA.

- **Termination benefits**

These benefits are granted by the Group on termination of the contract before the normal retirement date, or following the employee's decision to accept voluntary termination in exchange for an indemnity. The related provisions are updated if their payment is to occur more than 12 months after the reporting date.

- **Short-term benefits**

These are benefits which are expected to be paid within the 12 months following the end of the financial year, other than termination benefits, such as salaries and wages, social security contributions and a number of bonuses.

An expense is recognized relating to these short-term benefits for the financial year during which the service rendered to the Company has given rise to such entitlement.

1.3.3.4 Non-current assets

Property and equipment and intangible assets shown in the statement of financial position comprise assets used in operations and investment property. Assets used in operations are those used in the provision of services or for administrative purposes. Investment property comprises assets held to earn rentals or for capital appreciation, or both. Investment property is accounted for at cost, in the same way as assets used in operations.

Property and equipment and intangible assets are recognized at acquisition cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs incurred in the construction or adaptation of property assets are not capitalized.

Subsequent to initial recognition, property and equipment are measured using the historical cost method, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component. The Group has adopted the components approach for property used in operations and investment property.

The depreciable amount is cost less residual value, net of costs to sell. Property and equipment and intangible assets are presumed not to have a residual value as their useful lives are generally the same as their economic lives.

Depreciation and amortization is calculated over the estimated useful life of the assets, based on the manner in which the economic benefits embodied in the assets are expected to be consumed by the entity. Intangible assets that have an indefinite useful life are not amortized.

Depreciation and amortization of assets used in operations is recognized in “Depreciation, amortization and impairment of non-current assets” in the income statement.

Depreciation and amortization relating to investment properties is recognized in “Expenses on other activities” in the income statement.

The depreciation and amortization periods are:

<u>Property and equipment:</u>

- Land, fixtures, utility services : 15-30 years
- Buildings – structural work : 20-80 years (depending on the type of building in question)
- Construction – equipment : 10-40 years
- Fixtures and installations : 5-15 years
- Office equipment and furniture : 5-10 years
- Safety equipment : 3-10 years
- Vehicles and movable equipment : 3-5 years
- Computer equipment : 3-5 years

<u>Intangible assets</u>

- Software bought/developed in-house : 1-10 years

- Businesses acquired : 9-10 years (if acquisition of customer contract portfolio)

Depreciable and amortizable assets are tested for impairment when there is evidence at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets (such as leasehold rights) are tested for impairment at least annually.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized through profit or loss, and the depreciable amount is adjusted prospectively. The impairment loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. The carrying amount after reversal of the impairment loss cannot exceed the carrying amount which would have been calculated if no impairment had been recognized.

Impairment losses relating to operating assets are recognized in the income statement in "Depreciation, amortization and impairment of non-current assets".

Impairment losses relating to investment properties are recognized in "Expenses on other activities" (for additional impairment losses) and "Income from other activities" (for reversals) in the income statement.

Gains and losses on disposals of non-current assets used in operations are recognized in the income statement in "Net gain/(loss) on disposals of other assets".

Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expense on other activities".

1.3.3.5 Commissions

The Group recognizes in profit or loss commission income and expenses on services depending on the type of services to which they relate.

Commissions directly linked to setting up a loan are recognized over the term of the loan.

Commissions paid as consideration for an ongoing service are accounted for over the duration of the rendered service.

Commissions representing consideration for the execution of a material deed are taken to profit or loss in full when the deed is executed.

Commissions considered to be additional interest form an integral part of the effective interest rate. These commissions are therefore recognized in interest income and expense.

1.3.3.6 Corporate income tax

This item includes all current or deferred income taxes.

Current income tax is calculated based on applicable tax regulations.

- **Deferred tax**

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax basis, except for goodwill.

Deferred taxes are calculated using the liability method, based on the latest enacted tax rate applicable to future periods.

Net deferred tax assets are recognized only in cases where their recovery is considered highly probable. Current and deferred taxes are recognized as tax income or expense, except deferred taxes relating to unrealized or deferred gains and losses recognized in equity, for which the deferred tax is taken directly to equity.

Deferred tax assets and liabilities are offset when they arise within a single tax entity or tax group, are subject to the tax laws of the same country, and there is a legal right of offset.

They are not discounted.

1.3.3.7 Interest paid by the French Government on some loans

Within the framework of aid to the rural and agricultural sector, as well as the purchase of residential property, some Group entities provide loans at low interest rates, set by the French government. Consequently, these entities receive from the government a contribution equal to the rate differential between the interest rate offered to customers and the predefined benchmark rate. Therefore, no discount is recognized in respect of the loans benefiting from these subsidies.

The structure of the offset mechanism is reviewed by the government on a periodic basis.

The contribution received from the government is recorded in the "Interest income" line and spread over the life of the corresponding loans, pursuant to IAS 20.

1.3.3.8 Non-current assets held for sale and discontinued operations

A non-current asset (or group of assets) is classified in this category if it is held for sale and it is highly probable that the sale will occur within 12 months of the end of the reporting period.

The related assets and liabilities are shown separately in the statement of financial position, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". Items in this category are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated/amortized.

When assets held for sale or the associated liabilities become impaired, an impairment loss is recognized in the income statement.

Discontinued operations include operations that are held for sale or which have been shut down, and subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Net gain/(loss) on discontinued operations and assets held for sale".

1.3.4 Judgments made and estimates used in the preparation of the financial statements

The preparation of the financial statements may require the use of assumptions and estimates that have a material impact on income and expenses and on assets and liabilities in the statement of financial position and on the notes to the financial statements.

In that case, management uses its judgment and experience to apply available information at the time of preparation of the financial statements in order to arrive at the necessary estimates. This applies in particular to:

- the impairment of debt and equity instruments;
- the use of calculation models when valuing financial instruments that are not listed on an active market and are classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss";
- calculation of the fair value of financial instruments that are not listed on an active market and are classified in "Loans and receivables" or "Held-to-maturity financial assets" for which this information must be provided in the notes to the financial statements;
- impairment tests performed on intangible fixed assets;
- measurement of provisions, including retirement obligations and other employee benefits.

1.4 Standards and interpretations adopted by the European Union and not yet applied

- **IFRS 16 - Leases**

Published at the beginning of 2016, this new standard, adopted by the EU on October 31, 2017, enters into force on January 1, 2019. This standard will replace IAS 17 and the interpretations relating to lease recognition.

According to IFRS 16, the definition of leases involves, first, the identification of an asset and, second, the lessee's control of the right to use this asset.

From the lessor's standpoint, the expected impact should be limited, as the provisions adopted remain substantially unchanged from the current IAS 17.

For the lessee, operating leases and finance leases will be accounted for based on a single model, with recognition of:

- an asset representing the right to use the leased asset during the lease term,
- offset by a liability related to the lease payment obligation,
- straight-line depreciation of the asset and interest expenses in the income statement using the diminishing balance method.

As a reminder, according to IAS 17 currently in force, no amount is recorded on the lessee's balance sheet for an operating lease and lease payments are shown under operating expenses.

In 2017, the Group continued its analysis of the impacts of this standard, the practical details regarding first time application and implementation in the information systems. The Group also identified its leases, in terms of both real estate and equipment (IT, vehicle fleet, etc.). A study of the potential impacts of IFRS 16 on the Group's financial statements is currently underway.

1.5 Standards and interpretations not yet adopted by the European Union

These mainly include IFRS 17 – Insurance Contracts.

- **IFRS 17 - Insurance Contracts**

Starting in 2021, it will replace IFRS 4, which allows insurance companies to maintain their local accounting policies for their insurance contracts and other contracts within the scope of IFRS 4, which makes it difficult to compare the financial statements of entities in this sector.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires greater use of complex models and concepts similar to those of Solvency II. Significant changes must also be made to financial reporting.

First-time application

Reclassification of financial assets and liabilities and effect of IFRS 9 on their measurement

	Amount at 12/31/2017 (IAS 39)	Financial assets at fair value through profit or loss		Hedging derivatives	Financial assets at fair value through equity		- Financial assets at amortized cost (securities, loans to credit institutions and customers)		Investments by the insurance businesses and reinsurers' share of technical reserves
		Amount reclassified / maintained	IFRS 9 impact	Amount reclassified / maintained	Amount reclassified / maintained	IFRS 9 impact	Amount reclassified / maintained	IFRS 9 impact	
Financial assets at fair value through profit or loss	32,742	14,794			0	0	0	0	18,039
of which impairment	*0*								
Hedging derivatives	3,010			3,010					0
Available-for-sale financial assets	103,164	1,199	1	0	26,736	(1)	3,312	0	73,153
of which impairment	*(1,593)*					*(1)*		*0*	
Loans and receivables due from credit institutions	37,609	0	0	0	0	0	41,201	0	1,556
of which impairment	*(53)*		*0*					*(6)*	
Loans and receivables due from customers	344,942	0	0	0	0	0	343,191		76
of which impairment	(7,017)					0		(1,137)	
Held-to-maturity financial assets	10,720	0	0		0	0	20		10,700
of which impairment	*(24)*							*(4)*	
Investment property	2,816								2,743
Amount at 01/01/2018 (IFRS 9)		**15,994**		**3,010**	**26,735**		**387,724**		**106,267**

	Amount at 12/31/2017 (IAS 39)	Financial liabilities at fair value through profit or loss	Due to credit institutions		Due to customers		Debt securities		Liabilities related to policies of the insurance businesses
		Amount reclassified / maintained	Amount reclassified / maintained	IFRS 9 impact	Amount reclassified / maintained	IFRS 9 impact	Amount reclassified / maintained	IFRS 9 impact	
Financial liabilities at fair value through profit or loss	9,821	5,449							4,371
of which financial liabilities under fair value option	4,371	0							4,371
Debt securities at amortized cost	112,431						112,431	0	0
Amounts due to credit and similar institutions at amortized cost	43,890		46,965	(4)					447
Amounts due to customers at amortized cost	288,532				288,443	0			
Subordinated debt at amortized cost	7,725						7,725	0	0
Liabilities related to policies of the insurance businesses	96,423								96,722
Amount at 01/01/2018 (IFRS 9)		**5,449**	**46,961**		**288,443**		**120,156**		**101,540**

The guarantee deposit accounts included under "Miscellaneous debtors and creditors" in 2017 were also reclassified to "Loans from credit institutions", "Loans and receivables due from customers at amortized cost", "Due to credit institutions" and "Amounts due to customers".

Impacts of first-time application of IFRS 9 by type	Reported shareholders' equity
At 1/1/2018 excluding IFRS 9	
. Effect of reclassifications at FVTPL	1
. Effect of reclassifications at fair value through equity	5
. Effect of reclassifications at amortized cost	(10)
. Reversal collective impairment IAS 39	510
. Impairment IFRS 9	(1,786)
. Effect of deferred taxes	357
. Consolidation using the equity method	(68)
At 1/1/2018 after application of IFRS9	(991)

NOTE 2 - Breakdown of the income statement by activity and geographic region

The Group's activities are as follows:

• Retail banking encompasses the CM11 local bank network, CIC's regional banks, Targobank in Germany and Spain, Cofidis, and all the specialized activities whose products are marketed by the networks, such as equipment and real estate leasing, factoring, asset management, employee savings plans and real estate.

• The insurance business line comprises Groupe des Assurances du Crédit Mutuel.

• Financing and capital markets covers:

a) financing for major corporations and institutional clients, specialized lending, international operations and foreign branches;

b) capital markets, which includes investments in interest rate instruments, foreign exchange and equities, including brokerage services.

• Private banking encompasses all companies specializing in this area, both in France and internationally.

• Private equity, conducted for the Group's own account, and financial engineering make up a business unit.

• Logistics and holding company services include all activities that cannot be attributed to another business line (holding) as well as the press division and units that provide solely logistical support: intermediate holding companies, non-controlling interests, specific entities holding real estate used for operations and IT entities.

Each consolidated company is included in only one business line, corresponding to its core business, on the basis of the contribution to the Group's results. The only exceptions are CIC and BFCM because of their presence across several business lines. As such, their income, expenses and statement of financial position items are subject to an analytical distribution. The breakdown of the statement of financial position items is done in the same way.

2a - Breakdown of the income statement items by business line

06/30/2018	Retail banking	Insurance	Financing and capital markets	Private banking	Private equity	Logistics and holding company	Intragroup	Total
Net banking income	5,162	989	341	250	221	522	(400)	7,083
General operating expenses	(3,309)	(306)	(182)	(179)	(24)	(824)	400	(4,424)
Gross operating income	1,853	683	159	71	197	(303)	0	2,659
Net additions to/reversals from provisions for loan losses	(369)		31	(5)	(1)	(5)		(349)
Net gain (loss) on disposal of other assets*	4	13		8		43		68
Income before tax	1,488	695	190	73	196	(265)	0	2,378
Corporate income tax	(524)	(235)	(69)	(16)	0	14		(830)
Post-tax gain/ (loss) on discontinued operations								0
Net income (loss)	**965**	**461**	**121**	**57**	**196**	**(251)**	**0**	1,548
Net income attributable to non-controlling interests								154
Net income attributable to owners of the company								**1,395**

** Including net income of associates and impairment losses on goodwill (Notes 15 and 8)*

06/30/2017	Retail banking	Insurance	Financing and capital markets	Private banking	Private equity	Logistics and holding company	Intragroup	Total
Net banking income	5,026	882	463	262	169	720	(372)	7,150
General operating expenses	(3,303)	(278)	(172)	(171)	(25)	(784)	372	(4,360)
Gross operating income	1,723	604	291	92	144	(63)	0	2,790
Net additions to/reversals from provisions for loan losses	(423)		27	0		(2)		(398)
Net gain (loss) on disposal of other assets*	19	7				(297)		(271)
Income before tax	1,319	611	318	92	144	(363)	0	2,121
Corporate income tax	(532)	(194)	(105)	(21)	2	40		(810)
Post-tax gain/ (loss) on discontinued operations				5				5
Net income (loss)	**787**	**417**	**213**	**76**	**146**	**(323)**	**0**	**1,316**
Net income attributable to non-controlling interests								153
Net income attributable to owners of the company								**1,163**

** Including net income of associates and impairment losses on goodwill.*

2b - Breakdown of the income statement items by geographic region

	06/30/2018				06/30/2017			
	France	Europe, excluding France	Rest of the world*	Total	France	Europe, excluding France	Rest of the world*	Total
Net banking income**	5,559	1,420	104	7,083	5,667	1,381	102	7,150
General operating expenses	(3,550)	(832)	(41)	(4,424)	(3,508)	(807)	(45)	(4,360)
Gross operating income	2,009	588	62	2,659	2,160	574	56	2,790
Net additions to/reversals from provisions for loan losses	(185)	(176)	12	(349)	(238)	(172)	13	(398)
Net gain (loss) on disposal of other assets***	2	11	54	68	(303)	(8)	40	(271)
Income before tax	1,826	424	128	2,378	1,619	393	109	2,121
Net income	1,138	294	115	1,548	962	263	90	1,316
Net income attributable to owners of the company	1,017	270	108	**1,395**	843	234	86	1,163

** USA, Singapore, Hong Kong, Saint Martin, Tunisia and Morocco*

*** In the first half of 2018, 22% of net banking income (excluding the logistics and holding businesses) came from foreign operations*
**** Including net income of associates and impairment losses on goodwill.*

NOTE 3 - Consolidation scope

3a - Scope of consolidation

Pursuant to the opinion issued by the Banking Commission, the Group's parent company comprises the companies included in the scope of globalization. It is made up of the following entities:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE),
- Fédération du Crédit Mutuel du Sud-Est (FCMSE),
- Fédération du Crédit Mutuel d'Ile-de-France (FCMIDF),
- Fédération du Crédit Mutuel de Savoie-Mont Blanc (FCMSMB),
- Fédération du Crédit Mutuel Midi-Atlantique (FCMMA),
- Fédération du Crédit Mutuel Loire-Atlantique Centre Ouest (FCMLACO),
- Fédération du Crédit Mutuel Centre (FCMC),
- Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV),
- Fédération du Crédit Mutuel Méditerranée (FCMM),
- Fédération du Crédit Mutuel Normandie (FCMN),
- Fédération du Crédit Mutuel Anjou (FCMA),
- Caisse Fédérale de Crédit Mutuel (CF de CM),
- Caisse Régionale du Crédit Mutuel Sud-Est (CRCMSE),
- Caisse Régionale du Crédit Mutuel Ile-de-France (CRCMIDF),
- Caisse Régionale du Crédit Mutuel de Savoie-Mont Blanc (CRCMSMB),
- Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA),
- Caisse Régionale du Crédit Loire-Atlantique Centre Ouest (CRCMLACO),
- Caisse Régionale du Crédit Mutuel Centre (CRCMC),
- Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV),
- Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM),
- Caisse Régionale du Crédit Mutuel Normandie (CRCMN),
- Caisse Régionale du Crédit Mutuel Anjou (CRMA),
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Centre Est Europe,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Sud-Est,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Ile-de-France,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel de Savoie-Mont Blanc,

- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Midi-Atlantique,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Loire-Atlantique Centre Ouest,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Centre,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Dauphiné-Vivarais,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Méditerranée,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Normandie,
- the Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Anjou.

The changes in the consolidation scope compared to December 31, 2017 are as follows:

- *First-time consolidations*: ACMN vie SA, Nord Europe Assurance (NEA), Nord Europe Life Luxembourg (NELL), CPBK Ré

- *Mergers, absorptions*: ACMN vie SA with ACM vie SA, Nord Europe Assurance (NEA) with GACM SA, ACMN IARD with ACM IARD, Targo Management AG with Targo AG

- *Change in consolidation method*: Nord Europe Life Belgium (NELB) from "equity method" to "full consolidation", ACMN IARD from "equity method" to "full consolidation"

In the first half of 2018, Groupe des Assurances du Crédit Mutuel finalized the merger with Nord Europe Assurance and its subsidiaries. This merger was approved by the competent supervisory authorities, particularly the ACPR in a decision published in the Official Journal on June 27, 2018. For the consolidated financial statements, the merger was treated as a business combination under joint control due to the consolidation of the two holding companies by the Confédération Nationale du Crédit Mutuel.

	Country	06/30/2018			12/31/2017		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
A. Banking network							
Banque Européenne du Crédit Mutuel (BECM)	France	100	98	IG	100	98	FC
BECM Franfurt (BECM branch)	Allemagne	100	98	IG	100	98	FC
BECM Saint Martin (BECM branch)	Saint Martin	100	98	IG	100	98	FC
Caisse Agricole du Crédit Mutuel	France	100	100	IG	100	100	FC
CIC Est	France	100	98	IG	100	98	FC
CIC Iberbanco	France	100	98	IG	100	98	FC
CIC Lyonnaise de Banque (LB)	France	100	98	IG	100	98	FC
CIC Nord Ouest	France	100	98	IG	100	98	FC
CIC Ouest	France	100	98	IG	100	98	FC
CIC Sud Ouest	France	100	98	IG	100	98	FC
Crédit Industriel et Commercial (CIC)	France	100	98	IG	100	98	FC
CIC Hong Kong (CIC branch)	Hong-Kong	100	98	IG	100	98	FC
CIC London (CIC branch)	Royaume Uni	100	98	IG	100	98	FC
CIC New York (CIC branch)	Etats Unis	100	98	IG	100	98	FC
CIC Singapore (CIC branch)	Singapour	100	98	IG	100	98	FC
Targobank AG	Allemagne	100	98	IG	100	98	FC
Targobank Spain	Espagne	100	98	IG	100	98	FC
B. Banking network - subsidiaries							
Bancas	France	50	49	ME	50	49	EM
Banque du Groupe Casino	France	50	49	ME	50	49	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	98	IG	100	98	FC
Cartes et crédits à la consommation	France	100	98	IG	100	98	FC
CM-CIC Asset Management	France	90	92	IG	90	92	FC
CM-CIC Bail	France	100	98	IG	100	98	FC
CM-CIC Bail Spain (branch of CM-CIC Bail)	Espagne	100	98	IG	100	98	FC
CM-CIC Caution Habitat SA	France	100	98	IG	100	98	FC
CM-CIC Epargne salariale	France	100	98	IG	100	98	FC
CM-CIC Factor	France	95	96	IG	95	96	FC
CM-CIC Gestion	France	100	92	IG	100	92	FC
CM-CIC Home Loan SFH	France	100	98	IG	100	98	FC
CM-CIC Lease	France	100	98	IG	100	98	FC
CM-CIC Leasing Benelux	Belgique	100	98	IG	100	98	FC
CM-CIC Leasing GmbH	Allemagne	100	98	IG	100	98	FC
CM-CIC Leasing Solutions SAS	France	100	98	IG	100	98	FC
Cofacredit	France	100	98	IG	64	63	FC
Cofidis Belgium	Belgique	100	69	IG	100	69	FC
Cofidis France	France	100	69	IG	100	69	FC
Cofidis Spain (Cofidis France branch)	Espagne	100	69	IG	100	69	FC
Cofidis Hungary (Cofidis France branch)	Hongrie	100	69	IG	100	69	FC
Cofidis Portugal (Cofidis France branch)	Portugal	100	69	IG	100	69	FC
Cofidis SA Poland (branch of Cofidis France)	Pologne	100	69	IG	100	69	FC
Cofidis SA Slovakia (branch of Cofidis France)	Slovaquie	100	69	IG	100	69	FC
Cofidis Italy	Italie	100	69	IG	100	69	FC
Cofidis Czech Republic	République Tchèque	100	69	IG	100	69	FC
Creatis	France	100	69	IG	100	69	FC
Factofrance	France	100	98	IG	100	98	FC
FCT CM-CIC Home loans	France	100	98	IG	100	98	FC
LYF SA (formerly Fivory)	France	46	45	ME	44	43	EM
Monabanq	France	100	69	IG	100	69	FC
SCI La Tréflière	France	100	99	IG	100	99	FC
Targo Commercial Finance AG	Allemagne	100	98	IG	100	98	FC
Targo Factoring GmbH	Allemagne	100	98	IG	100	98	FC
Targo Finanzberatung GmbH	Allemagne	100	98	IG	100	98	FC
Targo Leasing GmbH	Allemagne	100	98	IG	100	98	FC
C. Corporate banking and capital markets							
Banque Fédérative du Crédit Mutuel (BFCM)	France	98	98	IG	98	98	FC
Cigogne Management	Luxembourg	100	98	IG	100	98	FC
D. Private banking							
Banque de Luxembourg	Luxembourg	100	98	IG	100	98	FC
Banque Transatlantique (BT)	France	100	98	IG	100	98	FC
Banque Transatlantique London (BT branch)	Royaume Uni	100	98	IG	100	98	FC
Banque Transatlantique Belgium	Belgique	100	98	IG	100	98	FC
Banque Transatlantique Luxembourg	Luxembourg	100	98	IG	100	98	FC
CIC Switzerland	Suisse	100	98	IG	100	98	FC
Dubly-Douilhet Gestion	France	100	98	IG	100	98	FC
Transatlantique Gestion	France	100	98	IG	100	98	FC

	Country	06/30/2018 Percent control	Percent interest	Method *	12/31/2017 Percent control	Percent interest	Method *
E. Private equity							
CM-CIC Capital (formerly CM-CIC Capital et participations)	France	100	98	IG	100	98	FC
CM-CIC Conseil	France	100	98	IG	100	98	FC
CM-CIC Innovation	France	100	98	IG	100	98	FC
CM-CIC Investissement	France	100	98	IG	100	98	FC
CM-CIC Investissement SCR	France	100	98	IG	100	98	FC
F. Logistics and holding company services							
Actimut	France	100	100	IG	100	100	FC
Adepi	France	100	98	IG	100	98	FC
Banque de Tunisie	Tunisie	34	33	ME	34	33	EM
Banque Marocaine du Commerce Extérieur (BMCE)	Maroc	26	26	ME	26	26	EM
Caisse Centrale du Crédit Mutuel	France	53	53	ME	53	53	EM
CIC Participations	France	100	98	IG	100	98	FC
CM-CIC Services	France	100	100	IG	100	100	FC
Cofidis Participations	France	71	69	IG	71	69	FC
Euro Automatic Cash	Espagne	50	40	ME	50	40	EM
Euro-Information	France	80	80	IG	80	80	FC
Euro-Information Développement	France	100	80	IG	100	80	FC
EIP	France	100	100	IG	100	100	FC
EI Telecom	France	95	76	IG	95	76	FC
Euro Protection Surveillance	France	100	84	IG	100	84	FC
Lyf SAS (formerly Fivory SAS)	France	46	36	ME	43	34	EM
Gesteurop	France	100	98	IG	100	98	FC
Groupe Républicain Lorrain Communication (GRLC)	France	100	98	IG	100	98	FC
L'Est Républicain	France	95	93	IG	95	93	FC
Mutuelles Investissement	France	100	98	IG	100	98	FC
SAP Alsace	France	99	97	IG	99	97	FC
Société d'Investissements Médias (SIM)	France	100	98	IG	100	98	FC
Société de Presse Investissement (SPI)	France	100	98	IG	100	98	FC
Targo Deutschland GmbH	Allemagne	100	98	IG	100	98	FC
Targo Dienstleistungs GmbH	Allemagne	100	98	IG	100	98	FC
Targo IT Consulting GmbH	Allemagne	100	98	IG	100	98	FC
Targo IT Consulting GmbH Singapore (Targo IT Consulting GmbH branch)	Singapour	100	98	IG	100	98	FC
Targo Management AG	Allemagne			MER	100	98	FC
Targo Realty Services GmbH	Allemagne	100	98	IG	100	98	FC
G. Insurance companies							
ACM GIE	France	100	78	IG	100	87	FC
ACM IARD	France	96	75	IG	96	84	FC
ACM Nord IARD	France			FU	49	43	EM
ACM Nord Vie SA	France			FU			
ACM RE	Luxembourg	100	78	IG	100	87	FC
ACM Services	France	100	78	IG	100	87	FC
ACM Vie SA	France	100	78	IG	100	87	FC
ACM Vie, Société d'Assurance Mutuelle	France	100	100	IG	100	100	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Espagne	95	75	IG	95	83	FC
Agrupación pensiones, entidad gestora de fondos de pensiones,S.A. (formerly Agrupació Bankpyme Pensiones)	Espagne	100	75	IG	100	83	FC
Agrupació serveis administratius	Espagne	100	75	IG	100	83	FC
AMDIF	Espagne	100	75	IG	100	83	FC
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Espagne	100	78	IG	100	87	FC
AMSYR	Espagne	100	75	IG	100	83	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Espagne	80	63	IG	80	69	FC
Asistencia Avançada Barcelona	Espagne	100	75	IG	100	83	FC
ASTREE Assurances	Tunisie	30	23	ME	30	26	EM
Atlantis Asesores SL	Espagne	80	63	IG	80	69	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Espagne	60	47	IG	60	52	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Espagne	88	70	IG	88	78	FC
CPKE RE	Luxembourg	100	78	IG			
GACM España	Espagne	100	78	IG	100	87	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	80	78	IG	88	87	FC
ICM Life	Luxembourg	100	78	IG	100	87	FC
Margem-Mediação Seguros, Lda	Portugal	100	69	IG	100	69	FC
MTRL	France	100	100	IG	100	100	FC
Nord Europe Assurances (NEA)	France			FU			
NELB (North Europe Life Belgium)	Belgique	100	78	IG	49	43	EM
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	78	IG			
Partners	Belgique	100	78	IG	51	44	FC
Procourtage	France	100	78	IG	100	87	FC
Royale Marocaine d'Assurance (formerly RMA Watanya)	Maroc	22	17	ME	22	19	EM
Serenis Assurances	France	100	78	IG	100	86	FC
Targo seguros mediacion (formerly Voy Mediación)	Espagne	90	69	IG	90	77	FC

	Country	06/30/2018			12/31/2017		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
H. Other companies							
Affiches D'Alsace Lorraine	France	100	97	IG	100	97	FC
Alsacienne de Portage des DNA	France	100	97	IG	100	97	FC
CM-CIC Immobilier	France	100	98	IG	100	98	FC
Est Bourgogne Médias	France	100	98	IG	100	98	FC
Foncière Massena	France	100	78	IG	100	87	FC
France Régie	France	100	97	IG	100	97	FC
GEIE Synergie	France	100	69	IG	100	69	FC
Groupe Dauphiné Media	France	100	98	IG	100	98	FC
Groupe Progrès	France	100	98	IG	100	98	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	98	IG	100	98	FC
Journal de la Haute Marne	France	50	47	ME	50	47	EM
La Liberté de l'Est	France	97	91	IG	97	91	FC
La Tribune	France	100	98	IG	100	98	FC
Le Dauphiné Libéré	France	100	98	IG	100	98	FC
Le Républicain Lorrain	France	100	98	IG	100	98	FC
Les Dernières Nouvelles d'Alsace	France	99	97	IG	99	97	FC
Lumedia	Luxembourg	50	49	ME	50	49	EM
Mediaportage	France	100	97	IG	100	97	FC
Presse Diffusion	France	100	98	IG	100	98	FC
Publiprint Province n°1	France	100	98	IG	100	98	FC
Républicain Lorrain Communication	France	100	98	IG	100	98	FC
Républicain Lorrain - TV news	France	100	98	IG	100	98	FC
SCI ACM	France	100	78	IG	100	87	FC
SCI ACM Cotentin	France	100	78	IG	100	87	FC
SCI Le Progrès Confluence	France	100	98	IG	100	98	FC
SCI Provence Lafayette	France	100	78	IG	67	58	FC
SCI 14 Rue de Londres	France	100	78	IG	67	58	FC
SCI Saint Augustin	France	100	78	IG	67	58	FC
SCI Tombe Issoire	France	100	78	IG	100	87	FC
Société d'Edition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	98	IG	100	98	FC

* Method:
FC = full consolidation
EM = equity method
NC = not consolidated
MER = merged

3 b - Fully consolidated entities with significant non-controlling interests

06/30/2018	Share of non-controlling interests in the consolidated financial statements				Financial information regarding the fully consolidated entity*			
	Percentage owned	Net income attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net income (loss)	Hidden reserves	Net banking income
Euro Information	20%	8	211	-1	1 393	60	0	628
Groupe des Assurances du Crédit Mutuel (GACM)	22%	99	2 082	-36	116 473	440	1 140	929
Cofidis Belgium	31%	2	217	0	824	6	-1	48
Cofidis France	31%	9	341	0	8 054	35	-4	274

** Amounts before elimination of accounts and intercompany transactions.*

01/01/2018	Share of non-controlling interests in the consolidated financial statements				Financial information regarding the fully consolidated entity*			
	Percentage owned	Net income attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net income (loss)	Hidden reserves	Net banking income
Euro Information	20%	21	189	-1	1 365	99	90	1 124
Groupe des Assurances du Crédit Mutuel (GACM)	13%	101	1 203	-36	100 029	691	1 176	1 681
Cofidis Belgium	31%	3	217	0	831	8	-1	98
Cofidis France	31%	19	332	0	8 292	55	-4	525

NOTE 4 - Cash and amounts due to/from central banks (assets/liabilities)

	06/30/2018	01/01/2018
Cash and amounts due from central banks - Assets		
Amounts due from central banks	60 746	55 856
including reserve requirements	2 612	2 465
Cash	1 199	1 193
Total	**61 945**	**57 049**
Amounts due to central banks - Liabilities	**31**	**285**

NOTE 5 - Financial assets at amortized cost

	06/30/2018	01/01/2018
Loans and receivables due from credit institutions	45 235	41 200
Loans and receivables due from customers	358 348	343 212
Securities at amortized cost	3 201	3 312
Total	**406 784**	**387 724**

5a - Loans and receivables due from credit institutions at amortized cost

	06/30/2018	01/01/2018
. Performing loans (S1/S2)	45 051	41 037
Crédit Mutuel network accounts(1)	22 198	19 656
Other current accounts	2 406	2 273
Loans	4 063	3 915
Other receivables	7 067	7 357
Resale agreements	9 317	7 836
. Gross receivables subject to individual impairment (S3)	0	0
. Accrued interest	189	169
. Impairment of performing loans (S1/S2)	-5	-6
. Other impairment (S3)	0	0
Total	**45 235**	**41 200**

(1) Relates mainly to outstanding CDC repayments for LEP, LDD, Livret Bleu and Livret A passbook savings accounts

5b - Loans and receivables due from customers at amortized cost

	06/30/2018	01/01/2018
Performing loans (S1/S2)	341,379	326,500
. Commercial loans	15,042	14,789
. Other customer loans	325,720	311,125
- Home loans	172,843	167,715
- Other loans and receivables, including repurchase agreements	152,877	143,410
. Accrued interest	617	586
Insurance and reinsurance receivables	0	0
Gross receivables subject to individual impairment (S3)	11,066	11,329
Gross receivables	**352,445**	**337,829**
Impairment of performing loans (S1/S2)	(1,652)	(1,553)
Other impairment (S3)	(6,099)	(6,298)
SUB-TOTAL I	**344,694**	**329,978**
Finance leases (net investment)	13,526	13,110
. Furniture and movable equipment	9,416	9,045
. Real estate	4,110	4,065
Gross receivables subject to individual impairment (S3)	424	429
Impairment of performing loans (S1/S2)	(103)	(104)
Other impairment (S3)	(193)	(201)
SUB-TOTAL II	**13,654**	**13,234**
TOTAL	**358,348**	**343,212**
of which subordinated notes	14	14
including resale agreements	11,178	7,207

Finance leases with customers

	01/01/2018	Additions	Disposals	Other	06/30/2018
Gross carrying amount	13,539	704	(285)	(8)	13,950
Impairment of irrecoverable rent	(305)	(51)	59	1	(296)
Net carrying amount	13,234	653	(226)	(7)	13,654

5c - Securities at amortized cost

	06/30/2018	01/01/2018
Securities	3,275	3,374
- Government securities	2,051	2,246
- Bonds and other debt securities	1,224	1,128
. Quoted	453	396
. Not quoted	771	732
. Accrued interest	19	20
GROSS TOTAL	**3,294**	**3,394**
of which impaired assets (S3)	364	356
Impairment of performing loans (S1/S2)	0	(1)
Other impairment (S3)	(93)	(81)
NET TOTAL	**3,201**	**3,312**

NOTE 6 - Financial liabilities at amortized cost

6a - Amounts due to credit institutions

	06/30/2018	01/01/2018
Due to credit institutions	**57,917**	**46,961**
Other current accounts	2,706	2,330
Borrowings	16,921	12,516
Other liabilities	6,295	8,436
Resale agreements	31,913	23,631
Accrued interest	82	48

6b - Amounts due to customers at amortized cost

	06/30/2018	01/01/2018
. Regulated savings accounts	123,394	119,270
- demand	84,028	80,541
- term	39,366	38,729
. Accrued interest	660	38
Sub-total	***124,054***	***119,308***
. Current accounts	125,592	120,147
. Term deposits and borrowings	44,561	46,607
. Resale agreements	3,353	2,017
. Accrued interest	319	350
. Other liabilities	11	14
Sub-total	***173,836***	***169,135***
TOTAL	**297,890**	**288,443**

6c - Debt securities at amortized cost

	06/30/2018	01/01/2018
Retail certificates of deposit	355	460
Interbank instruments and money market securities	56,137	55,292
Bonds	57,290	55,898
Accrued interest	571	781
TOTAL	**114,353**	**112,431**

NOTE 7 - Financial assets at fair value through equity

7a - Financial assets at fair value through equity by type of product

	06/30/2018	01/01/2018
. Government securities	10,289	11,023
. Bonds and other debt securities	15,582	15,080
- Quoted	15,243	14,788
- Not quoted	339	292
. Accrued interest	139	167
Gross subtotal debt securities	**26,010**	**26,270**
Of which impaired debt securities (S3)	135	141
Impairment of performing loans (S1/S2)	(10)	(9)
Other impairment (S3)	(132)	(1)
Net subtotal debt securities	**25,868**	**26,260**
. Shares and other equity instruments	25	89
- Quoted	20	19
- Not quoted	5	70
. Long-term investments	341	386
- Investments in non-consolidated companies	32	30
- Other long-term securities	201	180
- Investments in subsidiaries and associates	108	176
- Loaned securities	0	0
- Current account advances related to non-performing SCI	0	0
. Accrued interest	9	0
Subtotal equity instruments	**375**	**475**
TOTAL	**26,243**	**26,735**
Of which unrealized gains or losses recognized in equity	125	29
Of which listed investments in non-consolidated companies.	(6)	(6)

7b - Exposure to sovereign risk

Countries benefiting from aid packages

*Net exposure**	06/30/2018		01/01/2018	
	Portugal	Ireland	Portugal	Ireland
Financial assets at fair value through profit or loss	19		8	
Financial assets at fair value through equity	3	167	52	131
TOTAL	**22**	**167**	**60**	**131**

** Net exposure amounts are shown net of any insurance policyholder profit-sharing portion.*

Residual contractual maturity	Portugal	Ireland	Portugal	Ireland
< 1 year		89	50	
1 to 3 years		9		94
3 to 5 years		30	2	30
5 to 10 years	20	39	5	7
> 10 years	2		3	
TOTAL	**22**	**167**	**60**	**131**

Other sovereign risk exposures in the banking portfolio

Net exposure	06/30/2018		01/01/2018	
	Spain	Italy	Spain	Italy
Financial assets at fair value through profit or loss	64	75	42	98
Financial assets at fair value through equity	332	480	282	647
TOTAL	**396**	**555**	**324**	**745**

Capital markets activities are shown at market value and other activities at par value. Outstandings are shown net of credit default swaps.

Residual contractual maturity	Spain	Italy	Spain	Italy
< 1 year		233	169	565
1 to 3 years	49	233	26	82
3 to 5 years	114		36	33
5 to 10 years	96	66	58	54
> 10 years	137	23	35	11
TOTAL	**396**	**555**	**324**	**745**

NOTE 8 - Gross value and impairment analysis

8a. Gross values subject to impairment

	06/30/2018	01/01/2018
Financial assets at amortized cost - loans and receivables due from credit institutions subject to	45,240	41,206
- 12-month expected losses (S1)	45,134	41,043
- expected losses to termination (S2)	106	163
- expected losses on impaired assets (S3) at end of period but not impaired at origination	0	0
- expected losses on impaired assets (S3) at end of period and at origination	0	0
Financial assets at amortized cost - loans and receivables due from customers subject to	366,395	351,368
- 12-month expected losses (S1)	333,894	318,448
- expected losses to termination (S2)	21,011	21,162
- of which customer receivables under IFRS 15	0	0
- expected losses on impaired assets (S3) at end of period but not impaired at origination	11,462	11,689
- expected losses on impaired assets (S3) at end of period and at origination	28	69
Financial assets at amortized cost - securities	3,294	3,394
- subject to 12-month expected losses (S1)	821	893
- subject to expected losses to termination (S2)	205	78
- expected losses on impaired assets (S3) at end of period but not impaired at origination	186	339
- expected losses on impaired assets (S3) at end of period and at origination	0	0
Financial assets at fair value through equity - debt securities	26,010	26,270
- 12-month expected losses (S1)	25,956	26,070
- expected losses to termination (S2)	0	133
- expected losses on impaired assets (S3) at end of period but not impaired at origination	134	141
- expected losses on impaired assets (S3) at end of period and at origination	0	0
Total	**440,939**	**422,238**

8b. Impairment analysis

	01/01/2018	Additions	Reversals	Other	06/30/2018
Financial assets at amortized cost - loans and receivables due from credit institutions	(6)	(1)	2	0	(5)
Financial assets at amortized cost - loans and receivables due from customers	(8,156)	(886)	996	(1)	(8,047)
Financial assets at amortized cost - securities	(82)	(1)	1	(11)	(93)
Financial assets at fair value through equity - debt securities	(10)	(132)	0	0	(142)
Financial assets at fair value through equity - Loans	0	0	0	0	0
Total	**(8,254)**	**(1,020)**	**999**	**(12)**	**(8,287)**

IFRS 9	01/01/2018	Additions	Reversals	Other	06/30/2018
Loans and receivables due from credit institutions	**(6)**	**(1)**	**2**	**(1)**	**(6)**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(2)	(1)	0	(1)	(4)
- expected losses to termination (S2)	(4)	0	2	0	(2)
- expected losses on impaired assets (S3) at end of period but not impaired at origination	0	0	0	0	0
- expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0
Customer loans and receivables	**(8,156)**	**(886)**	**996**	**(1)**	**(8,047)**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(735)	(166)	118	(1)	(784)
- expected losses to termination (S2)	(978)	(154)	160	1	(971)
- of which customer receivables under IFRS 15	0	0	0	0	0
- expected losses on impaired assets (S3) at end of period but not impaired at origination	(6,444)	(566)	718	0	(6,292)
- expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0
Financial assets at amortized cost - securities	**(82)**	**(1)**	**1**	**(11)**	**(93)**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	0	0	0	0	0
- expected losses to termination (S2)	0	0	0	0	0
- expected losses on impaired assets (S3) at end of period but not impaired at origination	(81)	(1)	1	(12)	(93)
- expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0
Financial assets at fair value through equity - debt securities	**(10)**	**(132)**	**0**	**0**	**(142)**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(9)	(1)	0	0	(10)
- expected losses to termination (S2)	0	0	0	0	0
- expected losses on impaired assets (S3) at end of period but not impaired at origination	(1)	(131)	0	0	(132)
- expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0
Total	**(8,323)**	**(1,020)**	**999**	**(13)**	**(8,357)**

NOTE 9 - Financial assets and liabilities at fair value through profit or loss

9a - Financial assets at fair value through profit or loss

	06/30/2018				01/01/2018			
	Held for trading	Fair value option	Other FVTPL	Total	Held for trading	Fair value option	Other FVTPL	Total
Securities	**11,605**	**433**	**3,597**	**15,635**	**8,822**	**470**	**3,445**	**12,737**
- Government securities	1,703	0	0	**1,703**	865	0	0	**865**
- Bonds and other debt securities	8,872	433	173	**9,478**	6,989	470	125	**7,584**
. Quoted	8,872	77	47	**8,996**	6,989	107	47	**7,143**
. Not quoted	0	356	126	**482**	0	363	78	**441**
of which mutual funds	153		0	**153**	98		0	**98**
- Shares and other equity instruments	1,030		2,416	**3,446**	968		2,314	**3,282**
. Quoted	1,030		356	**1,386**	968		271	**1,239**
. Not quoted	0		2,060	**2,060**	0		2,043	**2,043**
- Long-term investments			1,008	**0**			1,006	**1,006**
. Investments in non-consolidated companies			392	**392**			377	**377**
. Other long-term securities			177	**177**			204	**204**
. Investments in subsidiaries and associates			413	**413**			400	**400**
. Other long-term investments			26	**26**			25	**25**
. Derivative instruments	**3,576**			**3,576**	**3,258**			**3,258**
. Loans & receivables		**0**	**0**	**0**		**0**	**0**	**0**
including resale agreements		0		**0**		0		**0**
TOTAL	**15,181**	**433**	**3,597**	**19,211**	**12,080**	**470**	**3,445**	**15,995**

9b - Financial liabilities at fair value through profit or loss

	06/30/2018	01/01/2018
Financial liabilities held for trading	6,173	5,449
Financial liabilities at fair value by option through profit or loss	0	0
TOTAL	**6,173**	**5,449**

Financial liabilities held for trading

	06/30/2018	01/01/2018
Short selling of securities	**2,704**	**2,111**
- Government securities	0	0
- Bonds and other debt securities	1,463	917
- Shares and other equity instruments	1,241	1,194
. Debt representing securities given through repurchase agreements	**0**	**0**
. Trading derivative instruments	**3,464**	**3,242**
. Other financial liabilities held for trading	**5**	**97**
TOTAL	**6,173**	**5,450**

9c - Analysis of trading derivatives

	06/30/2018			01/01/2018		
	Notional	**Assets**	**Liabilities**	**Notional**	**Assets**	**Liabilities**
Trading derivative instruments						
Interest-rate derivative instruments	448,983	2,056	1,974	341,651	2,082	2,020
Swaps	85,497	1,888	1,831	73,586	1,978	1,836
Other forward contracts	335,032	11	11	244,581	7	7
Options and conditional transactions	28,454	157	132	23,484	97	177
Foreign exchange derivative instruments	141,756	1,151	1,030	127,180	869	846
Swaps	102,582	97	90	90,727	45	53
Other forward contracts	8,730	929	816	10,177	705	682
Options and conditional transactions	30,444	125	124	26,276	119	111
Derivative instruments other than interest-rate and foreign exchange	29,278	368	460	23,010	307	375
Swaps	12,185	112	174	12,995	131	162
Other forward contracts	8,550	26	54	5,526	42	75
Options and conditional transactions	8,543	230	232	4,489	134	138
Total	**620,017**	**3,575**	**3,464**	**491,841**	**3,258**	**3,241**

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness.
Moreover, the value of derivatives takes counterparty risk into account.

NOTE 9d - Fair value hierarchy of financial instruments measured at fair value in the statement of financial position

06/30/2018	Level 1	Level 2	Level 3	Total
Financial assets IFRS 9				
Fair value through equity	23,250	1,921	1,072	26,243
- Government securities and similar instruments	10,359	0	0	10,359
- Bonds and other debt securities	12,739	1,882	888	15,509
- Shares and other equity instruments	20	1	4	25
- Investments and other long-term securities	132	32	70	234
- Investments in subsidiaries and associates	0	6	110	116
Trading / Fair value option / Other	11,092	3,728	4,391	19,211
- Government and similar securities - Held for trading	1,549	148	6	1,703
- Government and similar securities - FVO	0	0	0	0
- Government securities and similar instruments - Other FVTPL	0	0	0	0
- Bonds and other debt securities - Trading	7,627	850	395	8,872
- Bonds and other debt securities - Fair value option	33	31	369	433
- Bonds and other debt securities - Other FVTPL	126	0	47	173
- Shares and other equity instruments - Trading	1,030	0	0	1,030
- Shares and other equity instruments - Other FVTPL	482	0	1,934	2,416
- Investments and other long-term securities - Other FVTPL	37	4	529	570
- Investments in subsidiaries and associates - Other FVTPL	0	11	427	438
- Loans and receivables due from credit institutions - FVO	0	0	0	0
- Loans and receivables due from credit institutions - Other FVTPL	0	0	0	0
- Loans and receivables due from customers - FVO	0	0	0	0
- Loans and receivables due from customers - Other FVTPL	0	0	0	0
- Derivative instruments and other financial assets - Held for trading	208	2,684	684	3,576
Hedging derivative instruments	0	2,676	40	2,716
Total	**34,342**	**8,325**	**5,503**	**48,170**
IAS 39 financial assets - Investments by insurance businesses				
Fair value through profit or loss	24,858	4,453	5	29,316
- Held for trading	0	(12)	0	(12)
- Fair value option - debt securities	1,946	2,603	0	4,549
- Fair value option - equity instruments	22,912	1,862	5	24,779
Hedging derivative instruments	0	0	0	0
Available-for-sale financial assets	71,274	2,275	499	74,048
- Government securities and similar instruments	16,574	0	0	16,574
- Bonds and other debt securities	40,860	840	0	41,700
- Shares and other equity instruments	13,006	1,435	1	14,442
- Investments in subsidiaries and associates and other long-term investments	834	0	498	1,332
Financial liabilities IFRS 9				
Held for trading / Fair value option (FVO)	0	6,173	0	6,173
Hedging derivative instruments	0	2,812	24	2,836
Total	**0**	**8,985**	**24**	**9,009**
Financial liabilities related to policies of the insurance businesses IAS 39				
Fair value through profit or loss	0	5,143	0	5,143
Hedging derivative instruments	0	0	0	0
Total	**0**	**5,143**	**0**	**5,143**

- level 1: quoted price in an active market.
- level 2: prices in active markets for similar instruments and valuation techniques for which all significant data is based on observable market information,
- level 3: valuation based on internal models containing significant non-observable data.

Level 2 and 3 instruments held in the trading portfolio mainly comprise securities deemed to have poor liquidity and derivatives.
The uncertainties inherent in measuring all of these instruments result in measurement adjustments reflecting the risk premium taken into account by market operators when setting the price.
These measurement adjustments enable the inclusion, in particular, of risks that would not be built into the model, liquidity risks associated with the instrument or parameter in question, specific risk premiums intended to offset certain additional costs inherent in the dynamic management strategy associated with the model in certain market conditions, and the counterparty risk associated with the fair value of over-the-counter derivatives. The methods used may change over time. They include the proprietary counterparty risk present in the fair value of over-the-counter derivatives.
In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

NOTE 10 - Hedging

10a - Hedging derivative instruments

	06/30/2018			01/01/2018		
	Notional	**Assets**	**Liabilities**	**Notional**	**Assets**	**Liabilities**
Hedging derivative instruments						
Fair value hedges	144,363	2,716	2,835	123,566	3,009	3,254
Swaps	66,947	2,719	2,833	74,825	3,013	3,253
Other forward contracts	76,217	0	0	47,399	0	0
Options and conditional transactions	1,199	(3)	2	1,342	(4)	1
Total	**144,363**	**2,716**	**2,835**	**123,566**	**3,009**	**3,254**

Swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve. The difference resulting from the use of different valuation curves for the hedged items and the hedging instruments is accounted for as hedge ineffectiveness.
Moreover, the value of derivatives takes counterparty risk into account.

10b - Remeasurement adjustment on interest-rate risk hedged investments

	06/30/2018	01/01/2018
Fair value of interest-risk by investment category		
. financial assets	710	429
. financial liabilities	(240)	(518)

Note 11 - Note on securitization outstandings

In accordance with the request by the banking supervisor and market regulator, sensitive exposures are presented below based on the recommendations of the FSB.
The trading and securities at fair value through equity portfolios were measured at market price on the basis of external inputs obtained from regulated markets, major brokers or, where no price was available, comparable listed securities.

Summary	Carrying amount 06/30/2018	Carrying amount 12/31/2017
RMBS	1,481	3,002
CMBS	331	49
CLO	2,356	1,897
Other ABS	2,427	2,042
Sub-total	**6,595**	6,990
CLO hedged by CDS	0	0
Liquidity facilities for ABCP programs	205	185
TOTAL	**6,800**	7,175

Unless otherwise stated, securities are not covered by CDS.

Exposures at 06/30/2018	**RMBS**	**CMBS**	**CLO**	**Other ABS**	**Total**
Trading	547	0	0	297	844
Financial assets at fair value through equity	584	331	2,130	1,898	4,943
Financial assets at amortized cost	349	0	226	232	808
TOTAL	**1,481**	**331**	**2,356**	**2,427**	**6,595**
France	209	0	322	666	1,197
Spain	114	0		226	340
United Kingdom	228	0	117	269	614
Europe excluding France, Spain and United Kingdom	324	0	226	1,195	1,744
USA	412	331	543	0	1,285
Other	194	0	1,150	71	1,415
TOTAL	**1,481**	**331**	**2,356**	**2,427**	**6,595**
US Agencies	135	0	0	0	135
AAA	865	331	2,224	1,642	5,062
AA	163	0	106	564	833
A	28	0	15	14	57
BBB	8	0	0	206	215
BB	31	0	0	0	31
B or below	251	0	0	0	251
Not rated	0	0	11	0	11
TOTAL	**1,481**	**331**	**2,356**	**2,427**	**6,595**
Originating 2005 or before	86	0	0	0	86
Originating 2006-2008	379	0	0	62	441
Originating 2009-2011	55	1	0	0	56
Originating 2012-2018	960	330	2,356	2,365	6,012
TOTAL	**1,481**	**331**	**2,356**	**2,427**	**6,595**

Exposures at 12/31/2017	**RMBS**	**CMBS**	**CLO**	**Other ABS**	**Total**
Trading	1,503	5	17	141	1,666
Financial assets at fair value through equity	1,131	44	1,720	1,676	4,571
Financial assets at amortized cost	368		160	225	753
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
France	68		251	599	919
Spain	91		26	25	143
United Kingdom	194		149	225	568
Europe excluding France, Spain and United Kingdom	316	49	308	1,113	1,786
USA	2,214		417	43	2,674
Other	119		745	36	900
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
US Agencies	1,834		0	0	1,834
AAA	641		1,778	1,285	3,705
AA	168		84	526	777
A	52		20	25	96
BBB	6	49	4	206	265
BB	16				16
B or below	286				286
Not rated	0		11		11
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
Originating 2005 or before	107	49			156
Originating 2006-2008	423		8	31	462
Originating 2009-2011	70				70
Originating 2012-2017	2,402		1,889	2,011	6,301
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**

NOTE 12 - Investments / assets and liabilities related to policies of the insurance businesses

12a - Investments by the insurance businesses and reinsurers' share of technical reserves

	06/30/2018	01/01/2018
Financial assets		
Fair value through profit or loss	29,316	18,038
- Held for trading	0	1
- Fair value option - debt securities	4,549	1,336
- Fair value option - equity instruments	24,767	16,701
Hedging derivative instruments	0	0
Available-for-sale (AFS)	74,048	72,446
- Government securities and similar instruments	16,574	16,574
- Bonds and other debt securities	41,700	42,426
- Shares and other equity instruments	14,442	12,206
- Investments in subsidiaries and associates and other long-term investments	1,332	1,240
Loans & receivables	2,732	1,632
Held-to-maturity	11,738	10,700
Subtotal financial assets	**117,834**	**102,816**
Investment property	**3,376**	**2,743**
Reinsurers' share of technical reserves and other assets	**805**	**706**
Total	**122,015**	**106,265**

12b - Liabilities related to policies of the insurance businesses

	06/30/2018	01/01/2018
Technical reserves of insurance companies		
Life	93,121	83,527
Non-life	3,601	3,390
Unit of account	12,360	9,209
Other	348	297
TOTAL	**109,430**	**96,423**
Of which deferred profit-sharing - liability	**14,111**	**13,211**
Reinsurers' share of technical reserves	336	310
NET TECHNICAL RESERVES	**109,094**	**96,113**
Financial liabilities		
Fair value through profit or loss	5,143	4,371
Due to credit institutions	307	447
Debt securities	0	0
Subordinated debt	300	0
Sub-total	**5,750**	**4,818**
Other liabilities	**492**	**299**
Total	**6,242**	**5,117**

NOTE 13 - Corporate income tax

13a - Current income tax

	06/30/2018	01/01/2018
Asset (through income statement)	1,481	1,832
Liability (through income statement)	827	831

13b - Deferred income tax

	06/30/2018	01/01/2018
Asset (through income statement)	1,366	1,390
Asset (through shareholders' equity)	176	169
Liability (through income statement)	683	654
Liability (through shareholders' equity)	508	561

NOTE 14 - Accruals, other assets and other liabilities

14a - Accruals and other assets

	06/30/2018	01/01/2018
Accruals - assets		
Collection accounts	392	519
Currency adjustment accounts	474	52
Accrued income	644	633
Other accruals	3,248	2,331
Sub-total	**4,758**	**3,535**
Other assets		
Securities settlement accounts	136	86
Miscellaneous receivables	4,443	4,358
Inventories	25	20
Other	47	49
Sub-total	**4,651**	**4,513**
Total	**9,409**	**8,048**

14b - Accruals and other liabilities

	06/30/2018	01/01/2018
Accruals - liabilities		
Accounts unavailable due to collection procedures	249	290
Currency adjustment accounts	79	54
Accrued expenses	1 412	1 331
Deferred income	1 466	1 447
Other accruals	5 477	2 001
Sub-total	**8 683**	**5 123**
Other liabilities		
Securities settlement accounts	385	594
Outstanding amounts payable on securities	54	79
Other payables	1 820	1 678
Sub-total	**2 259**	**2 351**
Total	**10 942**	**7 474**

NOTE 15 - Investments in associates

15a - Share of net income (loss) of associates

06/30/2018	Country	% interest	Investment value	Share of net income (loss)	Dividends received (1)	Fair value of investment (if listed)
Entities over which significant influence is exercised						
ASTREE Assurances	Tunisia	30,00%	15	1	1	19
Banque de Tunisie	Tunisia	34,00%	163	9	7	213
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26,21%	820	32	18	879
Caisse Centrale du Crédit Mutuel	France	53,17%	339	3	2	NC*
Euro Automatic Cash	Spain	50,00%	46	4	6	NC*
LYF SA (formerly Fivory)	France	46,00%	8	-0	0	NC*
Royale Marocaine d'Assurance (formerly RMA Watanya)	Morocco	22,02%	139	12	0	NC*
Other			-3	-5		
Total (1)			**1 526**	**56**	**34**	
Joint ventures						
Bancas	France	50,00%	1	-0	0	NC*
Banque du Groupe Casino	France	50,00%	43	3	0	NC*
Total (2)			**44**	**3**	**0**	
TOTAL (1) + (2)			**1 570**	**59**	**34**	

(1) in cash and shares

* NC: Not communicated

01/01/2018	Country	% interest	Investment value	Share of net income (loss)	Dividends received (1)	Fair value of investment (if listed)
Entities over which significant influence is exercised						
ACM Nord IARD	France	49,00%	39	8	8	NC*
ASTREE Assurances	Tunisia	30,00%	14	2	1	23
Banco Popular Español	Spain	0,00%	0	-246	0	0
Banque de Tunisie	Tunisia	34,00%	159	15	7	166
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26,21%	816	-130	18	897
Caisse Centrale du Crédit Mutuel	France	52,84%	333	1	0	NC*
Euro Automatic Cash	Spain	50,00%	48	9	0	NC*
LYF SA (formerly Fivory)	France	43,50%	8	-0	0	NC*
NELB (North Europe Life Belgium)	Belgium	49,00%	104	1	2	NC*
Royale Marocaine d'Assurance (formerly RMA Watanya)	Morocco	22,02%	114	20	11	NC*
Other			1	-10	0	NC*
Total (1)			**1 635**	**-330**	**48**	
Joint ventures						
Bancas	France	50,00%	1	-0	0	NC*
Banque Casino	France	50,00%	40	-4	0	NC*
Total (2)			**40**	**-4**	**0**	
TOTAL (1) + (2)			**1 676**	**-334**	**48**	

(1) in cash and shares

* NC: Not communicated

NOTE 16 - Investment property

	01/01/2018	Additions	Disposals	Other	06/30/2018
Historical cost	135	1	(1)	0	135
Accumulated depreciation and impairment provisions	(61)	(2)	1	0	(62)
Net amount	**74**	**(1)**	**0**	**0**	**73**

NOTE 17 - Property, equipment and intangible assets

17a - Property and equipment

	01/01/2018	Additions	Disposals	Other	06/30/2018
Historical cost					
Land used in operations	551	1	0	(1)	551
Buildings used in operations	4,913	56	(35)	0	4,934
Other property and equipment	2,609	170	(116)	3	2,666
Total	**8,073**	**227**	**(151)**	**2**	**8,151**
Accumulated depreciation and impairment provisions					
Land used in operations	(7)	(1)	0	1	(7)
Buildings used in operations	(3,025)	(92)	27	0	(3,090)
Other property and equipment	(2,071)	(97)	50	(3)	(2,121)
Total	**(5,103)**	**(190)**	**77**	**(2)**	**(5,218)**
Net amount	**2,970**	**37**	**(74)**	**0**	**2,933**

Including buildings under finance leases

	01/01/2018	Additions	Disposals	Other	06/30/2018
Gross carrying amount	5,464	57	(35)	(1)	5,485
Depreciation and impairment	(3,032)	(93)	27	1	(3,097)
Total	**2,432**	**(36)**	**(8)**	**0**	**2,388**

17b - Intangible assets

	01/01/2018	Additions	Disposals	Other	06/30/2018
Historical cost					
. Internally developed intangible assets	0	0	0	0	0
. Purchased intangible assets	1,931	52	(6)	11	1,988
- software	497	10	(1)	8	514
- other	1,434	42	(5)	3	1,474
Total	**1,931**	**52**	**(6)**	**11**	**1,988**
Accumulated depreciation and impairment provisions					
. Internally developed intangible assets	0	0	0	0	0
. Purchased intangible assets	(1,241)	(33)	4	(11)	(1,281)
- software	(454)	(10)	1	(8)	(471)
- other	(787)	(23)	3	(3)	(810)
Total	**(1,241)**	**(33)**	**4**	**(11)**	**(1,281)**
Net amount	**690**	**19**	**(2)**	**0**	**707**

NOTE 18 - Goodwill

	01/01/2018	Additions	Disposals	Other	06/30/2018
Goodwill, gross	4,608	0	(2)	7	4,613
Impairment provisions	(490)	0	0	0	(490)
Goodwill, net	**4,118**	**0**	**(2)**	**7**	**4,123**

Subsidiaries	Goodwill at 01/01/2018	Additions	Disposals	Impairment losses/reversals	Other	Goodwill at 06/30/2018
Targobank Germany	2,781					2,781
Crédit Industriel et Commercial (CIC)	497					497
Cofidis Participations	457					457
Factofrance SA	68					68
EI Telecom	78					78
Heller GmbH and Targo Leasing GmbH	63					63
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	53					53
CM-CIC Investissement SCR	21					21
Banque de Luxembourg	13					13
Cofidis Italy	9					9
Banque Transatlantique	6					6
Transatlantique Gestion	5					5
Other	66		(2)		7	71
TOTAL	**4,118**	**0**	**(2)**	**0**	**7**	**4,123**

NOTE 19 - Provisions

	01/01/2018	Additions	Reversals - provisions used	Reversals - provisions not used	Other movements	06/30/2018
Provisions for risks	**711**	**278**	**-143**	**-84**	**134**	**896**
For guarantee commitments	219	41	0	-45	-1	214
- of which 12-month expected losses (S1)	39	6	0	-5	-1	39
- of which expected losses to termination (S2)	47	8	0	-15	0	40
For financing commitments	65	11	-1	-15	0	60
- of which 12-month expected losses (S1)	45	8	-1	-5	1	48
- of which expected losses to termination (S2)	17	3	0	-9	0	11
On country risks	0	0	0	0	0	0
Provision for taxes	33	2	-2	-3	0	30
Provisions for claims and litigation	130	11	-6	-18	2	119
Provisions for risks on miscellaneous receivables	264	213	-132	-4	133	474
Other provisions	**1 114**	**44**	**-7**	**-46**	**-109**	**996**
Provisions for home savings accounts and plans	171	0	-1	-33	0	137
Provisions for miscellaneous contingencies	586	15	-9	-6	-109	477
Other provisions(1)	357	29	2	-7	1	382
Provision for retirement benefits	**1 358**	**18**	**-17**	**-3**	**-19**	**1 337**
Total	**3 183**	**340**	**-167**	**-133**	**6**	**3 229**

(1) Other provisions include provisions set aside in respect of economic interest groupings (EIG) totaling €339 million.

- Retirement commitments and similar benefits

	01/01/2018	Additions	Reversals during the period	Other movements (1)	06/30/2018
Retirement benefits - defined benefit and equivalent, excluding pension funds					
Retirement bonuses	981	15	-15	-20	961
Supplementary retirement benefits	219	4	-4	0	219
Long service awards (other long-term benefits)	147	0	0	1	148
Total recognized	**1 347**	**19**	**-19**	**-19**	**1 328**
Supplementary retirement benefits - defined benefit, provided by Group pension funds					
Commitments to employees and retired employees (2)	11	0	0	0	11
Fair value of assets					
Total recognized	**11**	**0**	**0**	**0**	**11**
TOTAL	**1 358**	**19**	**-19**	**-19**	**1 339**

(1) The other changes result from changes in the discount rate.

(2) The provisions for pension fund shortfalls relate to entities located abroad.

Defined benefit plan: Main actuarial assumptions	06/30/2018	01/01/2018
Discount rate(1)	1,50%	1%
Expected rate of increase in salaries	Minimum 1%	Minimum 1%

(1) The discount rate is determined by reference to the long-term interest rate for private-sector loans and estimated based on the iBoxx index.

Note 20 - Subordinated debt

	06/30/2018	01/01/2018
Subordinated debt	7 107	6 613
Non-voting loan stock	22	23
Perpetual subordinated loan stock	1 003	1 014
Other liabilities	6	0
Accrued interest	112	76
TOTAL	**8 250**	**7 726**

Main subordinated debt issues

(in € millions)	Type	Issue date	Amount issued	Amount as of reporting date (1)	Rate	Maturity
Banque Fédérative du Crédit Mutuel	Subordinated note	Dec. 6, 2011	€1,000 m	€997 m	5,30	Dec. 6, 2018
Banque Fédérative du Crédit Mutuel	Subordinated note	Oct. 22, 2010	€1,000 m	€915 m	4,00	Oct. 22, 2020
Banque Fédérative du Crédit Mutuel	Subordinated note	May 21, 2014	€1,000 m	€995 m	3,00	May 21, 2024
Banque Fédérative du Crédit Mutuel	Subordinated note	Sept. 11, 2015	€1,000 m	€1,000 m	3,00	Sept. 11, 2025
Banque Fédérative du Crédit Mutuel	Subordinated note	March 24, 2016	€1,000 m	€1,000 m	2,375	March 24, 2026
Banque Fédérative du Crédit Mutuel	Subordinated note	Nov. 4, 2016	€700 m	€700 m	1,875	Nov. 4, 2026
Banque Fédérative du Crédit Mutuel	Subordinated note	March 31, 2017	€500 m	€500 m	2,625	March 31, 2027
Banque Fédérative du Crédit Mutuel	Subordinated note	Nov. 15, 2017	€500 m	€500 m	1,625	Nov. 15, 2027
Banque Fédérative du Crédit Mutuel	Subordinated note	May 25, 2018	€500 m	€500 m	2,5	May 25, 2028
CIC	Non-voting loan stock	May 28, 1985	€137 m	€9 m	-2	-3
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	Dec. 15, 2004	€750 m	€730 m	-4	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	Feb. 25, 2005	€250 m	€250 m	-5	No fixed maturity

(1) Amounts net of intra-Group balances.
(2) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
(3) Non amortizable, but redeemable at borrower's discretion with effect from May 28, 1997 at 130% of par revalued by 1.5% annually for subsequent years.
(4) 10-year CMS ISDA CIC + 10 basis points.
(5) 10-year CMS ISDA + 10 basis points.

NOTE 21 - Capital and other reserves

21a - Shareholders' equity attributable to owners of the company (excluding net income and unrealized gains and losses)

	06/30/2018	01/01/2018
. Capital stock and issue premiums	6 092	6 010
- Capital stock	6 092	6 010
- Issue premiums	0	0
. Consolidated reserves	30 961	28 607
- of which gains/(losses) on disposal of equity instruments	-24	0
- of which retained earnings	114	136
Total	**37 053**	**34 617**

The share capital of Caisses de Crédit Mutuel comprises:
- non-transferable A units,
- tradable B units,
- priority interest P units.

B units may only be subscribed by members with a minimum of one A unit. The local Caisses bylaws limit subscription to B units by the same member to €50,000 (except in the case of reinvestment of the dividend in B units). Pursuant to the law of September 10, 1947, the capital may be no lower, after restatement of contributions, than one quarter of its highest previous level.
The purchasing system for B units differs according to whether they were subscribed before or after December 31, 1988:
- units subscribed up to December 31, 1988 may be redeemed at the member's request for January 1 each year. Redemption, which is subject to compliance with measures governing a capital decrease, requires a minimum notice period of three months.
- units subscribed from January 1, 1989 may be redeemed at the member's request with a notice period of five years, except in the case of marriage, death or unemployment. These transactions must also comply with measures governing a capital decrease.
The Caisse may, by resolution of the board of directors and with the agreement of the supervisory board, redeem all or some of the units in this category under the same conditions.
Priority interest P units are issued by Caisse Régionale du Crédit Mutuel de Normandie, Caisse Régionale du Crédit Mutuel Midi-Atlantique and by the Caisse de Crédit Mutuel "Cautionnement Mutuel de l'Habitat", a mutual loan guarantee company that has been issuing priority interest share capital units since 1999, with subscription reserved for distributors of secured loans outside the Crédit Mutuel CM11 Group.

At June 30, 2018, the capital of the Crédit Mutuel Caisses comprised:
- €198.2 million in A units
- €5,882.9 million in B units
- €10.7 million in P units

21b - Unrealized or deferred gains and losses

	06/30/2018	01/01/2018
Unrealized or deferred gains and losses* relating to:		
- investments by insurance businesses (available-for-sale assets)	968	1 112
- financial assets at fair value through recyclable equity - debt instruments	74	148
- financial assets at fair value through non-recyclable equity - equity instruments	74	-66
- hedging derivative instruments (cash flow hedges)	3	4
- own credit risk on financial liabilities - fair value option	0	0
- Other	-264	-326
Total	**855**	**872**

(*) Net of corporate income tax and after adjustment for shadow accounting

21c - Recycling of gains and losses recognized directly in equity

	06/30/2018	01/01/2018
	Movements	Movements
Translation adjustments		
Reclassification through profit or loss	0	0
Other movements	27	(146)
Sub-total	**27**	**(146)**
Remeasurement of financial assets at fair value through equity - debt instruments		
Reclassification through profit or loss	0	3
Other movements	(143)	56
Sub-total	**(143)**	**59**
Remeasurement of financial assets at fair value through equity - equity instruments		
Reclassification through profit or loss	0	(130)
Other movements	154	189
Sub-total	**154**	**59**
Remeasurement of hedging derivative instruments		
Reclassification through profit or loss	0	0
Other movements	(1)	36
Sub-total	**(1)**	**36**
Remeasurement of non-current assets	0	0
Remeasurement adjustment related to own credit risk on financial liabilities under the fair value option transferred to reserves	0	0
Actuarial gains and losses on defined benefit plans	31	32
Share of unrealized or deferred gains and losses of equity-accounted entities	7	0
Total	**75**	**40**

21d - Tax on components of gains and losses recognized directly in equity

	06/30/2018	06/30/2018		01/01/2018		
	Gross amount	:orporate income ta	Net amount	Gross amount	:orporate income ta	Net amount
Translation adjustments	27	0	27	(146)	0	(146)
Remeasurement of financial assets at fair value through equity - debt instruments	(198)	55	(143)	75	(15)	60
Remeasurement of financial assets at fair value through equity - equity instruments	152	2	154	25	33	58
Remeasurement of hedging derivative instruments	(1)	0	(1)	35	1	36
Remeasurement of non-current assets	0	0	0	0	0	0
Remeasurement adjustment related to own credit risk on financial liabilities under the fair value option transferred to reserves	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	25	6	31	58	(26)	32
Share of unrealized or deferred gains and losses of equity-accounted entities	7	0	7	0	0	0
Total gains and losses recognized directly in shareholders' equity	**12**	**63**	**75**	**47**	**(7)**	**40**

NOTE 22 - Commitments given and received

Commitments given	06/30/2018	01/01/2018
Financing commitments	**63,503**	**60,767**
Commitments given to credit institutions	1,521	1,217
Commitments given to customers	61,982	59,550
Guarantee commitments	**20,841**	**19,816**
Guarantees given on behalf of credit institutions	3,781	3,294
Guarantees given on behalf of customers	17,060	16,522
Securities commitments	**2,260**	**1,542**
Other commitments given	2,260	1,542
Commitments given by the Insurance business line	**2,494**	**1,734**

Commitments and guarantees received	06/30/2018	01/01/2018
Financing commitments	**17,743**	**18,234**
Commitments received from credit institutions	17,743	18,234
Guarantee commitments	**70,468**	**62,722**
Commitments received from credit institutions	44,273	43,182
Commitments received from customers	26,195	19,540
Securities commitments	**1,588**	**464**
Other commitments received	1,588	464
Commitments received by the Insurance business line	**4,358**	**4,446**

NOTE 23 - Interest income, interest expense and equivalent

	06/30/2018		06/30/2017	
	Income	Expense	Income	Expense
. Credit institutions and central banks	184	(279)	167	(170)
. Customers	6,436	(2,758)	6,035	(2,389)
- of which finance leases and operating leases	1,992	(1,815)	1,526	(1,348)
. Hedging derivative instruments	913	(1,015)	816	(979)
. Financial assets at fair value through profit or loss	243	(114)	0	0
. Financial assets at fair value through equity / Available-for-sale assets	179	0	225	0
. Securities at amortized cost	70	0	51	0
. Debt securities	0	(780)	0	(865)
. Subordinated debt	0	(6)	0	(6)
TOTAL	**8,025**	**(4,952)**	**7,294**	**(4,409)**

NOTE 24 - Fees and commissions

	06/30/2018		06/30/2017	
	Income	Expense	Income	Expense
Credit institutions	5	(4)	4	(4)
Customers	866	(17)	896	(15)
Securities	385	(25)	422	(22)
of which funds managed for third parties	274	0	296	0
Derivative instruments	2	(4)	1	(2)
Foreign exchange	10	(1)	10	(1)
Financing and guarantee commitments	36	(2)	53	(8)
Services provided	1,080	(590)	1,039	(571)
TOTAL	**2,384**	**(643)**	**2,425**	**(623)**

NOTE 25 - Net gain (loss) on financial instruments at fair value through profit or loss

	06/30/2018	06/30/2017
Trading derivative instruments	248	273
Instruments designated under the fair value option(1)	10	265
Ineffective portion of hedging instruments	(17)	(46)
. Cash flow hedges	0	0
. Fair value hedges	(17)	(46)
. Change in fair value of hedged items	41	(68)
. Change in fair value of hedging items	(58)	22
Foreign exchange gains (losses)	63	47
Other instruments at fair value through profit or loss (1)	28	0
Total changes in fair value	**332**	**539**

(1) of which €195 million from the private equity business at June 30, 2018 classified as other instruments at fair value through profit or loss versus €165 million at June 30, 2017 classified as instruments under the fair value option

NOTE 26 - Net gains/(losses) on financial assets at fair value through equity (2018)/Available-for-sale assets (2017)

	06/30/2018	06/30/2017
. Dividends	21	48
- of which resulting from instruments derecognized during the period		
. Gains/(losses) on debt instruments	55	94
. Gains/(losses) on equity instruments (2017)		(64)
. Gains/(losses) on debt instruments (2017)		61
Total	**76**	**139**

NOTE 27 - Net income from the insurance businesses

	06/30/2018	06/30/2017
Insurance contracts		
Earned premiums	5,947	4,982
Claims and benefits expenses	(4,678)	(3,992)
Movements in provisions	(1,246)	(1,712)
Other technical and non-technical income and expense	34	41
Net investment income	1,331	1,926
Net income on insurance policies	**1,388**	**1,245**
. Net interest/commissions	(5)	0
Net income on financial assets	**(5)**	**0**
Other net income*	**(17)**	**0**
Net income from the Insurance business line	**1,366**	**1,245**

* of which investment property

NOTE 28 - Other income and expense

	06/30/2018	06/30/2017
Income from other activities		
. Rebilled expenses	19	20
. Other income	889	1,019
Sub-total	**908**	**1,039**
Expenses on other activities		
. Investment property	(2)	(20)
- provisions/depreciation/amortization	(2)	(20)
. Other expenses	(413)	(483)
Sub-total	**(415)**	**(503)**
Other income and expense, net	**493**	**536**

NOTE 29 - General operating expenses

	06/30/2018	06/30/2017
Payroll costs	(2,516)	(2,486)
Other operating expenses	(1,906)	(1,875)
TOTAL	**(4,422)**	**(4,361)**

29a - Payroll costs

	06/30/2018	06/30/2017
Salaries and wages	(1,632)	(1,588)
Social security contributions	(584)	(560)
Employee benefits - short-term	(1)	(1)
Incentive bonuses and profit-sharing	(114)	(154)
Payroll taxes	(185)	(184)
Other	0	1
TOTAL	**(2,516)**	**(2,486)**

The CICE tax credit for competitiveness and employment amounted to €30 million in the first half of 2018 and was recognized as a credit to social security contributions.

Average number of employees

	06/30/2018	06/30/2017
Banking staff	38,703	40,386
Management	25,348	24,525
Total	**64,051**	**64,911**
Of which France	51,651	51,652
Of which rest of world	12,400	13,259

	06/30/2018	06/30/2017
Number of employees at end of year*	69,618	69,250

** The number of employees at end of year corresponds to the total number of employees in all entities controlled by the Group as of December 31. In contrast, the consolidated average number of employees (full-time equivalent, or FTE) is limited to the scope of financial consolidation (full consolidation).*

29b - Other operating expenses

	06/30/2018	06/30/2017
Taxes and duties	(356)	(345)
External services	(1,273)	(1,244)
Other misc. expenses	(57)	(55)
Total	**(1,686)**	**(1,644)**

29c - Depreciation, amortization and impairment of property, equipment and intangible assets

	06/30/2018	06/30/2017
Depreciation and amortization	(220)	(222)
- property and equipment	(188)	(189)
- intangible assets	(32)	(33)
Impairment losses	0	(9)
- property and equipment	0	(1)
- intangible assets	0	(8)
Total	**(220)**	**(231)**

NOTE 30 - Net additions to/reversals from provisions for loan losses

	06/30/2018	06/30/2017
- 12-month expected losses (S1)	(53)	0
- expected losses to termination (S2)	21	0
- impaired assets (S3)	(319)	(397)
Total	**(349)**	**(397)**

06/30/2018	Losses	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	TOTAL
12-month expected losses (S1)	**(182)**	**129**				**(53)**
- Loans and receivables due from credit institutions at amortized cost	(1)	0				(1)
- Loans and receivables due from customers at amortized cost	(166)	117				(49)
- of which finance leases	(3)	1				(2)
- Financial assets at amortized cost - securities	0	0				0
- Financial assets at fair value through equity - debt securities	(1)	0				(1)
- Financial assets at fair value through equity - Loans	0	0				0
- Commitments given	(14)	12				(2)
expected losses to termination (S2)	**(165)**	**186**				**21**
- Loans and receivables due from credit institutions at amortized cost	0	2				2
- Loans and receivables due from customers at amortized cost	(154)	160				6
- of which finance leases	(1)	3				2
- Financial assets at amortized cost - securities	0	0				0
- Financial assets at fair value through equity - debt securities	0	0				0
- Financial assets at fair value through equity - Loans	0	0				0
- Commitments given	(11)	24				13
Impaired assets (S3)	**(722)**	**855**	**(318)**	**(214)**	**80**	**(319)**
- Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
- Loans and receivables due from customers at amortized cost	(536)	672	(313)	(209)	76	(310)
- of which finance leases	(25)	29	(6)	(2)	1	(3)
- Financial assets at amortized cost - securities	(1)	1	0	0	0	0
- Financial assets at fair value through equity - debt securities	(133)	0	(1)	(3)	4	(133)
- Financial assets at fair value through equity - Loans	0	0	0	0	0	0
- Commitments given	(52)	182	(4)	(2)	0	124
Total	**(1,069)**	**1,170**	**(318)**	**(214)**	**80**	**(351)**

06/30/2017	Losses	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	TOTAL
Impaired assets (S3)	**(930)**	**975**	**(391)**	**(158)**	**107**	**(397)**
- Loans and receivables due from credit institutions at amortized cost	0	8	0	0	2	10
- Loans and receivables due from customers at amortized cost	(879)	922	(382)	(150)	97	(392)
- of which finance leases	(57)	63	(12)	(1)	1	(6)
- Financial assets at amortized cost - securities	(9)	0	0	0	0	(9)
- Financial assets at fair value through equity - debt securities	(3)	5	(1)	(7)	8	2
- Financial assets at fair value through equity - Loans	0	0				0
- Commitments given	(39)	40	(8)	(1)		(8)
Total	**(930)**	**975**	**(391)**	**(158)**	**107**	**(397)**

NOTE 31 - Gains (losses) on other assets

	06/30/2018	06/30/2017
Property, equipment and intangible assets	9	0
. Losses on disposals	(8)	(6)
. Gains on disposals	17	6
Net gains/(losses) on disposals of consolidated securities	0	0
TOTAL	**9**	**0**

NOTE 32 - Change in value of goodwill

	06/30/2018	06/30/2017
Impairment of goodwill	0	(15)
Negative goodwill taken to income	0	0
TOTAL	**0**	**(15)**

NOTE 33 - Corporate income tax

Breakdown of income tax expense

	06/30/2018	06/30/2017
Current taxes	(765)	(771)
Deferred taxes	(55)	(47)
Adjustments in respect of prior years	(10)	9
TOTAL	**(830)**	**(809)**

NOTE 34 - Related party transactions

Statement of financial position items concerning related party transactions

	06/30/2018		01/01/2018	
	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Companies consolidated using the equity method	Other entities in the Confédération Nationale
Assets				
Financial assets at fair value through profit or loss	35	68	15	97
Financial assets at fair value through equity	0	40	0	160
Financial assets at amortized cost	2,984	4,476	2,854	3,851
Other assets	5	675	3	30
TOTAL	**3,024**	**5,259**	**2,872**	**4,138**
Liabilities				
Due to credit institutions	1,295	1,327	1,393	1,280
Liabilities at fair value through profit or loss	0	43		
Due to customers	24	1,508	24	1,528
Debt securities	0	30	0	329
Subordinated debt	0	5	0	0
Other liabilities	0	222	0	71
TOTAL	**1,320**	**3,134**	**1,417**	**3,209**
Financing commitments given	300	0	470	0
Guarantee commitments given	15	101	29	110
Financing commitments received	0	0	0	0
Guarantee commitments received	0	595	0	563

Income statement items concerning related party transactions

	06/30/2018		06/30/2017	
	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Companies consolidated using the equity method	Other entities in the Confédération Nationale
Interest received	(1)	17	(1)	15
Interest paid	0	(8)	0	(10)
Fees and commissions received	0	5	3	5
Fees and commissions paid	0	0	0	0
Net gains/(losses) on financial assets at fair value through equity and FVTPL	33	4	0	0
Other income (expense)	5	(58)	34	(5)
General operating expenses	1	(7)	5	(7)
TOTAL	**39**	**(47)**	**41**	**(2)**

3. Statutory auditors' report on the interim financial information of the Crédit Mutuel CM11 Group's

PricewaterhouseCoopers France
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
French limited liability company (S.A.R.L.)
with capital of €86.000

Statutory Auditors
Member of the Versailles
regional institute of accountants

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable (Simplified stock company with variable capital)
Trade and Companies Register
438 476 913 Nanterre

Statutory Auditors
Member of the Versailles
regional institute of accountants

Crédit Mutuel CM11 Group
Period from January 1 to June 30, 2018

Statutory auditors' report on the interim financial information

Ladies and Gentlemen,

Pursuant to the assignment given us by your Shareholders' Meeting and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code, we conducted:

- a limited review of the condensed consolidated interim financial statements of the CM11 Group for the period from January 1 to June 30, 2018, as attached to this report;
- a verification of the information provided in the interim management report.

These condensed, consolidated interim financial statements were prepared under the responsibility of your Board of Directors. Our role is to express an opinion on these financial statements based on our limited review.

1. Opinion on the interim financial statements

We conducted our limited review in accordance with professional standards applicable in France. A limited review consists essentially of conferring with the members of management who are responsible for accounting and financial aspects and implementing analytical procedures. These measures are less extensive than those required for an audit carried out in accordance with professional standards applicable in France. As a result, the assurance obtained as part of a limited review about whether the financial statements, taken as a whole, are free from material misstatement is limited in nature and not as thorough as would be obtained as part of an audit.

Based on our limited review, we did not uncover any material discrepancies that would call into question the compliance of the condensed, consolidated interim financial statements with IAS 34 – the IFRS standard as adopted by the European Union with respect to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to the change in accounting method related to the application of the new IFRS 9 "Financial Instruments" as described in Note 1

"Accounting policies, valuation and presentation methods" to the financial statements, and in the other notes presenting the quantified data related to this first-time application.

2. Specific verification

We also verified the information provided in the interim management report on the condensed, consolidated interim financial statements covered by our limited review.

We have no observations to make as to the true and fair nature of the information in this report or its congruence with the condensed, consolidated interim financial statements.

Neuilly-sur-Seine and Paris-La Défense, August 7, 2018

The Statutory Auditors

PricewaterhouseCoopers France Jacques Lévi	ERNST & YOUNG et Autres Hassan Baaj

4. BFCM Group's consolidated financial statements at June 30, 2018

The financial statements are unaudited but were subjected to a limited review

Statement of Financial Position - Assets

in € millions	06/30/2018	01/01/2018	Notes
Cash and amounts due from central banks	60,781	55,941	4
Financial assets at fair value through profit or loss	18,966	15,776	9a
Hedging derivative instruments	3,054	3,418	10a
Financial assets at fair value through equity	26,214	26,646	7
Securities at amortized cost	3,169	3,280	5c
Loans and receivables due from credit and similar institutions at amortized cost	57,360	54,122	5a
Loans and receivables due from customers at amortized cost	234,948	223,173	5b
Remeasurement adjustment on interest-rate risk hedged investments	413	429	10b
Investments by the insurance businesses and reinsurers' share of technical reserves	108,906	93,173	12a
Current tax assets	722	1,164	13a
Deferred tax assets	1,163	1,154	13b
Accruals and other assets	8,094	6,280	14a
Non-current assets held for sale	884	119	
Deferred profit sharing	0	0	
Investments in associates	1,592	1,676	15
Investment property	39	39	16
Property and equipment	1,827	1,855	17a
Intangible assets	523	532	17b
Goodwill	4,054	4,049	18
Total assets	**532,711**	**492,826**	

Statement of Financial Position - Liabilities

in € millions	06/30/2018	01/01/2018	Notes
Due to central banks	31	285	4
Financial liabilities at fair value through profit or loss	6,173	5,455	9b
Hedging derivative instruments	2,869	3,344	10a
Debt securities at amortized cost	114,360	112,453	6c
Amounts due to credit and similar institutions at amortized cost	65,240	54,483	6a
Amounts due to customers at amortized cost	189,656	183,922	6b
Remeasurement adjustment on interest-rate risk hedged investments	(240)	(270)	10b
Current tax liabilities	452	530	13a
Deferred tax liabilities	1,103	1,119	13b
Accruals and other liabilities	8,994	5,591	14b
Liabilities associated with non-current assets held for sale	748	14	
Liabilities related to policies of the insurance businesses	102,941	88,181	12b
Provisions	2,593	2,564	19
Subordinated debt at amortized cost	8,907	8,375	20
Shareholders' equity	**28,886**	**26,779**	**21**
Shareholders' equity attributable to owners of the company	**24,610**	**23,443**	**21**
- Subscribed capital and issue premiums	6,197	6,197	21a
Consolidated reserves	16,698	15,054	21a
Gains and losses recognized directly in equity	646	642	21b
Net income for the year	1,068	1,549	
Shareholders' equity attributable to non-controlling interests	**4,276**	**3,336**	
Total liabilities and shareholders' equity	**532,711**	**492,826**	

INCOME STATEMENT

in € millions	06/30/2018 IFRS 9	06/30/2017 IAS 39	Notes
Interest income	6,779	6,037	**23**
Interest expense	(4,465)	(3,865)	**23**
Fee and commission income	1,820	1,860	**24**
Fee and commission expense	(585)	(569)	**24**
Net gain (loss) on financial instruments at fair value through profit or loss	338	528	**25**
Net gains(losses) on financial assets at fair value through equity (2018) / on available-for-sale financial assets (2017) (1)	76	135	**26**
Net income from the Insurance business line	1,082		**27**
Income from other activities (2)	360	6,743	**28**
Expenses on other activities (2)	(183)	(5,510)	**28**
Net banking income	**5,222**	**5,359**	
General operating expenses	(2,993)	(2,958)	**29a, 29b**
Depreciation, amortization and impairment of non-current assets	(94)	(108)	**29c**
Gross operating income	**2,135**	**2,293**	
Net additions to/reversals from provisions for loan losses	(314)	(344)	**30**
Operating income	**1,821**	**1,949**	
Share of net income (loss) of associates	81	(242)	**15**
Gains (losses) on other assets	8	(1)	**31**
Change in value of goodwill	0	(15)	**32**
Income before tax	**1,910**	**1,690**	
Corporate income tax	(654)	(687)	**33**
Net gains/(losses) on discontinued operations	**0**	5	
Net income (loss)	**1,256**	**1,008**	
Net income (loss) - Non-controlling interests	188	192	
Net income (loss) attributable to owners of the company	**1,068**	**816**	

(1) includes gains/(losses) on loans and receivables for 2017
(2) includes income/expense on insurance businesses

Consolidated statement of financial position (IFRS) - Assets

in € millions	12/31/2017 Published
Cash and amounts due from central banks	55,941
Financial assets at fair value through profit or loss	31,275
Hedging derivative instruments	3,418
Available-for-sale financial assets	92,913
Loans and receivables due from credit institutions	50,311
Loans and receivables due from customers	224,682
Remeasurement adjustment on interest-rate risk hedged investments	429
Held-to-maturity financial assets	9,379
Current tax assets	1,164
Deferred tax assets	911
Accruals and other assets	12,233
Non-current assets held for sale	119
Deferred profit sharing	0
Investments in associates	1,745
Investment property	2,628
Property and equipment	1,855
Intangible assets	532
Goodwill	4,049
Total assets	**493,585**

Consolidated statement of financial position (IFRS) - Liabilities and shareholders' equity

in € millions	12/31/2017 Published
Due to central banks	285
Financial liabilities at fair value through profit or loss	9,221
Hedging derivative instruments	3,344
Due to credit institutions	50,586
Due to customers	184,014
Debt securities	112,453
Remeasurement adjustment on interest-rate risk hedged investments	(270)
Current tax liabilities	530
Deferred tax liabilities	1,180
Accruals and other liabilities	9,522
Liabilities associated with non-current assets held for sale	14
Technical reserves of insurance companies	84,289
Provisions	2,436
Subordinated debt	8,375
Shareholders' equity	**27,604**
Shareholders' equity attributable to owners of the company	**24,192**
- Subscribed capital and issue premiums	6,197
Consolidated reserves	15,393
Gains and losses recognized directly in equity	1,053
Net income for the year	1,549
Non-controlling interests	**3,412**
Total liabilities and shareholders' equity	**493,585**

Net income and gains and losses recognized directly in shareholders' equity

in € millions	06/30/2018 IFRS 9
Net income (loss)	**1,256**
Translation adjustments	27
Remeasurement of financial assets at fair value through equity - debt instruments	(90)
Reclassification of financial assets from fair value through equity to fair value through profit or loss	0
Remeasurement of investments by insurance businesses	(36)
Remeasurement of hedging derivative instruments	(1)
Share of unrealized or deferred gains and losses of equity-accounted entities	5
Total recyclable gains and losses recognized directly in equity	**(96)**
Remeasurement of financial assets at fair value through equity - equity instruments at the reporting date	143
Remeasurement of financial assets at fair value through equity - equity instruments sold during the period	0
Remeasurement adjustment related to own credit risk on financial liabilities under the fair value option	0
Remeasurement of non-current assets	0
Actuarial gains and losses on defined benefit plans	24
Share of non-recyclable gains or losses of associates	2
Total non-recyclable gains and losses recognized directly in equity	**169**
Net income and gains and losses recognized directly in shareholders' equity	**1,329**
attributable to owners of the company	1,071
attributable to non-controlling interests	258

in € millions	06/30/2017 IAS 39
Net income (loss)	**1,009**
Translation adjustments	(68)
Remeasurement of available-for-sale financial assets	109
Remeasurement of hedging derivative instruments	24
Share of unrealized or deferred gains and losses of equity-accounted entities	0
Total recyclable gains and losses recognized directly in equity	**67**
Remeasurement of non-current assets	0
- Actuarial gains and losses on defined benefit plans	53
Total non-recyclable gains and losses recognized directly in equity	**53**
Net income and gains and losses recognized directly in shareholders' equity	**1,128**
attributable to owners of the company	*956*
attributable to non-controlling interests	*172*

The items relating to gains and losses recognized directly in shareholders' equity are presented net of tax effects.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In € millions	Capital	Issue premiums	Reserves (1)	Gains and losses recognized directly in equity				Net income attributable to owners of the company	Shareholders' equity attributable to owners of the company	Non-controlling interests	Total consolidated shareholders' equity
				Translation adjustments	Financial assets at fair value through equity	Hedging derivative instruments	Actuarial gains and losses				
Shareholders' equity at December 31, 2016	**1,689**	**4,509**	**14,006**	**84**	**1,162**	**(21)**	**(256)**	**1,655**	**22,825**	**4,092**	**26,918**
Appropriation of earnings from previous year			1,655					(1,655)	0		0
Capital increase									0		0
Distribution of dividends			(130)						(130)	(102)	(232)
Changes in ownership of a subsidiary not resulting in loss of control			(57)						(57)	(312)	(369)
Sub-total: movements arising from shareholder relations	**0**	**0**	**1,467**	**0**	**0**	**0**	**0**	**(1,655)**	**(187)**	**(414)**	**(601)**
Consolidated net income for the period								816	816	192	1,009
Change in fair value of assets at fair value through equity					152	25			177	(18)	159
Change in actuarial gains and losses							51		51	2	52
Translation adjustments				(88)					(88)	(4)	(92)
Sub-total	**0**	**0**	**0**	**(88)**	**152**	**25**	**51**	**816**	**956**	**172**	**1,128**
Impact of acquisitions and disposals on non-controlling interests									0	0	0
Other movements		(0)	(24)						(24)	(0)	(25)
Shareholders' equity at June 30, 2017	**1,689**	**4,509**	**15,449**	**(4)**	**1,314**	**4**	**(206)**	**816**	**23,570**	**3,850**	**27,420**
Appropriation of earnings from previous year			0					0	0		0
Capital increase									0		0
Distribution of dividends			0						0	0	0
Changes in ownership of a subsidiary not resulting in loss of control			(71)						(71)	(609)	(680)
Sub-total: movements arising from shareholder relations	**0**	**0**	**(71)**	**0**	**0**	**0**	**0**	**0**	**(71)**	**(609)**	**(680)**
Consolidated net income for the period								732	732	83	815
Change in fair value of assets at fair value through equity					10	0			10	2	12
Change in actuarial gains and losses							(13)		(13)	3	(10)
Translation adjustments				(52)					(52)	(2)	(54)
Sub-total	**0**	**0**	**0**	**(52)**	**10**	**0**	**(13)**	**732**	**678**	**86**	**764**
Impact of acquisitions and disposals on non-controlling interests			0						0	82	82
Other movements			15			0			15	3	18
Shareholders' equity at December 31, 2017	**1,689**	**4,509**	**15,393**	**(56)**	**1,323**	**4**	**(218)**	**1,549**	**24,192**	**3,412**	**27,604**
Impact of first-time application of IFRS 9			*(339)*		*(411)*				*(750)*	*(75)*	*(825)*
Shareholders' equity at January 1, 2018	**1,689**	**4,509**	**15,054**	**(56)**	**912**	**4**	**(218)**	**1,549**	**23,442**	**3,336**	**26,778**
Appropriation of earnings from previous year			1,549					(1,549)	0		0
Capital increase	0								0		0
Distribution of dividends			(81)						(81)	(131)	(212)
Changes in ownership of a subsidiary not resulting in loss of control			4						4	(75)	(71)
Sub-total: movements arising from shareholder relations	**0**	**0**	**1,471**	**0**	**0**	**0**	**0**	**(1,549)**	**(77)**	**(206)**	**(283)**
Consolidated net income for the period								1,068	1,068	188	1,256
Change in fair value of assets at fair value through equity					16	(1)			15	(23)	(8)
Change in actuarial gains and losses							25		25	(0)	24
Translation adjustments				31					31	0	31
Sub-total	**0**	**0**	**0**	**31**	**16**	**(1)**	**25**	**1,068**	**1,138**	**165**	**1,304**
Impact of acquisitions and disposals on non-controlling interests			210		(67)				143	982	1,125
Other movements		0	(38)						(38)	(1)	(39)
Shareholders' equity at June 30, 2018	**1,689**	**4,509**	**16,698**	**(25)**	**861**	**3**	**(194)**	**1,068**	**24,608**	**4,277**	**28,885**

(1) Reserves as of June 30, 2018 include the other reserves amounting to €16.698 billion.

CONSOLIDATED STATEMENT OF CASH FLOWS

in € millions	06/30/2018	06/30/2017 IAS 39
Net income (loss)	1,256	1,009
Corporate income tax	654	687
Income before tax	**1,910**	**1,695**
=+/- Net depreciation/amortization expense on property, equipment and intangible assets	91	112
- Impairment of goodwill and other non-current assets	1	15
+/- Net additions to/reversals from provisions and impairment losses	(24)	(133)
+/- Share of net income/loss of associates	(81)	242
+/- Net loss/gain from investing activities	(19)	1
+/- (Income)/expense from financing activities	0	0
+/- Other movements	(1,219)	(849)
= Total non-monetary items included in income before tax and other adjustments	**(1,252)**	**(612)**
+/- Cash flows relating to interbank transactions *(a)*	5,184	(2,144)
+/- Cash flows relating to customer transactions *(b)*	(5,879)	(1,841)
+/- Cash flows relating to other transactions affecting financial assets and liabilities *(c)*	746	2,529
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	2,118	3,481
- Corporate income tax paid	(305)	(415)
= Net decrease/(increase) in assets and liabilities from operating activities	**1,864**	**1,610**
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**2,522**	**2,693**
+/- Cash flows relating to financial assets and investments in non-consolidated companies *(d)*	**(463)**	**26**
+/- Cash flows relating to investment property *(e)*	**(632)**	**1**
+/- Cash flows relating to property, equipment and intangible assets *(f)*	**(43)**	**(58)**
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(1,138)**	**(31)**
+/- Cash flows relating to transactions with shareholders *(g)*	(212)	(232)
+/- Other cash flows relating to financing activities *(h)*	2,608	(628)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**2,396**	**(861)**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (D)	**38**	**(116)**
Net increase / (decrease) in cash and cash equivalents (A + B+ C + D)	**3,818**	**1,685**
Net cash flows from (used in) operating activities (A)	2,522	2,693
Net cash flows from (used in) investing activities (B)	(1,138)	(31)
Net cash flows from (used in) financing activities (C)	2,396	(861)
Impact of movements in exchange rates on cash and cash equivalents (D)	38	(116)
Cash and cash equivalents at beginning of period	**42,745**	**47,301**
Cash and amounts due to/from central banks (assets & liabilities)	55,658	59,950
Demand loans and deposits - credit institutions (assets & liabilities)	(12,913)	(12,649)
Cash and cash equivalents at end of period	**46,564**	**48,986**
Cash and amounts due to/from central banks (assets & liabilities)	60,751	61,910
Demand loans and deposits - credit institutions (assets & liabilities)	(14,188)	(12,924)
CHANGE IN CASH AND CASH EQUIVALENTS	**3,819**	**1,685**

Notes to the consolidated financial statements

The notes to the financial statements are presented in millions of euros.

NOTE 1 - Accounting policies, valuation methods and presentation

1.3 Accounting reference framework

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2017. These standards include IAS 1-41 and IFRS 1-13, and any related SIC and IFRIC interpretations adopted as of that date. These standards are available on the European Commission's website at:
https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.
The financial statements are presented in accordance with the format recommended by Recommendation No. 2013-04 of the French accounting standards authority concerning IFRS financial statements. They are consistent with the international accounting standards as adopted by the European Union.
These interim financial statements have been prepared in accordance with IAS 34 relating to interim financial reporting, which allows the publication of condensed financial statements. They supplement the financial statements for the year ended December 31, 2017 presented in the 2017 Registration Document.
Information regarding risk management is provided in the Group's management report.
Since January 1, 2018, the Group has applied:

✓ IFRS 9

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules for:

- classification and measurement of financial instruments (Phase 1),
- impairment of credit risks on financial instruments (Phase 2), and
- hedge accounting, excluding macro-hedging (Phase 3).

Classification and measurement, as well as the new impairment model under IFRS 9, are applied retrospectively by adjusting the opening statement of financial position at January 1, 2018 (impact on shareholders' equity). There is no requirement to restate fiscal periods presented as comparative statements. The Group is therefore presenting its 2018 financial statements without comparative figures for 2017 in IFRS 9 format. An explanation of the portfolios' transition between the two standards and the impacts on shareholders' equity at January 1, 2018 are presented in the notes. The Group is not applying Phase 3, which is optional; hedging is therefore recognized according to IAS 39 as adopted by the European Union.
The implementation of IFRS 9 applies to all the Group's activities with the exception of the insurance divisions governed by the Conglomerate directive, for which implementation is deferred until 2021 as provided by the amendment to IFRS 4, as adopted by the European Union. To take advantage of this deferral, certain conditions must be met, including no transfers of financial instruments between the insurance sector and the other sectors of the conglomerate that would lead to a derecognition of the instruments, other than those measured at fair value through profit or loss in both sectors.
The principles of IFRS 9 applied by the Group are presented in detail in section 1.3.1.

✓ IFRS 15

This standard replaces several standards and interpretations on revenue recognition (including IAS 18 Revenue and IAS 11 Construction Contracts). It does not affect revenue that falls within the scope of the standards covering leases, insurance contracts or financial instruments.
Revenue recognition under IFRS 15 reflects the transfer of control of the asset (or service) to a customer, for the amount to which the seller expects to be entitled.
To that end, the standard has developed a five-step model to determine when and for what amount the revenue should be recognized:

- identify the contract with a customer,
- identify the performance obligations in the contract,

- determine the transaction price,
- allocate the transaction price to the performance obligations, and
- recognize revenue when the entity satisfies a performance obligation.

After analyzing the standard and identifying its potential effects, it was determined that the standard had no material impact for the Group, and the method of recognizing business revenue was therefore unchanged.

Other amendments have little or no impact for the Group:

- clarifications regarding disclosures under IFRS 12 when an interest in a subsidiary, joint arrangement or associate is classified as an asset held for sale,
- application of the fair value through profit or loss option by venture capital/private equity entities to their associates and joint arrangements. The amendment to IAS 28 specifies that this option may be exercised on an entity-by-entity basis,
- information regarding transfers to or from the investment property category (IAS 40),
- the treatment of advance consideration in connection with foreign currency transactions (IFRIC 22),
- share-based payment transactions under IFRS 2. The changes involve:
    - the recognition of vesting conditions for the measurement of cash-settled transactions,
    - transactions that include a net settlement feature related to tax withheld at source,
    - a change in the terms of a share-based payment that results in a change in the classification of the transaction, which is settled in equity instruments rather than in cash.

1.4 Scope and basis of consolidation

1.4.1 Consolidating entity

The Crédit Mutuel CM11 Group (Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Anjou) is a mutual group and member of a central body, in accordance with Articles L.511-30 *et seq* of the French Monetary and Financial Code. Crédit Mutuel's local cooperative banks, fully owned by their shareholding members, are at the base of the Group, in line with an "inverted pyramid" capital control structure.

To effectively reflect the common interests of our members during consolidation, the consolidating entity is defined with a view to reflecting the shared links in terms of operations, financial solidarity and governance.

Within this framework, the consolidating entity at the head of the Group is made up of the companies placed under the same collective accreditation for banking activities, granted by the French Credit Institutions and Investment Firms Committee (CECEI).

In this way, the consolidating entity comprises:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE), Fédération du Crédit Mutuel du Sud-Est (FCMSE), Fédération du Crédit Mutuel Ile-de-France (FCMIDF), Fédération du Crédit Mutuel Savoie-Mont Blanc (FCMSMB), Fédération du Crédit Mutuel Midi-Atlantique (FCMMA), Fédération du Crédit Mutuel Loire Atlantique Centre Ouest (FCMLACO), Fédération du Crédit Mutuel du Centre (FCMC), Fédération du Crédit Mutuel de Normandie (FCMN), Fédération du Crédit Mutuel Dauphiné-Vivarais (FCMDV), Fédération du Crédit Mutuel Méditerranée (FCMM) and Fédération du Crédit Mutuel d'Anjou (FCMA). As the policy bodies for the Groups, they determine their main policy guidelines, decide on their strategies and organize the representation of the local cooperative banks.
- Caisse Fédérale de Crédit Mutuel (CF de CM), Caisse Régionale du Crédit Mutuel du Sud-Est (CRCMSE), Caisse Régionale du Crédit Mutuel d'Ile-de-France (CRCMIDF), Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc (CRCMSMB), Caisse Régionale du Crédit Mutuel Midi-Atlantique (CRCMMA), Caisse Régionale du Crédit Mutuel Loire Atlantique Centre Ouest (CRCMLACO), Caisse Régionale du Crédit Mutuel du Centre (CRCMC), Caisse Régionale du Crédit Mutuel de Normandie (CRCMN), Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais (CRCMDV), Caisse Régionale du Crédit Mutuel Méditerranée (CRCMM) and Caisse Régionale du Crédit Mutuel d'Anjou (CRCMA). Serving the local cooperative banks, the Caisse Fédérale de Crédit Mutuel is responsible for the network's common services, ensures its coordination and manages the Group's logistics. It

centralizes the funds held on deposit by the local cooperative banks, while at the same time refinancing them and allocating funds on their behalf as required by the regulations (mandatory reserves, allocated resources, deposits with the Caisse Centrale du Crédit Mutuel, etc.).

- The Crédit Mutuel local cooperative banks that are members of FCMCEE, FCMSE, FCMIDF, FCMSMB, FCMMA, FCMLACO, FCMC, FCMN, FCMDV, FCMM and FCMA: these constitute the foundations of the Group's banking network.

1.2.2 Consolidation scope

The general principles for the inclusion of an entity in the consolidation scope are defined in IFRS 10, IFRS 11 and IAS28R.
The consolidation scope comprises:
- *Controlled entities*: control is considered to be exercised when the Group holds power over the entity, is exposed or is entitled to variable returns because of its links with the entity, and can exercise its power over the entity to influence its returns. Entities that are controlled by the Group are fully consolidated.
- *Entities under joint control*: joint control is exercised by virtue of a contractual agreement providing for joint control of an entity, which exists only if the decisions concerning the entity's key activities require unanimous agreement of the parties sharing the control. Two or more parties exercising joint control constitute a partnership, which is either a jointly controlled operation/asset or a jointly controlled entity:

  - a jointly controlled operation/asset is a partnership where the parties that exercise joint control have rights to and obligations for the underlying assets and liabilities: the assets, liabilities, revenues and expenses are accounted for proportionally to the interest held in the entity;
  - a jointly controlled entity is a partnership where the parties that exercise joint control have rights to the entity's net assets: jointly controlled entities are accounted for using the equity method.

All the entities under the joint control of the Group are jointly controlled entities within the meaning of IFRS 11.
- *Entities over which the Group exercises significant influence*: these are the entities that are not controlled by the consolidating entity, but in which the Group has the power to participate in determining their financial and operating policies. The share capital of the entities in which the Group exercises a significant influence is consolidated using the equity method.
Entities controlled by the Group or over which it exercises significant influence and which are not material in relation to the consolidated financial statements are not consolidated. This situation is presumed if the total statement of financial position or the income statement of an entity represents less than 1% of the related consolidated or sub-consolidated (if applicable) totals. This is a purely relative criterion: an entity may be included in the consolidated group regardless of the 1% threshold if it is regarded as a strategic investment given its activity or its development.
Companies that are 20%-50% owned by the Group's private equity businesses and over which the Group has joint control or exercises significant influence are excluded from the scope of consolidation and accounted for under the fair value through profit or loss option.

❑ Changes in the consolidation scope

See Note 3 regarding the consolidation scope

1.2.3 Consolidation methods

The consolidation methods used are as follows:

❑ Full consolidation

This method involves substituting for the value of the shares each of the assets and liabilities of each subsidiary and recognizing the interests of non-controlling shareholders in shareholders' equity and in the income statement. This method is applicable to all entities under control, including those that do not share the same accounting structures, whether or not the business of the consolidated party is an extension of the business of the consolidating party.

❑ Consolidation using the equity method

This involves substituting for the value of the shares the Group's interest in the equity and in the earnings of the relevant entities. It applies to all entities under joint control, qualified as jointly controlled entities or for all entities over which the Group exercises significant influence.

1.2.4 Closing date
All Group companies falling within the scope of consolidation have a December 31 closing date.

1.2.5 Elimination of intercompany transactions
Intercompany transactions and the profits arising from transfers between Group entities that have a significant effect on the consolidated financial statements are eliminated.

1.2.6 Translation of financial statements expressed in foreign currencies
The statements of financial position of foreign entities are translated into euro at the official year-end exchange rate. Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of equity, under "Translation adjustments". Their income statements are translated into euros at the average exchange rate for the year (the Group considers that any differences between the average rate for the year and the rates applicable on each transaction date are immaterial), and the resulting differences are recorded under "Translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

1.2.7 Goodwill

- **Measurement differences**

On taking control of a new entity, its assets, liabilities and any operating contingent liabilities are measured at fair value. Any difference between carrying amounts and fair value is recognized as goodwill.

- **Goodwill**

In accordance with IFRS 3R, when the Bank acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at the lesser of fair value net of selling costs and carrying amount. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Change in value of goodwill".
If the Group's stake in an entity it already controls increases/decreases, the difference between the acquisition cost/selling price of the shares and the portion of consolidated equity that said shares represent on the acquisition/sale date is recognized within equity.
Goodwill is presented on a separate line of the statement of financial position when it relates to fully-consolidated companies and under the heading "Investments in associates" when it relates to equity-accounted companies.
Goodwill does not include direct expenses associated with acquisitions, which are recognized in profit or loss under IFRS 3R.
Goodwill is tested for impairment regularly and at least once a year. The tests are designed to identify whether goodwill has suffered a prolonged decline in value. If the recoverable amount of the cash-generating unit (CGU) to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These impairment losses on goodwill - which are recognized through the income statement - cannot be reversed. In practice, cash-generating units are defined on the basis of the Group's business lines.

1.2.8 Non-controlling interests
Non-controlling interests correspond to interests that do not provide control as defined in IFRS 10, and include instruments representing current ownership interests that entitle the owner to a pro rata share of the net assets of the entity in the event of liquidation, and other equity instruments issued by the subsidiary.

1.4 Accounting principles and methods

1.4.1 Financial instruments under IFRS 9

1.3.1.1 Classification and measurement of financial assets
According to IFRS 9, the classification and measurement of financial assets depends on the business model and contractual characteristics of the instruments.

- **Loans, receivables and purchased debt securities**

The asset is classified:

- at amortized cost, if it is held with a view to collecting contractual cash flows and if its characteristics are similar to those of a so-called basic agreement that implicitly entails a high predictability of the related cash flows (hold to collect model),
- at fair value through equity, if the instrument is held with a view to both collecting contractual cash flows and selling the asset based on opportunities, but not for trading purposes, and if its characteristics are similar to those of a so-called basic agreement that implicitly entails a high predictability of the related cash flows (hold to collect and sell model),
- at fair value through profit or loss, if:
  - it is not eligible for the two previous categories (because it does not meet the "basic" criterion and/or is managed according to the "other" business model), or
  - the Group makes an irrevocable election at initial recognition to classify it in this way. This option is used to reduce an accounting mismatch relative to another related instrument.

Cash flow characteristics:
The contractual cash flows, which represent only repayments of principal and payments of interest on the principal balance, are compatible with a so-called basic agreement.
In a basic agreement, interest mainly represents consideration for the time value of money (including in case of negative interest) and credit risk. Interest may also include liquidity risk, administrative fees to manage the asset and a profit margin.
All the contractual clauses must be analyzed, including those that could change the repayment schedule or the amount of the contractual cash flows. The option under the agreement, on the part of the borrower or the lender, to repay the financial instrument early is compatible with the SPPI (Solely Payment of Principal and Interest) nature of the contractual cash flows insofar as the amount repaid essentially represents the principal balance and accrued interest and, where applicable, a reasonable compensatory payment.
The early repayment penalty is considered reasonable if:

- it is regulated or limited by competitive market practices,
- it corresponds to the difference between the contractual interest that should have been collected up to the due date of the loan and the interest that would be generated by reinvesting the amount repaid in advance at a rate reflecting the reference interest rate,
- it is equal to the fair value of the loan or to the cost of unwinding a related swap.

An analysis of the contractual cash flows may also require comparing them with those of a benchmark instrument when the time value of money component included in the interest can be changed as a result of the instrument's contractual clauses. This is the case, for example, if the interest rate of the financial instrument is revised periodically, but there is no correlation between the frequency of the revisions and the term for which the interest rate is defined (monthly revision of a one-year rate, for example), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.
If the difference between the undiscounted contractual cash flows of the financial asset and those of the benchmark instrument is or may become significant, the financial asset cannot be considered basic.
Depending on the case, the analysis is either qualitative or quantitative. The materiality or immateriality of the difference is assessed for each fiscal year, and cumulatively over the life of the instrument. The quantitative analysis takes into account a set of reasonably possible scenarios. For this the Group has used yield curves since 2000.
In addition, a specific analysis is conducted in the case of securitizations insofar as there is a payment priority order between the holders and concentrations of credit risk in the form of tranches. In this case, the analysis requires an examination of the contractual characteristics and the credit risk of the underlying financial instruments.

Note that:

- derivatives embedded in financial assets are no longer recognized separately, which implies that the entire hybrid instrument is then considered non-basic and recognized at fair value through profit or loss,
- units in UCITS or UCIs are not basic instruments and are also classified at fair value through profit or loss.

Business models

The business model represents the way in which instruments are managed in order to generate cash flows and revenue. It is based on observable facts and not simply on management's intention. It is not assessed at the entity level, or on an instrument-by-instrument basis, but rather on a higher level of aggregation which reflects the way in which groups of financial assets are managed collectively. It is determined at initial recognition and may be reassessed in case of a change in model.

To determine the model, all available information must be observed, including:

- the way in which the business's performance is reported to decision-makers,
- the way in which managers are compensated,
- the frequency, schedule and volumes of sales in previous periods,
- the reasons for the sales,
- future sales forecasts,
- the way in which risk is assessed.

Under the hold to collect model, certain examples of authorized sales are explicitly indicated in the standard:

- in relation to an increase in credit risk,
- close to maturity,
- exceptional (for example, related to liquidity stress).

These "authorized" sales are not included in the analysis of the significant and frequent nature of the sales carried out on a portfolio. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.

For other sales, thresholds have been defined based on the maturity of the securities portfolio (the Group does not sell its loans).

The Group has mainly developed a model based on the collection of contractual cash flows from financial assets, which applies in particular to the customer financing activities.

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and on the sale of these assets, and a specific model for other financial assets, including trading assets.

Within the Group, the hold to collect and sell model applies primarily to the proprietary cash management and liquidity portfolio management activities.

Finally, financial assets held for trading include securities acquired at inception with the intention of selling them within a short period of time, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

✓ **Financial assets at amortized cost**

These mainly include:

- cash and cash equivalents, which include cash accounts, deposits and demand loans and borrowings with central banks and credit institutions,
- other loans to credit institutions, as well as those to customers (granted directly or the share in syndicated loans), not measured at fair value through profit or loss,
- a portion of the securities held by the Group.

Financial assets included in this category are initially measured at fair value, which is usually the net amount disbursed. The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.

The assets are subsequently recognized at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts future cash payments or receipts over the expected life of the financial instrument in order to obtain the net carrying amount of the financial asset or liability. It includes estimated cash flows, without taking into account future credit

losses, as well as commissions paid or received when they are treated as interest, directly related transaction costs and all premiums and discounts.
For securities, the amortized cost includes amortization of the premiums and discounts and acquisition costs, if material. Purchases and sales are recognized at the settlement date.
Income received is presented in "Interest and similar income" in the income statement.
Commissions received or paid that are directly related to setting up the loan and are treated as an additional component of interest are recognized over the life of the loan using the effective interest rate method and are shown under interest items in the income statement.
Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.
A loan restructured due to financial difficulties encountered by the debtor is considered a new contract. Following the definition of this concept by the European Banking Authority, it was incorporated in the Group's information systems in order that the accounting and prudential definitions were harmonized.
The fair value of assets at amortized cost is disclosed in the notes to the financial statements at the end of each reporting period and corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

- ✓ **Financial assets at fair value through equity**

Since the Group does not sell its loans, this category includes only securities. These are recognized at fair value at the time of acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account, excluding accrued income. These unrealized gains or losses recognized in equity are taken to profit or loss only in case of disposal or impairment (see sections "1.3.1.7. Derecognition of financial assets and liabilities" and "1.3.1.8. Measurement of credit risk").
Income accrued or received is recognized in profit or loss under "Interest and similar income" using the effective interest rate method.

- ✓ **Financial assets at fair value through profit or loss**

These are recognized at fair value on initial recognition and at subsequent reporting dates until their disposal (see section "1.3.1.7. Derecognition of financial assets and liabilities"). Changes in fair value and income received or accrued on assets included in this category are recognized in profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss".
Purchases and sales of securities at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are taken to income.

- ❑ **Equity instruments acquired**

Equity instruments acquired (shares, in particular) are classified:
- at fair value through profit or loss; or
- at fair value through equity, at initial recognition, if the Group irrevocably elects to do so.

- ✓ **Financial assets at fair value through equity**

Shares and other equity instruments are recognized at fair value at the time of acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account. These unrealized gains or losses recognized in equity are never taken to profit or loss, including in case of disposal (see section "3.1.7 Derecognition of financial assets and liabilities"). Only dividends received on variable-income securities are recognized in the income statement under "Net gains/(losses) on financial assets at fair value through equity".
Purchases and sales are recognized at the settlement date.

- ✓ **Financial assets at fair value through profit or loss**

Equity instruments are recognized in the same way as debt instruments at fair value through profit or loss.

1.3.1.2 Classification and measurement of financial liabilities
Financial liabilities are included in one of the following two categories:

- ✓ **financial liabilities at fair value through profit or loss**

- those incurred for trading purposes, which by default include derivative liabilities that do not qualify as hedging instruments, and
- non-derivative financial liabilities which the Group designated at inception to be measured at fair value through profit or loss (fair value option). This includes:
    - o financial instruments containing one or more separable embedded derivatives,
    - o instruments that, without application of the fair value option, create an accounting mismatch relative to another related instrument,
    - o instruments belonging to a group of financial assets measured and managed at fair value.

✓ **financial liabilities at amortized cost**

These include other non-derivative financial liabilities, such as amounts due to customers and credit institutions, debt securities (certificates of deposit, interbank instruments, bonds, etc.) and subordinated debt (term or perpetual) not classified at fair value through profit or loss (fair value option).

Subordinated debt is separate from other debt securities since, in case of liquidation of the debtor's assets, it could only be repaid after payment is made to the other creditors. Debt securities include the non-preferred senior securities created by the Sapin 2 law.

These liabilities are initially recognized at fair value and then measured at amortized cost using the effective interest rate method at subsequent reporting dates. The initial fair value of issued securities is the issue value less transaction costs, where applicable.

Regulated savings contracts

The “comptes épargne logement” (CEL - home savings accounts) and “plans épargne logement” (PEL - home savings plans) are products regulated by French law, which are available to customers (natural persons). These products combine a stage of interest-bearing savings, which give right to a preferential home loan in a second stage. They generate two types of commitments for the distributing institution:

- A commitment to pay future interest on the amounts deposited as savings at a fixed rate for the PEL and variable-rate equivalent for the CEL (periodically revised on the basis of an indexation formula);
- A commitment to grant a loan to the customers who request it at predetermined conditions (both for the PEL and the CEL).

The commitments have been estimated on the basis of customer statistical behavior and market inputs. A provision is established in the liabilities section of the statement of financial position to cover potential future costs arising from unfavorable conditions relating to these products, on the basis of interest rates offered to individual customers on similar, non-regulated products. This approach is applied by homogenous generation of regulated terms for the PEL and the CEL. The impact on the income statement is recognized as “Interest paid to customers”.

1.3.1.3 Distinction between Debt and Shareholders’ equity

According to the IFRIC 2 interpretation, shares owned by member-shareholders are equity if the entity has an unconditional right to refuse redemption, or if there are legal or statutory provisions prohibiting or seriously restricting redemption. In view of the existing legal or statutory provisions, the shares issued by the structures making up the consolidating entity of the Crédit Mutuel Group are recognized in equity.

The other financial instruments issued by the Group qualify as debt instruments for accounting purposes, where there is a contractual obligation for the Group to provide cash to the security holders. This is in particular the case for all the subordinated securities issued by the Group.

1.3.1.4 Foreign exchange transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the year-end exchange rate.

- **Monetary financial assets and liabilities**

Foreign currency gains and losses on the translation of such items are recognized in the income statement under “Net gain/(loss) on financial instruments at fair value through profit or loss”.

- **Non-monetary financial assets and liabilities**

Foreign currency gains and losses on the translation of such items are recognized in the income statement under “Net gains/(losses) on financial instruments at fair value through profit or loss” if the item is classified at fair value through profit or loss or under unrealized or deferred gains and losses if they are financial assets at fair value through equity.

1.3.1.5 Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time adoption, to apply the new hedge accounting provisions or to maintain the provisions of IAS 39.

The Group has elected to continue to apply the provisions of IAS 39. Additional information is, however, disclosed in the notes to the financial statements or in the management report on risk management and the effects of hedge accounting on the financial statements, in accordance with revised IFRS 7.

In addition, the provisions of IAS 39 concerning the fair value hedge of interest rate risk associated with a portfolio of financial assets or liabilities, as adopted by the European Union, continue to apply.

- **Determining the fair value of derivatives**

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model, interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned, the specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions, and the counterparty risk present in the positive fair value of over-the-counter derivatives. The latter includes proprietary counterparty risk associated with negative fair values for over-the-counter derivatives.

In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

Derivatives are recognized as financial assets when their market value is positive and as financial liabilities when their market value is negative.

- **Classification of derivatives and hedge accounting**
- ✓ **Derivatives classified as financial assets or financial liabilities at fair value through profit or loss**

By default, all derivatives not designated as hedging instruments under IFRS are classified as “financial assets or financial liabilities at fair value through profit or loss”, even if they were contracted for the purpose of hedging one or more risks.

- ✓ **Embedded derivatives**

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, corresponds to the definition of a derivative. In particular, it has the effect of inducing changes in some of the cash flows of the combined instrument in a way similar to that of a standalone derivative.

Embedded derivatives are separated from the host contract and accounted for as a derivative at fair value through profit or loss provided that they meet the following three conditions:

- it corresponds to the definition of a derivative;
- the hybrid instrument is not measured at fair value through profit or loss;
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the separate measurement of the embedded derivative is sufficiently reliable to provide useful information.

Under IFRS 9, only derivatives embedded in financial liabilities may be detached from the host contract in order to be recognized separately.

- ✓ **Recognition**

Realized and unrealized gains and losses are recognized in the income statement under “Net gains(losses) on financial instruments at fair value through profit or loss”.

- ✓ **Hedge accounting**

Three types of hedging relationship are possible. The hedging relationship is selected on the basis of the type of risk being hedged.

- A fair value hedge hedges the exposure to changes in fair value of financial assets or financial liabilities.
- A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a financial asset or liability, firm commitment or highly probable forecast transaction.
- The hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The Group has not used this form of hedging.

Hedging derivatives must meet the criteria stipulated by IAS 39 to be designated as hedging instruments for accounting purposes. In particular:

- the hedging instrument and the hedged item must both qualify for hedge accounting.
- the relationship between the hedged item and the hedging instrument must be formally documented upon inception of the hedging relationship. This documentation specifies, among other things, the risk management objectives determined by management, the type of risk hedged, the underlying strategy and the methods used to assess hedge effectiveness.
- hedge effectiveness must be demonstrated upon inception of the hedging relationship, subsequently throughout its life and at least at each reporting date. The ratio of the change in value or gain/loss on the hedging instrument to that of the hedged item must be within a range of 80% to 125%.

Where applicable, hedge accounting is discontinued on a prospective basis.

✓ **Fair value hedging of identified financial assets or liabilities**

In a fair value hedging relationship, derivatives are remeasured at fair value through profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss" symmetrically with the remeasurement of the hedged items to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or is a financial asset classified under "Financial assets at fair value through equity". Changes in fair value of the hedging instrument and the hedged risk component offset each other partially or fully and only the ineffective portion of the hedge is recognized in profit or loss.
In a fair value hedge, changes in the fair value of the derivative instrument are taken to income under "Interest income/expense" symmetrically with the change in interest income/expense of the hedged item.
If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued on a prospective basis. The related hedging derivatives are transferred to "financial assets or financial liabilities at fair value through profit or loss" and accounted for in accordance with the principles applicable to this category. The carrying amount of the hedged item is subsequently no longer adjusted to reflect changes in fair value. In the case of interest rate instruments initially identified as hedged, the remeasurement adjustment is amortized over their remaining life. If the hedged item no longer appears in the statement of financial position, in particular due to early repayments, the cumulative adjustment is immediately recognized through profit or loss.

✓ **Macro-hedging derivatives**

The Group avails itself of the possibilities offered by the European Commission as regards accounting for macro-hedging transactions. In fact, the changes made by the European Union to IAS 39 (carve-out) allow the inclusion of customer demand deposits in portfolios of hedged fixed-rate liabilities with no measurement of ineffectiveness in case of under-hedging. Demand deposits are included based on the run-off rules defined for asset-liability management purposes.
For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged items to ensure that there is no over-hedging.
The accounting treatment of fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.
Changes in fair value of hedged portfolios are recorded on the statement of financial position under "Remeasurement adjustment on interest-rate hedged portfolios" through profit or loss.

✓ **Cash flow hedging instruments**

In the case of a cash flow hedging relationship, derivatives are remeasured at fair value in the statement of financial position, with the effective portion recognized in equity. The portion

considered ineffective is recognized in profit or loss under “Net gains (losses) on financial instruments at fair value through profit or loss”.
The amounts recognized in shareholders’ equity are carried to the income statement under “Interest income and expense”, at the same rate as the cash flows of the hedged item affect the income statement.
The hedged items remain recognized in accordance with the specific provisions for their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. Cumulative amounts recognized in shareholders’ equity as a result of the remeasurement of a hedging derivative remain recognized in equity until the hedged transaction affects earnings or when it becomes apparent that the transaction will not take place. These amounts are subsequently carried to the profit and loss account.
If the hedged item no longer exists, the cumulative amounts recorded in equity are immediately transferred to profit or loss.

1.3.1.6 Financial guarantees (sureties, deposits and other guarantees) and financing commitments
Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.
In accordance with IFRS 4, these financial guarantees are still measured using French GAAP (i.e. as off-balance sheet items), pending an addition to the standards to enhance the current mechanism. Consequently, these guarantees are subject to a provision in liabilities in the event of a likely outflow of resources.
By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating or index, etc.) or a non-financial variable, provided that in this event the variable is not specific to one of the parties to the agreement, fall within the scope of application of IFRS 9. These guarantees are thus treated as derivatives.
Financing commitments that are not regarded as derivatives within the meaning of IAS 39 are not shown in the statement of financial position. However, a provision is made in accordance with IAS 37.

1.3.1.7 Derecognition of financial assets and liabilities
The Group derecognizes all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows of the asset expire or when the Group has transferred the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards related to ownership of the asset.
At the time of derecognition of a:

- financial asset or liability at amortized cost or at fair value through profit or loss, a gain or loss on disposal is recorded in the income statement in an amount equal to the difference between the carrying amount of the asset or liability and the amount of the consideration received or paid,
- debt instrument at fair value through equity: the unrealized gains or losses previously recognized in equity are taken to profit or loss, as are the capital gains and losses on disposal,
- equity instrument at fair value through equity: the unrealized gains or losses previously recognized in equity and the capital gains and losses on disposal are recognized in consolidated reserves with no impact on the income statement.

The Group derecognizes a financial liability when the obligation specified in the contract is extinguished, is canceled or expires. A financial liability may also be derecognized in case of a substantial change in its contractual terms and conditions or an exchange with the lender for an instrument whose contractual terms and conditions are substantially different.

1.3.1.8 Measurement of credit risk
The impairment model under IFRS 9 is based on an "expected losses" approach while the IAS 39 model was based on incurred credit losses, for which the accounting of credit losses at the time of the financial crisis was considered too little too late.
Under the IFRS 9 model, impairment provisions are recognized for financial assets for which there is no objective evidence of losses on an individual basis, based on past losses observed and reasonable and justifiable cash flow forecasts.
The impairment model under IFRS 9 therefore applies to all debt instruments measured at amortized cost or at fair value through equity, as well as to financing commitments and financial guarantees. These are divided into three categories:

- Status 1 – non-downgraded performing loans: provisioning on the basis of 12-month expected credit losses (resulting from default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition,
- Status 2 – downgraded performing loans: provisioning on the basis of the lifetime expected credit losses (resulting from default risks over the entire remaining life of the instrument) if the credit risk has increased significantly since initial recognition, and
- Status 3 – non-performing loans: category comprising the financial assets for which there is objective evidence of impairment related to an event that has occurred since the loan was granted. The scope of this category is the same as that for loans impaired individually under IAS 39.

For statuses 1 and 2, the basis of calculation of interest income is the gross value of the asset before impairment while, for status 3, it is the net value after impairment.

❑ **Definition of the boundary between statuses 1 and 2**

The Group uses the models developed for prudential purposes and has therefore applied a similar breakdown of its outstanding loans:

✓ low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns, specialized financing,

✓ high default portfolios (HDP), for which historical data is used to develop a statistical rating model: mass corporate, retail.

A significant increase in credit risk, which entails transferring a loan out of status 1 into status 2, is assessed by:

✓ taking all reasonable and supportable information into account; and

✓ comparing the default risk on the financial instrument on the reporting date with the default risk on the initial recognition date.

For the Group, this involves measuring the risk at the level of the borrower, where the counterparty rating system is common to the entire group. All the Group's counterparties eligible for internal approaches are rated by the system. This system is based on:

- statistical algorithms or "mass ratings" based on one or more models, using a selection of representative and predictive risk variables (HDP), or
- manual rating grids developed by experts (LDP).

Change in risk since initial recognition is measured on a contract-by-contract basis. Unlike status 3, transferring a customer's contract into status 2 does not entail transferring all the customer's outstanding loans or those of related parties (absence of contagion).

It should be noted that the Group applies the principle of symmetry set out in the standard. This means that the criteria for transferring into and out of status 2 are the same.

The Group has demonstrated that a significant correlation exists between the probabilities of default at 12 months and at termination, which allows it to use 12-month credit risk as a reasonable approximation of the change in risk since initial recognition, as the standard permits.

✓ Quantitative criteria

For LDP portfolios, the boundary is based on an allocation matrix that relates the internal ratings at origination and at the reporting date.

For HDP portfolios, a continuous and growing boundary curve relates the probability of default at origination and the probability of default at the reporting date. The Group does not use the operational simplification offered by the standard, which allows outstanding loans with low risk at the reporting date to be maintained in status 1.

✓ Qualitative criteria

As well as this quantitative data, the Group uses qualitative criteria such as payments not made or overdue by more than 30 days, the notion of restructured loans, etc.

Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

❑ **Statuses 1 and 2 - Calculation of expected credit losses**

Expected credit losses are measured by multiplying the outstanding amount of the loan by its probability of default (PD) and by the loss given default (LGD). The off-statement of financial position exposure is converted to an on-statement of financial position equivalent based on the probability of

a drawdown. The one-year probability of default is used for status 1 and the probability of default at termination for status 2.
These parameters are taken from the models developed for prudential purposes and adapted to IFRS 9 requirements. They are used for both assignment to the statuses and the calculation of expected losses.

- ✓ Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach,
- for low default portfolios, on an external probability of default scale based on a history dating back to 1981,

- ✓ Loss given default

This is based:

- for high default portfolios, on the flows of collections observed over a long period of time, discounted at the interest rates of the contracts,
- for low default portfolios, on the regulatory levels.

- ✓ Conversion factors

These are used to convert off-statement of financial position exposure to an on-statement of financial position equivalent and are mainly based on the prudential models.

- ✓ Forward-looking aspect

To calculate expected credit losses, the standard requires that reasonable and justifiable information, including forward-looking information, be taken into account. The development of the forward-looking aspect requires anticipating changes in the economy and relating these anticipated changes to the risk parameters. This forward-looking aspect is determined at the Group level and applies to all the parameters.
For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral, pessimistic), which will be weighted based on the Group's view of changes in the economic cycle over five years. The Group mainly relies on macroeconomic data available from well-known national or international statistics agencies. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

- they are recent, meaning they occurred a few weeks before the reporting date;
- they cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

The forward-looking aspect for maturities other than one year is derived from the forward-looking aspect for the one-year maturity.
The forward-looking aspect is also included in the LGD by incorporating information observed over a period close to current conditions.
For low default portfolios, forward-looking information is incorporated into the large accounts and bank models, and not into the local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

- ❑ **Status 3 – Non-performing loans**

Impairment is recognized when there is objective evidence of a measurable decrease in value as a result of an event or events occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at each reporting date. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, discounted at the original effective interest rate, taking into account the effect of guarantees. For variable-rate loans, the last known contractual interest rate is used.
The existence of unpaid past due amounts for more than three months or of current accounts that have been non-compliant for more than three months represents objective evidence of a loss event. Likewise, an impairment loss is recognized when it is probable that the borrower will not be able to repay the full amount due, when an event of default has occurred, or where the borrower is subject to court-ordered liquidation.

- **Originated credit-impaired financial assets**

These are contracts for which the counterparty is non-performing on the date of initial recognition or acquisition. If the borrower is non-performing at the reporting date, the contracts are classified into status 3; otherwise, they are classified as performing loans, identified in an "originated credit-impaired assets" category, and provisioned based on the same method used for exposures in status 2, i.e. an expected loss over the residual maturity of the contract.

- **Recognition**

Impairment charges and provisions are recorded in net additions to provisions for loan losses. Reversals of impairment charges and provisions are recorded in net reversals from provisions for loan losses for the portion relating to the change in risk and in net interest for the portion relating to the passage of time. Impairment provisions are deducted from the asset in the case of loans and receivables and the provision is recorded under "provisions" in liabilities for financing and guarantee commitments (see "1.3.1.6. Financial guarantees and financing commitments" and "1.3.3.2. "Provisions").

Loan losses are recorded in losses and the corresponding impairments and provisions are written back.

1.3.1.9 Determination of fair value of financial instruments

Fair value is the amount at which an asset may be sold or a liability transferred between knowledgeable, willing parties in an arm's length transaction.

The fair value of an instrument upon initial recognition is generally its transaction price.

This fair value needs to be determined upon subsequent measurements. The method used for this determination depends on whether the market on which the instrument is traded is considered active or not.

- **Financial instruments traded in an active market**

When financial instruments are traded in an active market, fair value is determined by reference to their quoted price as this represents the best possible estimate of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and those prices represent actual market transactions regularly occurring on an arm's length basis.

- **Financial instruments not traded in an active market**

The data observable on a market are to be used provided that they reflect a transaction's reality in normal conditions at the date of valuation and that it is not necessary to make too large an adjustment to this value. In the other cases, the Group uses non-observable mark-to-model data.

When no observable data is available or when adjustments in market prices require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, including the adjustments linked to risks that would be integrated by the market. In particular, these valuation adjustments enable the integration of risks that are not captured by the model: liquidity risks associated with the instrument or parameter in question; specific risk premiums intended to compensate for additional costs that an active management strategy associated with the model would involve under certain market conditions.

In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

In any event, the adjustments applied by the Group are reasonable and appropriate and rely on judgments made.

- **Fair value hierarchy**

A three-level hierarchy is used for fair value measurement:

- Level 1: quoted prices in active markets for identical assets or liabilities; this notably concerns debt securities quoted by at least three contributors, and derivatives quoted on an organized market;
- Level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices). Level 2 concerns, in particular, interest rate swaps whose fair value is generally calculated using yield curves based on the market interest rates observed at the reporting date;

- Level 3: data relating to the assets or liabilities that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters. The instrument is classified at the same level of the hierarchy as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diversity and volume of the instruments valued at level 3, the sensitivity of the fair value to changes in parameters would be immaterial.

1.3.2 Insurance businesses

The Group's insurance divisions governed by the Conglomerate directive may defer the application of IFRS 9 until 2021, as provided by the amendment to IFRS 4 as adopted by the European Union. Their financial instruments will therefore continue to be measured and recognized under IAS 39. In terms of presentation, the Group has chosen to adopt an "IFRS" approach rather than strictly apply Recommendation 2017-02 of the Autorité des Normes Comptables (French accounting standards authority). Therefore, all financial instruments of the insurance divisions are combined, under assets, on the line "Investments by the insurance businesses and reinsurers' share of technical reserves" and, under liabilities, on the line "Liabilities related to policies of the insurance businesses", including technical reserves. The impact of financial instruments and technical reserves on the income statement is included in the line "Net income from the insurance businesses". Other assets/liabilities and income statement items are presented under the common "bankinsurance" headings. When they are relevant, the disclosures under IFRS 7 are provided separately for the insurance divisions.
In accordance with the regulation on adoption of November 3, 2017, the Group ensures that there are no transfers of financial instruments between the insurance sector and the other sectors of the conglomerate that would lead to a derecognition of the instruments, other than those measured at fair value through profit or loss in both sectors.
The accounting policies and valuation methods applying to the assets and liabilities generated by the issuing of insurance contracts are established pursuant to IFRS 4. They also apply to reinsurance contracts issued or effected, and to financial contracts that have a discretionary profit-sharing clause. Aside from the above cases, the other assets held and liabilities issued by insurance companies follow the rules common to all of the Group's assets and liabilities.

1.3.2.1 Insurance businesses – Financial instruments

Under IAS 39, the financial instruments of insurers may be classified in one of the following categories:

- financial assets/liabilities at fair value through profit or loss,
- available-for-sale financial assets,
- held-to-maturity financial assets,
- loans and receivables,
- financial liabilities at amortized cost.

They are combined, under assets, on the line "Investments by the insurance businesses and reinsurers' share of technical reserves" and, under liabilities, on the line "Liabilities related to policies of the insurance businesses".
The classification into either of these categories reflects the management intention and determines the recognition rules for the instruments.
The fair value of these instruments is measured according to the general principles set out in section 1.3.1.9.

- Financial assets and liabilities at fair value through profit or loss

Classification criteria

The classification of instruments into this category results either from a real trading intention or from the use of the fair value option.
a) Instruments held for trading:
Securities held for trading include securities acquired at inception with the intention of selling them within a short period of time, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
b) Instruments under the fair value option:
Financial instruments may be designated, at inception and irrevocably, at fair value through profit or loss in the following cases:

d. financial instruments containing one or more separable embedded derivatives,

e. an instrument that, without application of the fair value option, creates an accounting mismatch relative to another related instrument,

f. instruments belonging to a group of financial assets measured and managed at fair value.

This option is used, in particular, for the insurance businesses' unit-linked policies to ensure consistency with the treatment of liabilities.

Basis for recognition and measurement of related income and expenses

Assets classified as "*Assets at fair value through profit or loss*" are recognized at fair value on initial recognition and at subsequent reporting dates until their disposal. Changes in fair value and income received or accrued on these assets are recognized in profit or loss under "Net income from the insurance businesses".

- Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets are financial assets that have not been classified as "*loans and receivables*", "*held-to-maturity financial assets*" or "*financial assets at fair value through profit or loss*".

Basis for recognition and measurement of related income and expenses

Available-for-sale financial assets are recognized initially and subsequently carried at fair value until disposal. Changes in fair value are shown on the "*Unrealized or deferred gains and losses*" line within a specific equity account, excluding accrued income. These unrealized or deferred gains or losses recognized in equity are only transferred to the income statement in the event of disposal or a lasting impairment in value. On disposal, these unrealized gains or losses previously recognized in equity are taken to profit or loss, as are the capital gains and losses on disposal.

Income accrued or received on fixed-income securities is recognized in profit or loss using the effective interest rate method. It is shown under "Net income from the insurance businesses", as are dividends received on variable-income securities.

Impairment and credit risk

a) Permanent impairment specific to shares and other equity instruments

Impairment is recognized on variable-income available-for-sale financial assets in case of a prolonged or significant decline in fair value relative to cost.

For variable-income securities, the Group considers the loss of at least 50% of the security's value compared to its acquisition cost or a loss of value lasting more than 36 consecutive months as implying impairment. Such instruments are analyzed on a line-by-line basis. Judgment must also be exercised for securities that do not meet the above criteria but for which management believes that recovery of the invested amount in the near future cannot reasonably be expected. The loss is recognized in profit or loss under "Net income from the insurance businesses".

Any subsequent decrease is also recognized in the income statement.

Permanent impairment of shares or other equity instruments recognized in profit or loss is irreversible so long as the instrument is carried in the statement of financial position. In the event of a subsequent appreciation in value, this will be recognized in equity within "*Unrealized or deferred gains and losses*".

b) Impairment related to credit risk

Impairment losses on fixed-income available-for-sale financial assets (such as bonds) are recognized under "*Net additions to/reversals from provisions for loan losses*". In fact, these fixed-income instruments may be impaired only if credit risk exists, as impairment in case of loss due to a simple increase in interest rates is not allowed. In case of impairment, all the cumulative unrealized capital losses recognized in equity must be recognized in profit or loss. These impairment losses are reversible and any subsequent appreciation in value related to an event occurring after impairment is recognized is also recognized in profit or loss under "*Net additions to/reversals from provisions for loan losses*", in the event that the issuer's credit situation improves.

- Held-to-maturity financial assets

Classification criteria

This category includes fixed or determinable income securities with a fixed maturity date which the entity has the intention and ability to hold to maturity.

Any interest-rate risk hedges applicable to this category do not qualify for hedge accounting as defined in IAS 39.

Furthermore, disposals or transfers of securities in this portfolio are very restricted, due to the provisions laid down in IAS 39; breaching this rule would entail the declassification of the whole portfolio at the Group level, and forbid access to this category for two years.

Basis for recognition and measurement of related income and expenses
The securities in this category are initially recognized at fair value and then measured at amortized cost using the effective interest rate method, which includes amortization of premiums and discounts, as well as acquisition costs, if material.
Income received on these securities is shown under "Net income from the insurance businesses" in the income statement.

Credit risk
Impairment is recognized when there is objective evidence of a decrease in value of the asset as a result of events occurring after initial recognition which may generate a loss (actual credit risk). They are tested for impairment on an individual basis at each reporting date. Impairment is measured by comparing the carrying amount to the present value of future cash flows discounted at the original interest rate, including guarantees. It is recognized in the income statement under "*Net additions to/reversals from provisions for loan losses*". Any subsequent appreciation in value related to an event occurring after impairment is recognized is also recognized in profit or loss under "*Net additions to/reversals from provisions for loan losses*".

- Loans and receivables

Classification criteria
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended for sale at the time of their acquisition or grant. At inception, loans and receivables are measured and recognized at fair value, which is usually the net amount disbursed. They are subsequently recognized at amortized cost using the effective interest rate method (other than for loans and receivables recognized at fair value by option).

Credit risk
Impairment is recognized when there is objective evidence of a decrease in value of the asset as a result of events occurring after initial recognition which may generate a loss (actual credit risk). Impairment is measured by comparing the carrying amount to the present value of future cash flows discounted at the effective interest rate, including guarantees. It is recognized in the income statement under "*Net additions to/reversals from provisions for loan losses*". Any subsequent appreciation in value related to an event occurring after impairment is recognized is also recognized in profit or loss under "*Net additions to/reversals from provisions for loan losses*".

- Financial liabilities at amortized cost

These include amounts due to customers and credit institutions, debt securities (certificates of deposit, interbank instruments, bonds, etc.) and subordinated debt (term or perpetual) not classified at fair value through profit or loss (fair value option).
These liabilities are initially recognized at fair value and then measured at amortized cost using the effective interest rate method at subsequent reporting dates. The initial fair value of issued securities is the issue value less transaction costs, where applicable.

1.3.2.2 Insurance businesses – Non-financial assets
Investment properties and other property and equipment and intangible assets follow the accounting methods described elsewhere.
However, financial assets representing technical provisions related to unit-linked contracts are shown under the line item "Financial assets at fair value through profit or loss".

1.3.2.3 Insurance businesses – Non-financial liabilities
Insurance liabilities, which represent liabilities to policyholders and beneficiaries, are shown under the line item "Technical reserves of insurance policies". They are measured, recognized and consolidated according to French GAAP.
Technical reserves of life insurance policies consist mainly of mathematical reserves, which generally correspond to the surrender value of the policies. The risks covered mainly include death, disability and incapacity for work (for borrower's insurance).

Technical reserves of unit-linked contracts are measured, on the reporting date, based on the realizable value of the assets underlying these contracts.
Reserves of non-life insurance policies correspond to unearned premiums (portion of premiums issued related to subsequent years) and claims payable.
Insurance policies that have a discretionary profit-sharing clause are subject to "shadow accounting". The resulting provision for deferred profit-sharing represents the share of capital gains and losses accruing to policyholders. These provisions for deferred profit-sharing are recognized on the assets or liabilities side, by legal entity and without compensation between entities in the scope of consolidation. On the assets side, these are recorded under a separate heading.
On the reporting date, the liabilities carried for these policies (net of other related asset or liability items such as deferred acquisition expenses and the value of the portfolios acquired) are tested to check that they are sufficient to cover the future cash flows estimated at this date. Any shortfall in technical provisions is recognized through profit or loss for the period (and may be reversed at a later stage).

1.4.2 Non-financial instruments

1.3.3.1 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.
A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
An operating lease is a lease other than a finance lease.

- **Finance leases - lessor accounting**

In accordance with IAS 17, finance lease transactions with non-Group companies are included in the consolidated statement of financial position in an amount corresponding to the net investment in the lease.
In the lessor's financial statements, the analysis of the economic substance of the transaction results in:

- the recognition of a financial receivable due from the customer, reduced in line with the lease payments received;
- the breakdown of lease payments between principal repayments and interest, known as financial amortization;
- the recognition of an unrealized reserve, equal to the difference between:
    - the net financial outstanding amount, being the debt of the lessee in the form of the outstanding principal and the interest accrued at the end of the financial year;
    - the net carrying amount of the leased non-current assets;
    - the deferred tax provision.

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see section "1.3.1.8. Measurement of credit risk").

- **Finance leases - lessee accounting**

In accordance with IAS 17, assets acquired under finance leases are included in property and equipment and an amount due to credit institutions is recorded as a liability. Lease payments are broken down between principal repayments and interest.

1.3.3.2 Provisions

Additions to and reversals from provisions are classified according to the nature of the corresponding income and expense items.
A provision is recognized when it is likely that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of this obligation is discounted, where appropriate, to determine the amount of the provision.
The provisions made by the Group cover in particular:

- ✓ Operating risk;
- ✓ Social commitments;
- ✓ Execution risk on signature commitments;
- ✓ Litigation risk and guarantee commitments given;
- ✓ Tax risks;

- ✓ Risks related to home savings accounts and plans.

1.3.3.3 Employee benefits

Social obligations are subject, where relevant, to a provision reported under the line item "Provisions". A change in this item is recognized in the income statement under the "Payroll costs" heading, except for the portion resulting from actuarial variances, which is recognized as unrealized or deferred gains or losses in equity.

- **Defined benefit post-employment benefits**

These benefits include retirement plans, early retirement plans, and additional retirement plans, under which the Group has a formal or implicit liability to provide benefits promised to employees.

These obligations are calculated using the projected unit credit method, which involves awarding benefits to periods of service under the contractual formula for calculating the retirement plan benefits, subsequently discounted on the basis of demographic and financial assumptions, including:

- The discount rate, determined by reference to the long-term interest rates of high-quality corporate bonds, at year-end;
- The rate of wage increase, assessed according to the age group, the management/non-management category, and regional features;
- The rate of inflation, estimated on the basis of a comparison between the OAT (French government bond) yields and OAT yields inflated for different maturities;
- Rates of employee turnover determined by age group on the basis of an average ratio over three years of the number of resignations and dismissals over the total number of employees working in the company under permanent contracts at the financial year-end;
- The age of retirement: an estimate is made by individual on the basis of real or estimated date of entry into working life and assumptions related to the retirement reform legislation (Fillon law), with a maximum ceiling at age 67;
- The mortality rate according to INSEE (*the French National Institute for Statistics and Economic Studie*s) TF 00-02 table.

The differences arising from changes in these assumptions and from the differences between previous assumptions and actual results represent actuarial variances. If the retirement plan has assets, these are valued at their fair value, and affect the income statement for the expected yield. The difference between the actual and expected yield is also an actuarial variance.

Actuarial variances are recognized as unrealized or deferred gains or losses in equity. Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized through profit or loss for the year.

Supplementary benefits provided by pension funds

The AFB stepping stone agreement of September 13, 1993 modified the pension plans of credit institutions. Since January 1, 1994, all banks are members of the French pension plans of Arrco and Agirc. The four pension funds of which the Group's banks are members have been merged. They provide for the payment of the various charges required by the stepping stone agreement, drawing on their reserves completed if necessary by additional annual contributions paid in by the member banks concerned and whose average rate over the next ten years is capped at 4% of the payroll expense. After the merger, the pension fund was transformed into an IGRS (public institution to manage additional retirement benefits) in 2009. It has no asset shortfall.

Other post-employment defined benefits

A provision is recognized for retirement bonuses and supplementary retirement benefits, including special plans. They are valued on the basis of entitlements acquired by all the staff in active service, notably on the basis of staff turnover in the consolidated entities concerned and the estimated future salaries and wages to be paid to the beneficiaries at the time of their retirement, increased where appropriate by social security contributions. The retirement bonuses of the Group's banks in France are covered up to at least 60% by an insurance contract taken out with ACM Vie, an insurance company of the Crédit Mutuel Group, which is fully consolidated.

- **Post-employment benefits covered by defined contribution plans**

The Group's entities contribute to a number of pension plans managed by organizations that are independent from the Group, for which the entities have no additional formal or implicit payment obligation, in particular if the assets in the pension plans are not sufficient to meet liabilities.

As these plans do not represent obligations of the Group, they are not subject to a provision. The related expenses are recognized in the financial year in which the contributions must be paid.

- **Long-term benefits**

These are benefits to be paid, other than post-employment benefits and termination benefits, which are expected to be paid more than 12 months after the end of the period during which the employee rendered the related service, for example long service awards, time savings accounts, etc.
The Group's obligation in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are taken to the income statement as and when they arise.
Obligations in respect of long service awards are sometimes covered by insurance policies. A provision is established only for the uncovered part of these obligations.

- **Employee supplementary retirement plans**

Employees of the Crédit Mutuel CM11 and CIC Groups benefit from, as a complement to the mandatory retirement plans, supplementary retirement plans offered by ACM Vie SA.
Employees of the Crédit Mutuel CM11 Group benefit from two supplementary retirement plans, one with defined contributions and the other with defined benefits. The rights under the defined contributions plan are vested even if the employee leaves the company, unlike the rights under the defined benefits plan which, in accordance with the new regulation, only vest definitively when the employee leaves the company to retire.
In addition to the mandatory retirement plans, CIC Group's employees benefit from a supplementary defined contribution plan from ACM Vie SA.

- **Termination benefits**

These benefits are granted by the Group on termination of the contract before the normal retirement date, or following the employee's decision to accept voluntary termination in exchange for an indemnity. The related provisions are updated if their payment is to occur more than 12 months after the reporting date.

- **Short-term benefits**

These are benefits which are expected to be paid within the 12 months following the end of the financial year, other than termination benefits, such as salaries and wages, social security contributions and a number of bonuses.
An expense is recognized relating to these short-term benefits for the financial year during which the service rendered to the Company has given rise to such entitlement.

1.3.3.4 Non-current assets

Property and equipment and intangible assets shown in the statement of financial position comprise assets used in operations and investment property. Assets used in operations are those used in the provision of services or for administrative purposes. Investment property comprises assets held to earn rentals or for capital appreciation, or both. Investment property is accounted for at cost, in the same way as assets used in operations.
Property and equipment and intangible assets are recognized at acquisition cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs incurred in the construction or adaptation of property assets are not capitalized.
Subsequent to initial recognition, property and equipment are measured using the historical cost method, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.
Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component. The Group has adopted the components approach for property used in operations and investment property.
The depreciable amount is cost less residual value, net of costs to sell. Property and equipment and intangible assets are presumed not to have a residual value as their useful lives are generally the same as their economic lives.
Depreciation and amortization is calculated over the estimated useful life of the assets, based on the manner in which the economic benefits embodied in the assets are expected to be consumed by the entity. Intangible assets that have an indefinite useful life are not amortized.

Depreciation and amortization of assets used in operations is recognized in “Depreciation, amortization and impairment of non-current assets” in the income statement.
Depreciation and amortization relating to investment properties is recognized in “Expenses on other activities” in the income statement.
The depreciation and amortization periods are:

Property and equipment:

- Land, fixtures, utility services	: 15-30 years
- Buildings – structural work	: 20-80 years (depending on the type of building in question)
- Construction – equipment	: 10-40 years
- Fixtures and installations	: 5-15 years
- Office equipment and furniture	: 5-10 years
- Safety equipment	: 3-10 years
- Vehicles and movable equipment	: 3-5 years
- Computer equipment	: 3-5 years

Intangible assets

- Software bought/developed in-house	: 1-10 years
- Businesses acquired	: 9-10 years (if acquisition of customer contract portfolio)

Depreciable and amortizable assets are tested for impairment when there is evidence at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets (such as leasehold rights) are tested for impairment at least annually.
If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized through profit or loss, and the depreciable amount is adjusted prospectively. The impairment loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. The carrying amount after reversal of the impairment loss cannot exceed the carrying amount which would have been calculated if no impairment had been recognized.
Impairment losses relating to operating assets are recognized in the income statement in “Depreciation, amortization and impairment of non-current assets”.
Impairment losses relating to investment properties are recognized in “Expenses on other activities” (for additional impairment losses) and “Income from other activities” (for reversals) in the income statement.
Gains and losses on disposals of non-current assets used in operations are recognized in the income statement in “Net gain/(loss) on disposals of other assets”.
Gains and losses on disposals of investment property are shown in the income statement under “Income from other activities” or “Expense on other activities”.

1.3.3.5 Commissions

The Group recognizes in profit or loss commission income and expenses on services depending on the type of services to which they relate.
Commissions directly linked to setting up a loan are recognized over the term of the loan.
Commissions paid as consideration for an ongoing service are accounted for over the duration of the rendered service.
Commissions representing consideration for the execution of a material deed are taken to profit or loss in full when the deed is executed.
Commissions considered to be additional interest form an integral part of the effective interest rate. Commission income is therefore booked in interest income and expense.

1.3.3.6 Corporate income tax

This item includes all current or deferred income taxes.
Current income tax is calculated based on applicable tax regulations.

- **Deferred tax**

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax basis, except for goodwill.
Deferred taxes are calculated using the liability method, based on the latest enacted tax rate applicable to future periods.
Net deferred tax assets are recognized only in cases where their recovery is considered highly probable. Current and deferred taxes are recognized as tax income or expense, except deferred taxes relating to unrealized or deferred gains and losses recognized in equity, for which the deferred tax is taken directly to equity.

Deferred tax assets and liabilities are offset when they arise within a single tax entity or tax group, are subject to the tax laws of the same country, and there is a legal right of offset.
They are not discounted.

1.3.3.7 Interest paid by the French Government on some loans
Within the framework of aid to the rural and agricultural sector, as well as the purchase of residential property, some Group entities provide loans at low interest rates, set by the French government. Consequently, these entities receive from the government a contribution equal to the rate differential between the interest rate offered to customers and the predefined benchmark rate. Therefore, no discount is recognized in respect of the loans benefiting from these subsidies.
The structure of the offset mechanism is reviewed by the government on a periodic basis.
The contribution received from the government is recorded in the "Interest income" line and spread over the life of the corresponding loans, pursuant to IAS 20.

1.3.3.8 Non-current assets held for sale and discontinued operations
A non-current asset (or group of assets) is classified in this category if it is held for sale and it is highly probable that the sale will occur within 12 months of the end of the reporting period.
The related assets and liabilities are shown separately in the statement of financial position, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". Items in this category are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated/amortized.
When assets held for sale or the associated liabilities become impaired, an impairment loss is recognized in the income statement.
Discontinued operations include operations that are held for sale or which have been shut down, and subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Net gain/(loss) on discontinued operations and assets held for sale".

1.3.4 Judgments made and estimates used in the preparation of the financial statements
The preparation of the financial statements may require the use of assumptions and estimates that have a material impact on income and expenses and on assets and liabilities in the statement of financial position and on the notes to the financial statements.
In that case, management uses its judgment and experience to apply readily available information at the time of preparation of the financial statements in order to arrive at the necessary estimates. This applies in particular to:
- the impairment of debt and equity instruments;
- the use of calculation models when valuing financial instruments that are not listed on an active market and are classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss";
- calculation of the fair value of financial instruments that are not listed on an active market and are classified in "Loans and receivables" or "Held-to-maturity financial assets" for which this information must be provided in the notes to the financial statements;
- impairment tests performed on intangible fixed assets;
- measurement of provisions, including retirement obligations and other employee benefits.

1.4 Standards and interpretations adopted by the European Union and not yet applied

- **IFRS 16 - Leases**

Published at the beginning of 2016, this new standard, adopted by the EU on October 31, 2017, enters into force on January 1, 2019. This standard will replace IAS 17 and the interpretations relating to lease recognition.
According to IFRS 16, the definition of leases involves, first, the identification of an asset and, second, the lessee's control of the right to use this asset.
From the lessor's standpoint, the expected impact should be limited, as the provisions adopted remain substantially unchanged from the current IAS 17.
For the lessee, operating leases and finance leases will be accounted for based on a single model, with recognition of:
- an asset representing the right to use the leased asset during the lease term,
- offset by a liability related to the lease payment obligation,

- straight-line depreciation of the asset and interest expenses in the income statement using the diminishing balance method.

As a reminder, according to IAS 17 currently in force, no amount is recorded on the lessee's balance sheet for an operating lease and lease payments are shown under operating expenses.

In 2017, the Group continued its analysis of the impacts of this standard, the practical details regarding first time application and implementation in the information systems. The Group also identified its leases, in terms of both real estate and equipment (IT, vehicle fleet, etc.). A study of the potential impacts of IFRS 16 on the Group's financial statements is currently underway.

1.5 Standards and interpretations not yet adopted by the European Union

These mainly include IFRS 17 – Insurance Contracts.

- **IFRS 17 - Insurance Contracts**

Starting in 2021, it will replace IFRS 4, which allows insurance companies to maintain their local accounting policies for their insurance contracts and other contracts within the scope of IFRS 4, which makes it difficult to compare the financial statements of entities in this sector.
The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires greater use of complex models and concepts similar to those of Solvency II. Significant changes must also be made to financial reporting.

First-time application

Reclassification of financial assets and liabilities and effect of IFRS 9 on their measurement

	Amount at 12/31/2017 (IAS 39)	Financial assets at fair value through profit or loss		Hedging derivatives	Financial assets at fair value through equity		Financial assets at amortized cost		Investments by the insurance businesses and reinsurers' share of technical reserves
		Amount reclassified / maintained	IFRS 9 impact	Amount reclassified / maintained	Amount reclassified / maintained	IFRS 9 impact	Amount reclassified / maintained	IFRS 9 impact	
Financial assets at fair value through profit or loss	31,275	14,815			0	0	0	0	16,550
of which impairment	0								
Hedging derivatives	3,418			3,418					0
Available-for-sale financial assets	92,913	960	1	0	26,647	(1)	3,280	0	63,257
of which impairment	(1,343)					(1)		0	
Loans and receivables due from credit institutions	50,311	0	0	0	0	0	54,122	0	1,348
of which impairment	(53)		0					(6)	
Loans and receivables due from customers	224,682	0	0	0	0	0	223,153		70
of which impairment	(5,923)					0		(928)	
Held-to-maturity financial assets	9,379	0	0		0	0	20	0	9,359
of which impairment	(24)							(4)	
Investment property	2,628								2,589
Amount at 01/01/2018 (IFRS 9)		**15,776**		**3,418**	**26,646**		**280,575**		**93,173**

	Amount at 12/31/2017 (IAS 39)	Financial liabilities at fair value through profit or loss	Due to credit institutions		Due to customers		Debt securities		Liabilities related to policies of the insurance businesses
		Amount reclassified / maintained	Amount reclassified / maintained	IFRS 9 impact	Amount reclassified / maintained	IFRS 9 impact	Amount reclassified / maintained	IFRS 9 impact	
Financial liabilities at fair value through profit or loss	9,221	5,455							3,766
of which financial liabilities under fair value option	3,766	0							3,766
Debt securities at amortized cost	112,453						112,452	0	0
Amounts due to credit and similar institutions at amortized cost	50,586		54,483	0					(187)
Amounts due to customers at amortized cost	184,014				183,922	0			
Subordinated debt at amortized cost	8,375						8,376	0	0
Liabilities related to policies of the insurance businesses	84,289								84,602
Amount at 01/01/2018 (IFRS 9)		**5,455**	**54,483**		**183,922**		**120,828**		**88,181**

The guarantee deposit accounts included under "Miscellaneous debtors and creditors" in 2017 were also reclassified to "Loans from credit institutions", "Loans and receivables due from customers at amortized cost", "Due to credit institutions" and "Amounts due to customers".

Impacts of first-time application of IFRS 9 by type	Reported shareholders' equity
At 1/1/2018 excluding IFRS 9	
. Effect of reclassifications at FVTPL	0
. Effect of reclassifications at fair value through equity	5
. Effect of reclassifications at amortized cost	(10)
. Reversal collective impairment IAS 39	417
. Impairment IFRS 9	(1,468)
. Effect of deferred taxes	299
. Consolidation using the equity method	(68)
At 01/01/2018 after application of IFRS9	**(825)**

NOTE 2 - Breakdown of the income statement by activity and geographic region

The Group's activities are as follows:

• Retail banking encompasses CIC's regional banks, Targobank in Germany and Spain, Cofidis, and all the specialized activities whose products are marketed by the networks, such as equipment and real estate leasing, factoring, asset management, employee savings plans and real estate.

• The insurance business line comprises Groupe des Assurances du Crédit Mutuel.

• Financing and capital markets covers:

a) financing for major corporations and institutional clients, specialized lending, international operations and foreign branches;

b) capital markets, which includes investments in interest rate instruments, foreign exchange and equities, including brokerage services.

• Private banking encompasses all companies specializing in this area, both in France and internationally.

• Private equity, conducted for the Group's own account, and financial engineering make up a business unit.

• Logistics and holding company services include all activities that cannot be attributed to another business line (holding) as well as the press division and units that provide solely logistical support: intermediate holding companies, non-controlling interests, specific entities holding real estate used for operations and IT entities.

Each consolidated company is included in only one business line, corresponding to its core business, on the basis of the contribution to the Group's results. The only exceptions are CIC and BFCM because of their presence across several business lines. As such, their income, expenses and statement of financial position items are subject to an analytical distribution. The breakdown of the statement of financial position items is done in the same way.

2a - Breakdown of the income statement items by business line

06/30/2018	Retail banking	Insurance	Financing and capital markets	Private banking	Private equity	Logistics and holding company	Intragroup	Total
Net banking income	3,628	939	341	250	221	(121)	(34)	5,222
General operating expenses	(2,182)	(290)	(182)	(179)	(24)	(265)	34	(3,087)
Gross operating income	1,446	649	159	71	197	(386)	0	2,135
Net additions to/reversals from provisions for loan losses	(338)		31	(5)	(1)	(1)		(314)
Net gain (loss) on disposal of other assets*	3	13		8		65		89
Income before tax	1,111	661	190	73	196	(322)	0	1,910
Corporate income tax	(389)	(223)	(69)	(16)	0	43		(654)
Post-tax gain/ (loss) on discontinued operations	0							0
Net income (loss)	**723**	**438**	**121**	**57**	**196**	**(279)**	**0**	1,256
Net income attributable to non-controlling interests								188
Net income attributable to owners of the company								**1,068**

** Including net income of associates and impairment losses on goodwill (Notes 15 and 18)*

06/30/2017	Retail banking	Insurance	Financing and capital markets	Private banking	Private equity	Logistics and holding company	Intragroup	Total
Net banking income	3,530	852	463	262	169	117	(34)	5,359
General operating expenses	(2,183)	(263)	(172)	(171)	(25)	(287)	34	(3,067)
Gross operating income	1,347	588	291	92	144	(170)	0	2,292
Net additions to/reversals from provisions for loan losses	(373)		27			2		(344)
Net gain (loss) on disposal of other assets*	16	7				(281)		(258)
Income before tax	990	595	318	92	144	(449)		1,690
Corporate income tax	(376)	(187)	(105)	(21)	2	1		(687)
Post-tax gain/ (loss) on discontinued operations				5				5
Net income (loss)	**613**	**408**	**213**	**76**	**146**	**(448)**		**1,008**
Net income attributable to non-controlling interests								192
Net income attributable to owners of the company								**816**

** Including net income of associates and impairment losses on goodwill.*

2b - Breakdown of the income statement items by geographic region

	06/30/2018				06/30/2017			
	France	Europe, excluding France	Rest of the world*	Total	France	Europe, excluding France	Rest of the world*	Total
Net banking income**	3,698	1,420	104	5,222	3,877	1,381	102	5,359
General operating expenses	(2,214)	(832)	(41)	(3,087)	(2,215)	(807)	(45)	(3,067)
Gross operating income	1,485	588	62	2,135	1,662	574	56	2,292
Net additions to/reversals from provisions for loan losses	(150)	(176)	12	(314)	(184)	(172)	13	(344)
Net gain (loss) on disposal of other assets***	27	8	54	89	(285)	(12)	40	(258)
Income before tax	1,361	420	128	1,910	1,192	389	109	1,690
Net income	851	292	113	1,256	659	259	90	1,009
Net income attributable to owners of the company	691	268	108	**1,068**	499	231	86	**816**

** USA, Singapore, Hong Kong, Saint Martin, Tunisia and Morocco*

*** 28% of net banking income (excluding the logistics and holding businesses) came from foreign operations in the first half of 2018*
**** Including net income of associates and impairment losses on goodwill.*

NOTE 3 - Consolidation scope

3a - Scope of consolidation

The Group's parent company is Banque Federative du Credit Mutuel.

The changes in the consolidation scope compared to December 31, 2017 are as follows:

- **First-time consolidations**: ACMN vie SA, Nord Europe Assurance (NEA), Nord Europe Life Luxembourg (NELL), CPBK Ré

- **Mergers, absorptions**: ACMN vie SA with ACM vie SA, Nord Europe Assurance (NEA) with GACM SA, ACMN IARD with ACM IARD, Targo Management AG with Targo AG

- **Change in consolidation method**: Nord Europe Life Belgium (NELB) from "equity method" to "full consolidation", ACMN IARD from "equity method" to "full consolidation"

In the first half of 2018, Groupe des Assurances du Crédit Mutuel finalized the merger with Nord Europe Assurance and its subsidiaries. This merger was approved by the competent supervisory authorities, particularly the ACPR in a decision published in the Official Journal on June 27, 2018. For the consolidated financial statements, the merger was treated as a business combination under joint control due to the consolidation of the two holding companies by the Confédération Nationale du Crédit Mutuel.

	Country	06/30/2018			01/01/2018		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
A. Banking network							
Banque Européenne du Crédit Mutuel (BECM)	France	96	96	FC	96	96	FC
BECM Frankfurt (BECM branch)	Germany	100	96	FC	100	96	FC
BECM Saint Martin (BECM branch)	Saint Martin	100	96	FC	100	96	FC
CIC Est	France	100	99	FC	100	99	FC
CIC Iberbanco	France	100	100	FC	100	100	FC
CIC Lyonnaise de Banque (LB)	France	100	99	FC	100	99	FC
CIC Nord Ouest	France	100	99	FC	100	99	FC
CIC Ouest	France	100	99	FC	100	99	FC
CIC Sud Ouest	France	100	99	FC	100	99	FC
Crédit Industriel et Commercial (CIC)	France	100	99	FC	100	99	FC
CIC Hong Kong (CIC branch)	Hong Kong	100	99	FC	100	99	FC
CIC London (CIC branch)	United Kingdom	100	99	FC	100	99	FC
CIC New York (CIC branch)	United States	100	99	FC	100	99	FC
CIC Singapore (CIC branch)	Singapore	100	99	FC	100	99	FC
Targobank AG & Co. KgaA	Germany	100	100	FC	100	100	FC
Targobank Spain	Spain	100	100	FC	100	100	FC
B. Banking network - subsidiaries							
Bancas	France	50	50	EM	50	50	EM
Banque du Groupe Casino	France	50	50	EM	50	50	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	96	FC	100	96	FC
Cartes et crédits à la consommation	France	100	100	FC	100	100	FC
CM-CIC Asset Management	France	74	74	FC	74	74	FC
CM-CIC Bail	France	100	99	FC	99	99	FC
CM-CIC Bail Spain (branch of CM-CIC Bail)	Spain	100	99	FC	100	99	FC
CM-CIC Caution Habitat SA	France	100	100	FC	100	100	FC
CM-CIC Epargne salariale	France	100	99	FC	100	99	FC
CM-CIC Factor	France	95	95	FC	96	95	FC
CM-CIC Gestion	France	100	74	FC	100	74	FC
CM-CIC Home Loan SFH	France	100	100	FC	100	100	FC
CM-CIC Lease	France	100	100	FC	100	100	FC
CM-CIC Leasing Benelux	Belgium	100	99	FC	100	99	FC
CM-CIC Leasing GmbH	Germany	100	99	FC	100	99	FC
CM-CIC Leasing Solutions SAS	France	100	100	FC	100	100	FC
Cofacredit	France	100	100	FC	64	64	FC
Cofidis Belgium	Belgium	100	71	FC	100	71	FC
Cofidis France	France	100	71	FC	100	71	FC
Cofidis Spain (Cofidis France branch)	Spain	100	71	FC	100	71	FC
Cofidis Hungary (Cofidis France branch)	Hungary	100	71	FC	100	71	FC
Cofidis Portugal (Cofidis France branch)	Portugal	100	71	FC	100	71	FC
Cofidis SA Poland (branch of Cofidis France)	Poland	100	71	FC	100	71	FC
Cofidis SA Slovakia (branch of Cofidis France)	Slovakia	100	71	FC	100	71	FC
Cofidis Italy	Italy	100	71	FC	100	71	FC
Cofidis Czech Republic	Czech Republic	100	71	FC	100	71	FC
Creatis	France	100	71	FC	100	71	FC
Factofrance	France	100	100	FC	100	100	FC
FCT CM-CIC Home loans	France	100	100	FC	100	100	FC
LYF SA (formerly Fivory)	France	46	46	EM	44	44	EM
Monabanq	France	100	71	FC	100	71	FC
SCI La Tréflière	France	46	46	EM	46	46	EM
Targo Commercial Finance AG	Germany	100	100	FC	100	100	FC
Targo Factoring GmbH	Germany	100	100	FC	100	100	FC
Targo Finanzberatung GmbH	Germany	100	100	FC	100	100	FC
Targo Leasing GmbH	Germany	100	100	FC	100	100	FC
C. Corporate banking and capital markets							
Cigogne Management	Luxembourg	100	100	FC	100	100	FC
D. Private banking							
Banque de Luxembourg	Luxembourg	100	99	FC	100	99	FC
Banque Transatlantique (BT)	France	100	99	FC	100	99	FC
Banque Transatlantique London (BT branch)	United Kingdom	100	99	FC	100	99	FC
Banque Transatlantique Belgium	Belgium	100	99	FC	100	99	FC
Banque Transatlantique Luxembourg	Luxembourg	100	99	FC	100	99	FC
CIC Switzerland	Switzerland	100	99	FC	100	99	FC
Dubly-Douilhet Gestion	France	100	99	FC	100	99	FC
Transatlantique Gestion	France	100	99	FC	100	99	FC

	Country	06/30/2018			01/01/2018		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
E. Private equity							
CM-CIC Capital (formerly CM-CIC Capital et participations)	France	100	99	FC	100	99	FC
CM-CIC Conseil	France	100	99	FC	100	99	FC
CM-CIC Innovation	France	100	99	FC	100	99	FC
CM-CIC Investissement	France	100	99	FC	100	99	FC
CM-CIC Investissement SCR	France	100	99	FC	100	99	FC
F. Logistics and holding company services							
Adepi	France	100	99	FC	100	99	FC
Banque de Tunisie	Tunisia	34	34	EM	34	34	EM
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26	26	EM	26	26	EM
CIC Participations	France	100	99	FC	100	99	FC
Cofidis Participations	France	71	71	FC	71	71	FC
Euro-Information	France	26	26	EM	26	26	EM
Euro Protection Surveillance	France	25	25	EM	25	25	EM
Gesteurop	France	100	99	FC	100	99	FC
Groupe Républicain Lorrain Communication (GRLC)	France	100	100	FC	100	100	FC
L'Est Républicain	France	95	95	FC	95	95	FC
Mutuelles Investissement	France	90	90	FC	90	90	FC
SAP Alsace	France	99	99	FC	99	99	FC
Société d'Investissements Médias (SIM)	France	100	100	FC	100	100	FC
Société de Presse Investissement (SPI)	France	100	100	FC	100	100	FC
Targo Deutschland GmbH	Germany	100	100	FC	100	100	FC
Targo Dienstleistungs GmbH	Germany	100	100	FC	100	100	FC
Targo IT Consulting GmbH	Germany	100	100	FC	100	100	FC
Targo IT Consulting GmbH Singapore (Targo IT Consulting GmbH branch)	Singapore	100	100	FC	100	100	FC
Targo Management AG	Germany			MER	100	100	FC
Targo Realty Services GmbH	Germany	100	100	FC	100	100	FC
G. Insurance companies							
ACM GIE	France	100	66	FC	100	73	FC
ACM IARD	France	96	64	FC	96	71	FC
ACM Nord IARD	France			MER	49	36	FC
ACM Nord Vie SA	France			MER			
ACM RE	Luxembourg	100	66	FC	100	73	FC
ACM Services	France	100	66	FC	100	73	FC
ACM Vie SA	France	100	66	FC	100	73	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	63	FC	95	70	FC
Targopensiones, entidad gestora de fondos de pensiones, S.A. (formerly Agrupación pensiones)	Spain	100	63	FC	100	70	FC
Agrupació serveis administratius	Spain	100	63	FC	100	70	FC
AMDIF	Spain	100	63	FC	100	70	FC
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100	66	FC	100	73	FC
AMSYR	Spain	100	63	FC	100	70	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	53	FC	80	59	FC
Asistencia Avançada Barcelona	Spain	100	63	FC	100	70	FC
ASTREE Assurances	Tunisia	30	20	EM	30	22	EM
Atlantis Asesores SL	Spain	80	53	FC	80	59	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	40	FC	60	44	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	59	FC	88	66	FC
CPBK RE	Luxembourg	100	66	FC			
GACM España	Spain	100	66	FC	100	73	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	66	66	FC	73	73	FC
ICM Life	Luxembourg	100	66	FC	100	73	FC
Margem-Mediação Seguros, Lda	Portugal	100	71	FC	100	71	FC
Nord Europe Assurances (NEA)	France			MER			
NELB (North Europe Life Belgium)	Belgium	100	66	FC	49	36	EM
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	66	FC			
Partners	Belgium	100	66	FC	51	37	FC
Procourtage	France	100	66	FC	100	73	FC
Royale Marocaine d'Assurance (formerly RMA Watanya)	Morocco	22	15	EM	22	16	EM
Serenis Assurances	France	100	66	FC	100	73	FC
Targo seguros mediacion (formerly Voy Mediación)	Spain	90	58	FC	90	65	FC

	Country	06/30/2018			01/01/2018		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
H. Other companies							
Affiches D'Alsace Lorraine	France	100	99	FC	100	99	FC
Alsacienne de Portage des DNA	France	100	99	FC	100	99	FC
CM-CIC Immobilier	France	100	100	FC	100	100	FC
Est Bourgogne Médias	France	100	100	FC	100	100	FC
Foncière Massena	France	100	66	FC	100	73	FC
France Régie	France	100	99	FC	100	99	FC
GEIE Synergie	France	100	71	FC	100	71	FC
Groupe Dauphiné Media	France	100	100	FC	100	100	FC
Groupe Progrès	France	100	100	FC	100	100	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	100	FC	100	100	FC
Journal de la Haute Marne	France	50	48	EM	50	48	EM
La Liberté de l'Est	France	97	92	FC	97	92	FC
La Tribune	France	100	100	FC	100	100	FC
Le Dauphiné Libéré	France	100	100	FC	100	100	FC
Le Républicain Lorrain	France	100	100	FC	100	100	FC
Les Dernières Nouvelles d'Alsace	France	99	99	FC	99	99	FC
Lumedia	Luxembourg	50	50	EM	50	50	EM
Mediaportage	France	100	99	FC	100	99	FC
Presse Diffusion	France	100	100	FC	100	100	FC
Publiprint Province n°1	France	100	100	FC	100	100	FC
Républicain Lorrain Communication	France	100	100	FC	100	100	FC
Républicain Lorrain - TV news	France	100	100	FC	100	100	FC
SCI ACM	France	78	51	FC	78	57	FC
SCI Le Progrès Confluence	France	100	100	FC	100	100	FC
SCI Provence Lafayette	France	90	59	FC	67	49	FC
SCI 14 Rue de Londres	France	90	59	FC	67	49	FC
SCI Saint Augustin	France	88	58	FC	67	49	FC
SCI Tombe Issoire	France	100	66	FC	100	73	FC
Société d'Edition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	100	FC	100	100	FC

* Method:
FC = full consolidation
EM = equity method
NC = not consolidated
MER = merged

3 b - Fully consolidated entities with significant non-controlling interests

06/30/2018	Share of non-controlling interests in the consolidated financial statements				Financial information regarding the fully consolidated entity*			
	Percentage owned	Net income attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net income (loss)	Hidden reserves	Net banking income
Groupe des Assurances du Crédit Mutuel (GACM)	100%	154	3 543	-36	116 509	440	1 140	939
Cofidis Belgium	31%	2	207	0	824	6	-1	48
Cofidis France	31%	9	326	0	8 054	35	-4	274

** Amounts before elimination of accounts and intercompany transactions.*

01/01/2018	Share of non-controlling interests in the consolidated financial statements				Financial information regarding the fully consolidated entity*			
	Percentage owned	Net income attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net income (loss)	Hidden reserves	Net banking income
Groupe des Assurances du Crédit Mutuel (GACM)	27%	201	2 567	-78	100 064	682	1 176	1 678
Cofidis Belgium	29%	2	208	0	831	8	-1	98
Cofidis France	29%	18	317	0	8 292	55	-4	525

** Amounts before elimination of accounts and intercompany transactions.*

NOTE 4 - Cash and amounts due to/from central banks (assets/liabilities)

	06/30/2018	01/01/2018
Cash and amounts due from central banks - Assets		
Amounts due from central banks	59,986	55,134
including reserve requirements	1,869	1,765
Cash	795	807
Total	**60,781**	**55,941**
Amounts due to central banks - Liabilities	**31**	**285**

NOTE 5 - Financial assets at amortized cost

	06/30/2018	01/01/2018
Loans and receivables due from credit institutions	57,361	54,121
Loans and receivables due from customers	234,948	223,174
Securities at amortized cost	3,169	3,280
Total	**295,478**	**280,575**

5a - Loans and receivables due from credit institutions at amortized cost

	06/30/2018	01/01/2018
. Performing loans (S1/S2)	57,154	53,944
Crédit Mutuel network accounts(1)	5,552	4,604
Other current accounts	2,400	2,266
Loans	34,643	33,117
Other receivables	5,242	6,121
Resale agreements	9,317	7,836
. Gross receivables subject to individual impairment (S3)	0	0
. Accrued interest	212	183
. Impairment of performing loans (S1/S2)	(5)	(6)
. Other impairment (S3)	0	0
Total	**57,361**	**54,121**

(1) Relates mainly to outstanding CDC repayments for LEP, LDD, Livret Bleu and Livret A passbook savings accounts

5b - Loans and receivables due from customers at amortized cost

	06/30/2018	01/01/2018
Performing loans (S1/S2)	218,847	207,313
. Commercial loans	14,993	14,749
. Other customer loans	203,439	192,176
- Home loans	78,658	76,202
- Other loans and receivables, including repurchase agreements	124,781	115,974
. Accrued interest	415	388
Gross receivables subject to individual impairment (S3)	8,893	9,158
Gross receivables	**227,740**	**216,471**
Impairment of performing loans (S1/S2)	(1,345)	(1,252)
Other impairment (S3)	(5,115)	(5,296)
SUB-TOTAL I	**221,280**	**209,923**
Finance leases (net investment)	13,540	13,127
. Furniture and movable equipment	9,416	9,045
. Real estate	4,124	4,082
Gross receivables subject to individual impairment (S3)	424	429
Impairment of performing loans (S1/S2)	(103)	(104)
Other impairment (S3)	(193)	(201)
SUB-TOTAL II	**13,668**	**13,251**
TOTAL	**234,948**	**223,174**
of which subordinated notes	14	14
including resale agreements	11,311	7,337

Finance leases with customers

	01/01/2018	Additions	Disposals	Other	06/30/2018
Gross carrying amount	13,556	704	(285)	(11)	13,964
Impairment of irrecoverable rent	(305)	(51)	59	1	(296)
Net carrying amount	13,251	653	(226)	(10)	13,668

5c - Securities at amortized cost

	06/30/2018	01/01/2018
Securities	3,243	3,342
- Government securities	2,051	2,246
- Bonds and other debt securities	1,192	1,096
. Quoted	453	396
. Not quoted	739	700
. Accrued interest	19	20
GROSS TOTAL	**3,262**	**3,362**
of which impaired assets (S3)	364	356
Impairment of performing loans (S1/S2)	0	(1)
Other impairment (S3)	(93)	(81)
NET TOTAL	**3,169**	**3,280**

NOTE 6 - Financial liabilities at amortized cost

6a - Amounts due to credit institutions

	06/30/2018	01/01/2018
Due to credit institutions	**65,240**	**54,484**
Other current accounts	12,667	12,471
Borrowings	16,103	11,726
Other liabilities	4,575	6,708
Resale agreements	31,820	23,536
Accrued interest	75	43

6b - Amounts due to customers at amortized cost

	06/30/2018	01/01/2018
. Regulated savings accounts	54,257	52,397
- demand	39,725	38,184
- term	14,532	14,213
. Accrued interest	229	1
Sub-total	***54,486***	***52,398***
. Current accounts	95,477	91,818
. Term deposits and borrowings	36,192	37,531
. Resale agreements	3,353	2,017
. Accrued interest	138	144
. Other liabilities	10	13
Sub-total	***135,170***	***131,523***
TOTAL	**189,656**	**183,921**

6c - Debt securities at amortized cost

	06/30/2018	01/01/2018
Retail certificates of deposit	84	113
Interbank instruments and money market securities	56,137	55,395
Bonds	57,566	56,164
Accrued interest	573	780
TOTAL	**114,360**	**112,452**

NOTE 7 - Financial assets at fair value through equity

7a - Financial assets at fair value through equity by type of product

	06/30/2018	01/01/2018
. Government securities	10,289	11,023
. Bonds and other debt securities	15,579	15,077
- Quoted	15,240	14,785
- Not quoted	339	292
. Accrued interest	139	167
Gross subtotal debt securities	**26,007**	**26,267**
Of which impaired debt securities (S3)	135	141
Impairment of performing loans (S1/S2)	(10)	(9)
Other impairment (S3)	(132)	(1)
Net subtotal debt securities	**25,865**	**26,257**
. Shares and other equity instruments	25	89
- Quoted	20	19
- Not quoted	5	70
. Long-term investments	317	300
- Investments in non-consolidated companies	45	45
- Other long-term securities	165	144
- Investments in subsidiaries and associates	107	111
- Loaned securities	0	0
- Current account advances related to non-performing SCI	0	0
. Accrued interest	8	0
Subtotal equity instruments	**350**	**389**
TOTAL	**26,215**	**26,646**
Of which unrealized gains or losses recognized in equity	74	(6)
Of which listed investments in non-consolidated companies.	(6)	(6)

7b - Exposure to sovereign risk

Countries benefiting from aid packages

*Net exposure**	06/30/2018		01/01/2018	
	Portugal	Ireland	Portugal	Ireland
Financial assets at fair value through profit or loss	19		8	
Financial assets at fair value through equity	3	166	52	130
TOTAL	**22**	**166**	**60**	**130**

** Net exposure amounts are shown net of any insurance policyholder profit-sharing portion.*

Residual contractual maturity	Portugal	Ireland	Portugal	Ireland
< 1 year		89	50	
1 to 3 years		8		93
3 to 5 years		30	2	30
5 to 10 years	20	39	5	7
> 10 years	2		3	
TOTAL	**22**	**166**	**60**	**130**

Other sovereign risk exposures in the banking portfolio

Net exposure	06/30/2018		01/01/2018	
	Spain	Italy	Spain	Italy
Financial assets at fair value through profit or loss	64	75	42	98
Financial assets at fair value through equity	332	480	282	647
TOTAL	**396**	**555**	**324**	**745**

Capital markets activities are shown at market value and other activities at par value. Outstandings are shown net of credit default swaps.

Residual contractual maturity	Spain	Italy	Spain	Italy
< 1 year		233	169	565
1 to 3 years	49	233	26	82
3 to 5 years	114		36	33
5 to 10 years	96	66	58	54
> 10 years	137	23	35	11
TOTAL	**396**	**555**	**324**	**745**

NOTE 8 - Gross value and impairment analysis

8a. Gross values subject to impairment

	06/30/2018	01/01/2018
Financial assets at amortized cost - loans and receivables due from credit institutions subject to	57,366	54,127
- 12-month expected losses (S1)	57,357	54,061
- expected losses to termination (S2)	9	66
- expected losses on impaired assets (S3) at end of period but not impaired at origination	0	0
- expected losses on impaired assets (S3) at end of period and at origination	0	0
Financial assets at amortized cost - loans and receivables due from customers subject to	241,704	230,027
- 12-month expected losses (S1)	217,744	205,660
- expected losses to termination (S2)	14,643	14,780
- of which customer receivables under IFRS 15	0	0
- expected losses on impaired assets (S3) at end of period but not impaired at origination	9,308	9,580
- expected losses on impaired assets (S3) at end of period and at origination	9	7
Financial assets at amortized cost - securities	3,262	3,362
- subject to 12-month expected losses (S1)	2,692	2,900
- subject to expected losses to termination (S2)	213	112
- expected losses on impaired assets (S3) at end of period but not impaired at origination	357	350
- expected losses on impaired assets (S3) at end of period and at origination	0	0
Financial assets at fair value through equity - debt securities	26,007	26,267
- 12-month expected losses (S1)	25,873	25,993
- expected losses to termination (S2)	0	133
- expected losses on impaired assets (S3) at end of period but not impaired at origination	134	141
- expected losses on impaired assets (S3) at end of period and at origination	0	0
Total	**328,339**	**313,783**

8b. Impairment analysis

	01/01/2018	Additions	Reversals	Other	06/30/2018
Financial assets at amortized cost - loans and receivables due from credit institutions	(6)	(1)	2	0	(5)
Financial assets at amortized cost - loans and receivables due from customers	(6,853)	(769)	866	0	(6,756)
Financial assets at amortized cost - securities	(82)	(1)	1	(11)	(93)
Financial assets at fair value through equity - debt securities	(10)	(132)	0	0	(142)
Financial assets at fair value through equity - Loans	0	0	0	0	0
Total	**(6,951)**	**(903)**	**869**	**(11)**	**(6,996)**

IFRS 9	01/01/2018	Additions	Reversals	Other	06/30/2018
Loans and receivables due from credit institutions	**(6)**	**(1)**	**2**	**(1)**	**(6)**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(2)	(1)	0	(1)	(4)
- expected losses to termination (S2)	(3)	0	2	0	(1)
- expected losses on impaired assets (S3) at end of period but not impaired at origination	0	0	0	0	0
- expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0
Customer loans and receivables	**(6,853)**	**(769)**	**866**	**0**	**(6,756)**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(655)	(158)	115	(2)	(700)
- expected losses to termination (S2)	(756)	(134)	140	1	(749)
- of which customer receivables under IFRS 15	0	0	0	0	0
- expected losses on impaired assets (S3) at end of period but not impaired at origination	(5,442)	(477)	611	0	(5,308)
- expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0
Financial assets at amortized cost - securities	**(82)**	**(1)**	**1**	**(11)**	**(93)**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	0	0	0	0	0
- expected losses to termination (S2)	0	0	0	0	0
- expected losses on impaired assets (S3) at end of period but not impaired at origination	(81)	(1)	1	(12)	(93)
- expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0
Financial assets at fair value through equity - debt securities	**(10)**	**(132)**	**0**	**0**	**(142)**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(9)	(1)	0	0	(10)
- expected losses to termination (S2)	0	0	0	0	0
- expected losses on impaired assets (S3) at end of period but not impaired at origination	(1)	(131)	0	0	(132)
- expected losses on impaired assets (S3) at end of period and at origination	0	0	0	0	0
Total	**(6,971)**	**(903)**	**869**	**(12)**	**(7,018)**

NOTE 9 - Financial assets and liabilities at fair value through profit or loss

9a - Financial assets at fair value through profit or loss

	06/30/2018				01/01/2018			
	Held for trading	Fair value option	Other FVTPL	Total	Held for trading	Fair value option	Other FVTPL	Total
Securities	**11,605**	**433**	**3,285**	**15,323**	**8,822**	**470**	**3,206**	**12,498**
- Government securities	1,703	0	0	**1,703**	865	0	0	**865**
- Bonds and other debt securities	8,872	433	173	**9,478**	6,989	470	125	**7,584**
. Quoted	8,872	77	47	**8,996**	6,989	107	47	**7,143**
. Not quoted	0	356	126	**482**	0	363	78	**441**
of which mutual funds	153		0	**153**	98		0	**98**
- Shares and other equity instruments	1,030		2,380	**3,410**	968		2,337	**3,305**
. Quoted	1,030		356	**1,386**	968		332	**1,300**
. Not quoted	0		2,024	**2,024**	0		2,005	**2,005**
- Long-term investments			732	**0**			744	**744**
. Investments in non-consolidated companies			232	**232**			230	**230**
. Other long-term securities			177	**177**			204	**204**
. Investments in subsidiaries and associates			321	**321**			309	**309**
. Other long-term investments			2	**2**			1	**1**
. Derivative instruments	**3,645**			**3,645**	**3,279**			**3,279**
. Loans and receivables		**0**	**0**	**0**		**0**	**0**	**0**
including resale agreements		0		**0**		0		**0**
TOTAL	**15,250**	**433**	**3,285**	**18,968**	**12,101**	**470**	**3,206**	**15,777**

9b - Financial liabilities at fair value through profit or loss

	06/30/2018	01/01/2018
Financial liabilities held for trading	6,173	5,455
Financial liabilities at fair value by option through profit or loss	0	0
TOTAL	**6,173**	**5,455**

Financial liabilities held for trading

	06/30/2018	01/01/2018
Short selling of securities	**2,704**	**2,111**
- Government securities	0	0
- Bonds and other debt securities	1,463	917
- Shares and other equity instruments	1,241	1,194
. Debt representing securities given through repurchase agreements	**0**	**0**
. Trading derivative instruments	**3,464**	**3,248**
. Other financial liabilities held for trading	**5**	**97**
TOTAL	**6,173**	**5,456**

9c - Analysis of trading derivatives

	06/30/2018			01/01/2018		
	Notional	**Assets**	**Liabilities**	**Notional**	**Assets**	**Liabilities**
Trading derivative instruments						
Interest-rate derivative instruments	452,171	2,125	1,974	341,985	2,103	2,027
Swaps	88,686	1,957	1,831	73,924	1,999	1,841
Other forward contracts	335,032	11	11	244,581	7	7
Options and conditional transactions	28,453	157	132	23,480	97	179
Foreign exchange derivative instruments	141,784	1,151	1,030	127,180	869	846
Swaps	102,610	97	90	90,727	45	53
Other forward contracts	8,730	929	816	10,177	705	682
Options and conditional transactions	30,444	125	124	26,276	119	111
Derivative instruments other than interest-rate and foreign exchange	29,278	368	460	23,010	307	375
Swaps	12,185	112	174	12,995	131	162
Other forward contracts	8,550	26	54	5,526	42	75
Options and conditional transactions	8,543	230	232	4,489	134	138
Total	**623,233**	**3,644**	**3,464**	**492,175**	**3,279**	**3,248**

NOTE 9d - Fair value hierarchy of financial instruments measured at fair value in the statement of financial position

06/30/2018	Level 1	Level 2	Level 3	Total
Financial assets IFRS 9				
Fair value through equity	23,199	1,921	1,094	26,214
- Government securities and similar instruments	10,359	0	0	10,359
- Bonds and other debt securities	12,688	1,882	935	15,505
- Shares and other equity instruments	20	1	4	25
- Investments and other long-term securities	132	32	46	210
- Investments in subsidiaries and associates	0	6	109	115
Trading / Fair value option / Other	11,056	3,796	4,115	18,967
- Government and similar securities - Held for trading	1,549	148	6	1,703
- Government and similar securities - FVO	0	0	0	0
- Government securities and similar instruments - Other FVTPL	0	0	0	0
- Bonds and other debt securities - Trading	7,627	850	395	8,872
- Bonds and other debt securities - Fair value option	33	31	369	433
- Bonds and other debt securities - Other FVTPL	126	0	47	173
- Shares and other equity instruments - Trading	1,030	0	0	1,030
- Shares and other equity instruments - Other FVTPL	446	0	1,934	2,380
- Investments and other long-term securities - Other FVTPL	37	4	368	409
- Investments in subsidiaries and associates - Other FVTPL	0	11	311	322
- Loans and receivables due from credit institutions - FVO	0	0	0	0
- Loans and receivables due from credit institutions - Other FVTPL	0	0	0	0
- Loans and receivables due from customers - FVO	0	0	0	0
- Loans and receivables due from customers - Other FVTPL	0	0	0	0
- Derivative instruments and other financial assets - Held for trading	208	2,752	685	3,645
Hedging derivative instruments	0	3,013	41	3,054
Total	**34,255**	**8,730**	**5,250**	**48,235**
IAS 39 financial assets - Investments by insurance businesses				
Fair value through profit or loss	23,326	4,467	5	27,798
- Held for trading	0	(12)	0	(12)
- Fair value option - debt securities	1,848	2,617	0	4,465
- Fair value option - equity instruments	21,478	1,862	5	23,345
Hedging derivative instruments	0	0	0	0
Available-for-sale financial assets	61,780	1,972	499	64,251
- Government securities and similar instruments	14,368	0	0	14,368
- Bonds and other debt securities	35,093	679	0	35,772
- Shares and other equity instruments	11,488	1,293	1	12,782
- Investments in subsidiaries and associates and other long-term investments	831	0	498	1,329
Financial liabilities IFRS 9				
Held for trading / Fair value option (FVO)	0	6,173	0	6,173
- Due to credit institutions - FVO	0	0	0	0
- Due to customers - FVO	0	0	0	0
- Debt securities - FVO	0	0	0	0
- Subordinated debt - FVO	0	0	0	0
- Derivative instruments and other financial liabilities - Held for trading	0	6,173	0	6,173
Hedging derivative instruments	0	2,847	22	2,869
Total	**0**	**9,020**	**22**	**9,042**
Financial liabilities related to policies of the insurance businesses IAS 39				
Fair value through profit or loss	0	4,639	0	4,639
- Held for trading	0	0	0	0
- Fair value option	0	4,639	0	4,639
Hedging derivative instruments	0	0	0	0
Total	**0**	**4,639**	**0**	**4,639**

- level 1: quoted price in an active market.
- level 2: prices in active markets for similar instruments and valuation techniques for which all significant data is based on observable market information,
- level 3: valuation based on internal models containing significant non-observable data.

Level 2 and 3 instruments held in the trading portfolio mainly comprise securities deemed to have poor liquidity and derivatives.
The uncertainties inherent in measuring all of these instruments result in measurement adjustments reflecting the risk premium taken into account by market operators when setting the price.
These measurement adjustments enable the inclusion, in particular, of risks that would not be built into the model, liquidity risks associated with the instrument or parameter in question, specific risk premiums intended to offset certain additional costs inherent in the dynamic management strategy associated with the model in certain market conditions, and the counterparty risk associated with the fair value of over-the-counter derivatives. The methods used may change over time. They include the proprietary counterparty risk present in the fair value of over-the-counter derivatives.
In determining measurement adjustments, each risk factor is considered individually; the diversification effect between different risks, parameters and models is not taken into account. In general, a portfolio approach is used for any given risk factor.

NOTE 10 – Hedging

10a - Hedging derivative instruments

	06/30/2018			01/01/2018		
	Notional	**Assets**	**Liabilities**	**Notional**	**Assets**	**Liabilities**
Hedging derivative instruments						
Fair value hedges	168,467	3,054	2,869	144,659	3,418	3,344
Swaps	90,385	3,057	2,868	95,172	3,422	3,343
Other forward contracts	76,217	0	0	47,399	0	0
Options and conditional transactions	1,865	(3)	1	2,088	(4)	1
Total	**168,467**	**3,054**	**2,869**	**144,659**	**3,418**	**3,344**

10b - Remeasurement adjustment on interest-rate risk hedged investments

	06/30/2018	01/01/2018
Fair value of interest-risk by investment category		
. financial assets	413	429
. financial liabilities	(240)	(270)

11 - Note on securitization outstandings

In accordance with the request by the banking supervisor and market regulator, sensitive exposures are presented below based on the recommendations of the FSB.
The trading and securities at fair value through equity portfolios were measured at market price on the basis of external inputs obtained from regulated markets, major brokers or, where no price was available, comparable listed securities.

Summary	Carrying amount 06/30/2018	Carrying amount 12/31/2017
RMBS	1,481	3,002
CMBS	331	49
CLO	2,356	1,897
Other ABS	2,427	2,042
Sub-total	**6,595**	6,990
Liquidity facilities for ABCP programs	205	185
TOTAL	**6,800**	7,175

Unless otherwise stated, securities are not covered by CDS.

Exposures at 06/30/2018	RMBS	CMBS	CLO	Other ABS	Total
Trading	547	0	0	297	844
Financial assets at fair value through equity	584	331	2,130	1,898	4,943
Financial assets at amortized cost	349	0	226	232	808
TOTAL	**1,481**	**331**	**2,356**	**2,427**	**6,595**
France	209	0	322	666	1,197
Spain	114	0		226	340
United Kingdom	228	0	117	269	614
Europe excluding France, Spain and United Kingdom	324	0	226	1,195	1,744
USA	412	331	543	0	1,285
Other	194	0	1,150	71	1,415
TOTAL	**1,481**	**331**	**2,356**	**2,427**	**6,595**
US Agencies	135	0	0	0	135
AAA	865	331	2,224	1,642	5,062
AA	163	0	106	564	833
A	28	0	15	14	57
BBB	8	0	0	206	215
BB	31	0	0	0	31
B or below	251	0	0	0	251
Not rated	0	0	11	0	11
TOTAL	**1,481**	**331**	**2,356**	**2,427**	**6,595**
Originating 2005 or before	86	0	0	0	86
Originating 2006-2008	379	0	0	62	441
Originating 2009-2011	55	1	0	0	56
Originating 2012-2018	960	330	2,356	2,365	6,012
TOTAL	**1,481**	**331**	**2,356**	**2,427**	**6,595**

Exposures at 12/31/2017	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,503	5	17	141	1,666
Financial assets at fair value through equity	1,131	44	1,720	1,676	4,571
Financial assets at amortized cost	368		160	225	753
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
France	68		251	599	919
Spain	91		26	25	143
United Kingdom	194		149	225	568
Europe excluding France, Spain and United Kingdom	316	49	308	1,113	1,786
USA	2,214		417	43	2,674
Other	119		745	36	900
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
US Agencies	1,834		0	0	1,834
AAA	641		1,778	1,285	3,705
AA	168		84	526	777
A	52		20	25	96
BBB	6	49	4	206	265
BB	16				16
B or below	286				286
Not rated	0		11		11
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
Originating 2005 or before	107	49			156
Originating 2006-2008	423		8	31	462
Originating 2009-2011	70				70
Originating 2012-2017	2,402		1,889	2,011	6,301
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**

NOTE 12 - Investments / assets and liabilities related to policies of the insurance businesses

12a - Investments by the insurance businesses and reinsurers' share of technical reserves

	06/30/2018	01/01/2018
Financial assets		
Fair value through profit or loss	27,798	16,550
- Held for trading	(12)	1
- Fair value option - debt securities	4,465	1,258
- Fair value option - equity instruments	23,345	15,291
Hedging derivative instruments	0	0
Available-for-sale (AFS)	64,268	62,555
- Government securities and similar instruments	14,368	14,368
- Bonds and other debt securities	35,772	36,364
- Shares and other equity instruments	12,782	10,567
- Investments in subsidiaries and associates and other long-term investments	1,346	1,256
Loans and receivables	2,513	1,418
Held-to-maturity	10,313	9,359
Subtotal financial assets	**104,892**	**89,882**
Investment property	**3,221**	**2,589**
Reinsurers' share of technical reserves and other assets	**794**	**702**
Total	**108,907**	**93,173**

12b - Liabilities related to policies of the insurance businesses

	06/30/2018	01/01/2018
Technical reserves of insurance companies		
Life	81,350	71,701
Non-life	3,599	3,389
Unit of account	11,964	8,903
Other	348	297
TOTAL	**97,261**	**84,290**
Of which deferred profit-sharing - liability	11,907	10,748
Reinsurers' share of technical reserves	336	310
NET TECHNICAL RESERVES	**96,925**	**83,980**
Financial liabilities		
Fair value through profit or loss	4,639	3,766
- Fair value option	4,639	3,766
Due to credit institutions	259	(187)
Subordinated debt	300	0
Sub-total	**5,198**	**3,579**
Other liabilities	**480**	**313**
Total	**5,678**	**3,892**

NOTE 13 - Corporate income tax

13a - Current income tax

	06/30/2018	01/01/2018
Asset (through income statement)	722	1,164
Liability (through income statement)	452	530

13b - Deferred income tax

	06/30/2018	01/01/2018
Asset (through income statement)	987	985
Asset (through shareholders' equity)	176	169
Liability (through income statement)	635	605
Liability (through shareholders' equity)	468	514

NOTE 14 - Accruals, other assets and other liabilities

14a - Accruals and other assets

	06/30/2018	01/01/2018
Accruals - assets		
Collection accounts	102	177
Currency adjustment accounts	474	51
Accrued income	528	578
Other accruals	2,952	1,602
Sub-total	**4,056**	**2,408**
Other assets		
Securities settlement accounts	135	85
Miscellaneous receivables	3,864	3,745
Inventories	8	9
Other	31	32
Sub-total	**4,038**	**3,871**
Total	**8,094**	**6,279**

14b - Accruals and other liabilities

	06/30/2018	01/01/2018
Accruals - liabilities		
Accounts unavailable due to collection procedures	249	290
Currency adjustment accounts	79	54
Accrued expenses	885	848
Deferred income	687	661
Other accruals	5 224	1 822
Sub-total	**7 124**	**3 675**
Other liabilities		
Securities settlement accounts	385	594
Outstanding amounts payable on securities	54	79
Other payables	1 431	1 244
Sub-total	**1 870**	**1 917**
Total	**8 994**	**5 592**

NOTE 15 - Investments in associates

15a - Share of net income (loss) of associates

06/30/2018	Country	% interest	Investment value	Share of net income (loss)	Dividends received (1)	Fair value of investment (if listed)
Entities over which significant influence is exercised						
ASTREE Assurances	Tunisia	30,00%	15	1	1	19
Banque de Tunisie	Tunisia	34,00%	163	9	7	213
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26,21%	820	32	18	879
Euro-Information	France	26,36%	360	20	0	NC*
Euro Protection Surveillance	France	25,00%	32	3	0	NC*
LYF SA (formerly Fivory)	France	46,00%	8	-0	0	NC*
Royale Marocaine d'Assurance (formerly RMA Watanya)	Morocco	22,02%	139	12	0	NC*
SCI La Tréflière	France	46,09%	10	0	0	NC*
Other			2	0		NC*
Total (1)			**1 548**	**78**	**27**	
Joint ventures						
Bancas	France	50,00%	1	-0	0	NC*
Banque du Groupe Casino	France	50,00%	43	3	0	NC*
Total (2)			**44**	**3**	**0**	
TOTAL (1) + (2)			**1 592**	**81**	**27**	

(1) in cash and shares

01/01/2018	Country	% interest	Investment value	Share of net income (loss)	Dividends received (1)	Fair value of investment (if listed)
Entities over which significant influence is exercised						
ACM Nord IARD	France	49,00%	39	8	8	NC*
ASTREE Assurances	Tunisia	30,00%	14	2	1	23
Banco Popular Español	Spain	3,95%	0	-246	0	0
Banque de Tunisie	Tunisia	34,00%	159	15	7	166
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26,21%	816	-130	18	897
CMCP - Crédit Mutuel Cartes de Paiement	France	45,05%	0	0	0	NC*
Euro-Information	France	26,36%	340	26	1	NC*
Euro Protection Surveillance	France	25,00%	29	7	0	NC*
LYF SA (formerly Fivory)	France	43,50%	8	-0	0	NC*
NELB (North Europe Life Belgium)	Belgium	49,00%	104	1	2	NC*
Royale Marocaine d'Assurance (formerly RMA Watanya)	Morocco	22,02%	114	20	11	NC*
SCI La Tréflière	France	46,09%	10	0	0	NC*
Other			2	0	0	NC*
Total (1)			**1 635**	**-296**	**49**	
Joint ventures						
Bancas	France	50,00%	1	**-0**	0	NC*
Banque du Groupe Casino	France	50,00%	40	-4	0	NC*
Total (2)			**40**	**-4**	**0**	
TOTAL (1) + (2)			**1 676**	**-300**	**49**	

(1) in cash and shares

* NC: Not communicated

NOTE 16 - Investment property

	01/01/2018	Additions	Disposals	Other	06/30/2018
Historical cost	66	1	-1	0	66
Accumulated depreciation and impairment provisions	-27	-1	1	0	-27
Net amount	**39**	**0**	**0**	**0**	**39**

NOTE 17 - Property, equipment and intangible assets

17a - Property and equipment

	01/01/2018	Additions	Disposals	Other	06/30/2018
Historical cost					
Land used in operations	471	0	0	0	471
Buildings used in operations	3,054	30	(26)	0	3,058
Other property and equipment	1,148	40	(34)	3	1,157
Total	**4,673**	**70**	**(60)**	**3**	**4,686**
Accumulated depreciation and impairment provisions					
Land used in operations	(7)	(1)	0	0	(8)
Buildings used in operations	(1,918)	(49)	19	(1)	(1,949)
Other property and equipment	(892)	(24)	15	(2)	(903)
Total	**(2,817)**	**(74)**	**34**	**(3)**	**(2,860)**
Net amount	**1,856**	**(4)**	**(26)**	**0**	**1,826**

Including buildings under finance leases

	01/01/2018	Additions	Disposals	Other	06/30/2018
Gross carrying amount	3,525	30	(26)	0	3,529
Depreciation and impairment	(1,925)	(50)	19	(1)	(1,957)
Total	**1,600**	**(20)**	**(7)**	**(1)**	**1,572**

17b - Intangible assets

	01/01/2018	Additions	Disposals	Other	06/30/2018
Historical cost					
. Internally developed intangible assets	0	0	0	0	0
. Purchased intangible assets	1,408	11	(5)	12	1,426
- software	497	10	(1)	8	514
- other	911	1	(4)	4	912
Total	**1,408**	**11**	**(5)**	**12**	**1,426**
Accumulated depreciation and impairment provisions					
. Internally developed intangible assets	0	0	0	0	0
. Purchased intangible assets	(875)	(17)	0	(11)	(903)
- software	(454)	(10)	1	(8)	(471)
- other	(421)	(7)	(1)	(3)	(432)
Total	**(875)**	**(17)**	**0**	**(11)**	**(903)**
Net amount	**533**	**(6)**	**(5)**	**1**	**523**

NOTE 18 - Goodwill

	01/01/2018	Additions	Disposals	Other	06/30/2018
Goodwill, gross	4,539	0	(2)	7	4,544
Impairment provisions	(490)	0	0	0	(490)
Goodwill, net	**4,049**	**0**	**(2)**	**7**	**4,054**

Subsidiaries	Goodwill at 01/01/2018	Additions	Disposals	Impairment losses/reversals	Other	Goodwill at 06/30/2018
Targobank Germany	2,781					2,781
Crédit Industriel et Commercial (CIC)	506					506
Cofidis Participations	457					457
Factofrance SA	68					68
Heller GmbH and Targo Leasing GmbH	63					63
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	53					53
CM-CIC Investissement SCR	21					21
Banque de Luxembourg	13					13
Cofidis Italy	9					9
Banque Transatlantique	6					6
Transatlantique Gestion	5					5
Other	66		(2)		7	72
TOTAL	**4,049**	**0**	**(2)**	**0**	**7**	**4,054**

NOTE 19 - Provisions

	01/01/2018	Additions	Reversals - provisions used	Reversals - provisions not used	Other movements	06/30/2018
Provisions for risks	**672**	**240**	**-142**	**-73**	**134**	**831**
For guarantee commitments	200	34	0	-39	0	195
- of which 12-month expected losses (S1)	38	5	0	-5	0	38
- of which expected losses to termination (S2)	42	6	0	-13	1	36
For financing commitments	53	9	-1	-11	1	51
- of which 12-month expected losses (S1)	41	7	-1	-5	1	43
- of which expected losses to termination (S2)	12	2	0	-6	0	8
On country risks	0	0	0	0	0	0
Provision for taxes	34	2	-2	-3	0	31
Provisions for claims and litigation	121	10	-6	-17	2	110
Provisions for risks on miscellaneous receivables	263	184	-132	-3	132	444
Other provisions	**992**	**40**	**-3**	**-23**	**-131**	**875**
Provisions for home savings accounts and plans	55	0	0	-11	0	44
Provisions for miscellaneous contingencies	579	11	-5	-5	-131	449
Other provisions	357	29	2	-7	1	382
Provision for retirement benefits	**901**	**18**	**-10**	**-3**	**-20**	**886**
Total	**2 565**	**298**	**-155**	**-99**	**-17**	**2 592**

- Retirement commitments and similar benefits

	01/01/2018	Additions	Reversals during the period	Other movements	06/30/2018
Retirement benefits - defined benefit and equivalent, excluding pension funds					
Retirement bonuses	673	15	-9	-20	659
Supplementary retirement benefits	147	4	-4	-1	146
Long service awards (other long-term benefits)	70	0	0	0	70
Total recognized	**890**	**19**	**-13**	**-21**	**875**
Supplementary retirement benefits - defined benefit, provided by Group pension funds					
Commitments to employees and retired employees	11	0	0	0	11
Fair value of assets					
Total recognized	**11**	**0**	**0**	**0**	**11**
TOTAL	**901**	**19**	**-13**	**-21**	**886**

Defined benefit plan: Main actuarial assumptions	06/30/2018	01/01/2018
Discount rate (1)	1,50%	1%
Expected rate of increase in salaries	Minimum 1%	Minimum 1%

(1) The discount rate is determined by reference to the long-term interest rate for private-sector loans and estimated based on the iBoxx index.

Note 20 - Subordinated debt

	06/30/2018	01/01/2018
Subordinated debt	7 107	6 613
Non-voting loan stock	22	23
Perpetual subordinated loan stock	1 650	1 661
Other liabilities	6	0
Accrued interest	122	79
TOTAL	**8 907**	**8 376**

Main subordinated debt issues

(in € millions)	**Type**	**Issue date**	**Amount issued**	**Amount as of reporting date (1)**	**Rate**	**Maturity**
Banque Fédérative du Crédit Mutuel	Subordinated note	Dec. 6, 2011	€1,000 m	€997 m	5,30	Dec. 6, 2018
Banque Fédérative du Crédit Mutuel	Subordinated note	Oct. 22, 2010	€1,000 m	€915 m	4,00	Oct. 22, 2020
Banque Fédérative du Crédit Mutuel	Subordinated note	May 21, 2014	€1,000 m	€995 m	3,00	May 21, 2024
Banque Fédérative du Crédit Mutuel	Subordinated note	Sept. 11, 2015	€1,000 m	€1,000 m	3,00	Sept. 11, 2025
Banque Fédérative du Crédit Mutuel	Subordinated note	March 24, 2016	€1,000 m	€1,000 m	2,375	March 24, 2026
Banque Fédérative du Crédit Mutuel	Subordinated note	Nov. 4, 2016	€700 m	€700 m	1,875	Nov. 4, 2026
Banque Fédérative du Crédit Mutuel	Subordinated note	March 31, 2017	€500 m	€500 m	2,625	March 31, 2027
Banque Fédérative du Crédit Mutuel	Subordinated note	Nov. 15, 2017	€500 m	€500 m	1,625	Nov. 15, 2027
Banque Fédérative du Crédit Mutuel	Subordinated note	May 25, 2018	€500 m	€500 m	2,500	May 25, 2028
CIC	Non-voting loan stock	May 28, 1985	€137 m	€9 m	-2	-3
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	Dec. 15, 2004	€750 m	€730 m	-4	No fixed maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	Feb. 25, 2005	€250 m	€250 m	-5	No fixed maturity

(1) Amounts net of intra-Group balances.
(2) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
(3) Non amortizable, but redeemable at borrower's discretion with effect from May 28, 1997 at 130% of par revalued by 1.5% annually for subsequent years.
(4) 10-year CMS ISDA CIC + 10 basis points.
(5) 10-year CMS ISDA + 10 basis points.

NOTE 21 - Capital and other reserves

21a - Shareholders' equity attributable to owners of the company (excluding net income and unrealized gains and losses)

	06/30/2018	01/01/2018
. Capital stock and issue premiums	6,198	6,198
- Capital stock	1,689	1,689
- Issue premiums	4,509	4,509
. Consolidated reserves	16,698	15,054
- of which gains/(losses) on disposal of equity instruments	(25)	0
Total	**22,896**	**21,252**

21b - Unrealized or deferred gains and losses

	06/30/2018	01/01/2018
Unrealized or deferred gains and losses* relating to:		
- investments by insurance businesses (available-for-sale assets)	754	862
- financial assets at fair value through recyclable equity - debt instruments	61	150
- financial assets at fair value through non-recyclable equity - equity instruments	45	(100)
- hedging derivative instruments (cash flow hedges)	3	4
- own credit risk on financial liabilities - fair value option	0	0
- Other	(218)	(273)
Total	**645**	**643**

(*) Net of corporate income tax and after adjustment for shadow accounting

21c - Recycling of gains and losses recognized directly in equity

	06/30/2018	01/01/2018
	Movements	Movements
Translation adjustments		
Reclassification through profit or loss	0	0
Other movements	27	(146)
Sub-total	**27**	**(146)**
Remeasurement of financial assets at fair value through equity - debt instruments		
Reclassification through profit or loss	0	3
Other movements	(138)	168
Sub-total	**(138)**	**171**
Remeasurement of financial assets at fair value through equity - equity instruments		
Reclassification through profit or loss	0	(87)
Other movements	155	76
Sub-total	**155**	**(11)**
Remeasurement of hedging derivative instruments		
Reclassification through profit or loss	0	0
Other movements	(1)	36
Sub-total	**(1)**	**36**
Remeasurement of non-current assets	0	0
Remeasurement adjustment related to own credit risk on financial liabilities under the fair value option transferred to reserves	0	0
Actuarial gains and losses on defined benefit plans	24	43
Share of unrealized or deferred gains and losses of equity-accounted entities	6	(26)
Total	**73**	**68**

21d - Tax on components of gains and losses recognized directly in equity

	06/30/2018			01/01/2018		
	Gross amount	Corporate income tax	Net amount	Gross amount	Corporate income tax	Net amount
Translation adjustments	27	0	27	(146)	0	(146)
Remeasurement of financial assets at fair value through equity - debt instruments	(183)	45	(138)	255	(84)	171
Remeasurement of financial assets at fair value through equity - equity instruments	154	1	155	(53)	42	(11)
Remeasurement of hedging derivative instruments	(1)	0	(1)	35	1	36
Remeasurement of non-current assets	0	0	0	0	0	0
Remeasurement adjustment related to own credit risk on financial liabilities under the fair value option transferred to reserves	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	18	6	24	65	(22)	43
Share of unrealized or deferred gains and losses of equity-accounted entities	6	0	6	(86)	60	(26)
Total gains and losses recognized directly in shareholders' equity	**21**	**52**	**73**	**70**	**(3)**	**67**

NOTE 22 - Commitments given and received

Commitments given	06/30/2018	01/01/2018
Financing commitments	**48,078**	**45,944**
Commitments given to credit institutions	1,521	1,217
Commitments given to customers	46,557	44,727
Guarantee commitments	**20,279**	**19,263**
Guarantees given on behalf of credit institutions	3,751	3,264
Guarantees given on behalf of customers	16,528	15,999
Securities commitments	**2,245**	**1,530**
Other commitments given	2,245	1,530
Commitments given by the Insurance business line	**2,242**	**1,567**

Commitments and guarantees received	06/30/2018	01/01/2018
Financing commitments	**17,743**	**18,234**
Commitments received from credit institutions	17,743	18,234
Commitments received from customers	0	0
Guarantee commitments	**60,704**	**53,072**
Commitments received from credit institutions	42,370	41,073
Commitments received from customers	18,334	11,999
Securities commitments	**1,574**	**452**
Other commitments received	1,574	452
Commitments received by the Insurance business line	**4,158**	**4,246**

NOTE 23 - Interest income, interest expense and equivalent

	06/30/2018		06/30/2017	
	Income	Expense	Income	Expense
. Credit institutions and central banks	229	(290)	264	(176)
. Customers	5,019	(2,247)	4,529	(1,827)
- of which finance leases and operating leases	1,992	(1,815)	1,527	(1,348)
. Hedging derivative instruments	1,038	(1,020)	968	(984)
. Financial assets at fair value through profit or loss	243	(114)	0	0
. Financial assets at fair value through equity / Available-for-sale assets	179	0	225	0
. Securities at amortized cost	70	0	51	0
. Debt securities	0	(781)	0	(864)
. Subordinated debt	0	(13)	0	(14)
TOTAL	**6,778**	**(4,465)**	**6,037**	**(3,865)**

NOTE 24 - Fees and commissions

	06/30/2018		06/30/2017	
	Income	Expense	Income	Expense
Credit institutions	1	(3)	2	(3)
Customers	584	(8)	604	(7)
Securities	360	(34)	396	(32)
of which funds managed for third parties	260	0	284	0
Derivative instruments	2	(4)	1	(2)
Foreign exchange	9	(1)	9	(1)
Financing and guarantee commitments	23	(2)	35	(10)
Services provided	840	(533)	812	(513)
TOTAL	**1,819**	**(585)**	**1,859**	**(568)**

NOTE 25 - Net gain (loss) on financial instruments at fair value through profit or loss

	06/30/2018	06/30/2017
Trading derivative instruments	249	270
Instruments designated under the fair value option(1)	10	265
Ineffective portion of hedging instruments	(16)	(46)
. Cash flow hedges	0	0
. Fair value hedges	(16)	(46)
. Change in fair value of hedged items	(7)	107
. Change in fair value of hedging items	(9)	(153)
Foreign exchange gains (losses)	56	40
Other instruments at fair value through profit or loss (1)	40	0
Total changes in fair value	**339**	**529**

(1) of which €195 million from the private equity business at June 30, 2018 classified as other instruments at fair value through profit or loss versus €165 million at June 30, 2017 classified as instruments under the fair value option

NOTE 26 - Net gains/(losses) on financial assets at fair value through equity (2018)/Available-for-sale assets (2017)

	06/30/2018	06/30/2017
. Dividends	21	47
. Gains/(losses) on debt instruments	55	94
. Gains/(losses) on equity instruments (2017)		(67)
. Gains/(losses) on debt instruments (2017)		61
Total	**76**	**135**

NOTE 27 - Net income from the insurance businesses

	06/30/2018	06/30/2017
Insurance contracts		
Earned premiums	5,641	4,765
Claims and benefits expenses	(4,361)	(3,684)
Movements in provisions	(1,096)	(1,546)
Other technical and non-technical income and expense	34	41
Net investment income	885	1,428
Net income on insurance policies	**1,103**	**1,004**
. Net interest/commissions	(5)	0
Net income on financial assets	**(5)**	**0**
Other net income*	**(16)**	**0**
Net income from the Insurance business line	**1,082**	**1,004**

* of which investment property

NOTE 28 - Other income and expense

	06/30/2018	06/30/2017
Income from other activities		
. Rebilled expenses	14	14
. Other income	346	500
Sub-total	**360**	**514**
Expenses on other activities		
. Investment property	(1)	(19)
- provisions/depreciation/amortization	(1)	(19)
- losses on disposals	0	0
. Other expenses	(182)	(267)
Sub-total	**(183)**	**(286)**
Other income and expense, net	**177**	**228**

NOTE 29 - General operating expenses

	06/30/2018	06/30/2017
Payroll costs	(1,618)	(1,597)
Other operating expenses	(1,470)	(1,469)
TOTAL	**(3,088)**	**(3,066)**

29a - Payroll costs

	06/30/2018	06/30/2017
Salaries and wages	(1,083)	(1,049)
Social security contributions	(374)	(367)
Employee benefits - short-term	(1)	(1)
Incentive bonuses and profit-sharing	(60)	(80)
Payroll taxes	(100)	(101)
Other	0	1
TOTAL	**(1,618)**	**(1,597)**

Average number of employees

	06/30/2018	06/30/2017
Banking staff	24,867	26,533
Management	16,126	15,602
Total	**40,993**	**42,135**
Of which France	28,593	28,876
Of which rest of world	12,400	13,259

	06/30/2018	06/30/2017
Number of employees at end of year*	46,085	45,276

** The number of employees at end of year corresponds to the total number of employees in all entities controlled by the Group as of December 31. In contrast, the consolidated average number of employees (full-time equivalent, or FTE) is limited to the scope of financial consolidation (full consolidation).*

29b - Other operating expenses

	06/30/2018	06/30/2017
Taxes and duties	(274)	(270)
External services	(1,122)	(1,103)
Other misc. expenses	20	12
Total	**(1,376)**	**(1,361)**

The CICE tax credit for competitiveness and employment amounted to €17 million in the first half of 2018 and was recognized as a credit to social security contributions.

29c - Depreciation, amortization and impairment of property, equipment and intangible assets

	06/30/2018	06/30/2017
Depreciation and amortization	(94)	(99)
- property and equipment	(75)	(80)
- intangible assets	(19)	(19)
Impairment losses	0	(9)
- property and equipment	0	(1)
- intangible assets	0	(8)
Total	**(94)**	**(108)**

NOTE 30 - Net additions to/reversals from provisions for loan losses

	06/30/2018	06/30/2017
- 12-month expected losses (S1)	(47)	0
- expected losses to termination (S2)	18	0
- impaired assets (S3)	(290)	(344)
Total	**(319)**	**(344)**

06/30/2018	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	TOTAL
12-month expected losses (S1)	**(172)**	**125**				**(47)**
- Loans and receivables due from credit institutions at amortized cost	(1)	0				(1)
- Loans and receivables due from customers at amortized cost	(158)	114				(44)
- of which finance leases	(3)	1				(2)
- Financial assets at amortized cost - securities	0	0				0
- Financial assets at fair value through equity - debt securities	(1)	0				(1)
- Financial assets at fair value through equity - Loans	0	0				0
- Commitments given	(12)	11				(1)
expected losses to termination (S2)	**(143)**	**161**				**18**
- Loans and receivables due from credit institutions at amortized cost	0	2				2
- Loans and receivables due from customers at amortized cost	(134)	140				6
- of which finance leases	(1)	3				2
- Financial assets at amortized cost - securities	0	0				0
- Financial assets at fair value through equity - debt securities	0	0				0
- Financial assets at fair value through equity - Loans	0	0				0
- Commitments given	(9)	19				10
Impaired assets (S3)	**(631)**	**749**	**(278)**	**(208)**	**78**	**(290)**
- Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
- Loans and receivables due from customers at amortized cost	(450)	572	(276)	(203)	74	(283)
- of which finance leases	(25)	29	(6)	(2)	1	(3)
- Financial assets at amortized cost - securities	(1)	1	0	0	0	0
- Financial assets at fair value through equity - debt securities	(132)	0	(1)	(3)	4	(132)
- Financial assets at fair value through equity - Loans	0	0	0	0	0	0
- Commitments given	(48)	176	(1)	(2)	0	125
Total	**(946)**	**1,035**	**(278)**	**(208)**	**78**	**(319)**

06/30/2017	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recoveries on loans written off in previous years	TOTAL
Impaired assets (S3)	**(808)**	**853**	**(343)**	**(151)**	**105**	**(344)**
- Loans and receivables due from credit institutions at amortized cost	0	8	0	0	2	10
- Loans and receivables due from customers at amortized cost	(761)	809	(342)	(143)	95	(342)
- of which finance leases	(57)	63	(12)	(1)	1	(6)
- Financial assets at amortized cost - securities	(9)	0	0	0	0	(9)
- Financial assets at fair value through equity - debt securities	(3)	0	(1)	(7)	8	(3)
- Financial assets at fair value through equity - Loans	0	0				0
- Commitments given	(35)	36	0	(1)		0
Total	**(808)**	**853**	**(343)**	**(151)**	**105**	**(344)**

NOTE 31 - Gains (losses) on other assets

	06/30/2018	06/30/2017
Property, equipment and intangible assets	8	(1)
. Losses on disposals	(4)	(3)
. Gains on disposals	12	2
Net gains/(losses) on disposals of consolidated securities	0	0
TOTAL	**8**	**(1)**

NOTE 32 - Change in value of goodwill

	06/30/2018	06/30/2017
Impairment of goodwill	0	(15)
Negative goodwill taken to income	0	0
TOTAL	**0**	**(15)**

NOTE 33 - Corporate income tax

Breakdown of income tax expense

	06/30/2018	06/30/2017
Current taxes	(613)	(671)
Deferred taxes	(31)	(24)
Adjustments in respect of prior years	(10)	9
TOTAL	**(654)**	**(686)**

NOTE 34 - Earnings per share

	06/30/2018	06/30/2017
Net income attributable to owners of the company	1,068	816
Number of stock units at beginning of year	33,770,590	33,770,590
Number of stock units at end of year	33,770,590	33,770,590
Weighted average number of shares	33,770,590	33,770,590
Basic earnings per share	32	24
Additional weighted average number of stock units assuming full dilution	0	0
Diluted earnings per share	32	24

NOTE 35 - Related party transactions

Statement of financial position items concerning related party transactions

	06/30/2018			01/01/2018		
	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Crédit Mutuel CM11 Group parent companies	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Crédit Mutuel CM11 Group parent companies
Assets						
Financial assets at fair value through profit or loss	20	82	69	121	108	429
Financial assets at fair value through equity	0	40	0	0	70	0
Financial assets at amortized cost	875	2,606	30,770	1,178	2,553	29,433
Other assets	1	581	0	4	25	14
TOTAL	**896**	**3,309**	**30,839**	**1,303**	**2,757**	**29,875**
Liabilities						
Due to credit institutions	6	901	10,119	62	991	9,582
Liabilities at fair value through profit or loss	0	43	0	0	53	0
Due to customers	482	1,508	25	491	1,528	25
Debt securities	0	30	0	0	329	0
Subordinated debt	0	5	500		20	500
Other liabilities	48	222	0	50	0	201
TOTAL	**535**	**2,708**	**10,644**	**603**	**2,921**	**10,307**
Financing commitments given	300	0	0	470	0	0
Guarantee commitments given	0	0	13	13	15	14
Financing commitments received	0	0	0	0	0	0
Guarantee commitments received	0	595	1,829	0	563	1,698

Income statement items concerning related party transactions

	06/30/2018			06/30/2017		
	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Crédit Mutuel CM11 Group parent companies	Companies consolidated using the equity method	Other entities in the Confédération Nationale	Crédit Mutuel CM11 Group parent companies
Interest received	7	7	253	7	5	327
Interest paid	0	(8)	(24)	0	(10)	(22)
Fees and commissions received	6	0	2	9	0	2
Fees and commissions paid	(12)	0	(18)	(9)	0	(25)
Net gains/(losses) on financial assets at fair value through equity and FVTPL	26	1	1	0	0	0
Other income (expense)	(9)	(104)	(230)	17	9	(2)
General operating expenses	(278)	0	(23)	(196)	0	(23)
TOTAL	**(259)**	**(105)**	**(40)**	**(173)**	**5**	**257**

5. Statutory auditors' report on the interim financial information of BFCM Group

PricewaterhouseCoopers France
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
French limited liability company (S.A.R.L.)
with capital of €86.000

Statutory Auditors
Member of the Versailles
regional institute of accountants

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable (Simplified stock company with variable capital)
Trade and Companies Register
438 476 913 Nanterre

Statutory Auditors
Member of the Versailles
regional institute of accountants

Banque Fédérative du Crédit Mutuel - BFCM

Period from January 1 to June 30, 2018

Statutory auditors' report on the interim financial information

To the Shareholders,

Pursuant to the assignment given us by your Shareholders' Meeting and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code, we conducted:

- a limited review of BFCM's condensed, consolidated interim financial statements for the period from January 1 through June 30, 2018, as attached to this report;
- a verification of the information provided in the interim management report.

These condensed, consolidated interim financial statements were prepared under the responsibility of your Board of Directors. Our role is to express an opinion on these financial statements based on our limited review.

1. Opinion on the interim financial statements

We conducted our limited review in accordance with professional standards applicable in France. A limited review consists essentially of conferring with the members of management who are responsible for accounting and financial aspects and implementing analytical procedures. These measures are less extensive than those required for an audit carried out in accordance with professional standards applicable in France. As a result, the assurance obtained as part of a limited review about whether the financial statements, taken as a whole, are free from material misstatement is limited in nature and not as thorough as would be obtained as part of an audit.

Based on our limited review, we did not uncover any material discrepancies that would call into question the compliance of the condensed, consolidated interim financial statements with IAS 34 – the IFRS standard as adopted by the European Union with respect to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to the change in accounting method related to the application of the new IFRS 9 "Financial Instruments" as described in Note 1 "Accounting policies, valuation and presentation methods" to the financial statements, and in the other notes presenting the quantified data related to this first-time application.

2. Specific verification

We also verified the information provided in the interim management report on the condensed, consolidated interim financial statements covered by our limited review.

We have no observations to make as to the true and fair nature of the information in this report or its congruence with the condensed, consolidated interim financial statements.

Neuilly-sur-Seine and Paris-La Défense, August 7, 2018

The Statutory Auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

6. Additions to the accounting information published in the Crédit Mutuel CM11 Group's 2017 Registration Document

The following tables override and replace those published in the Crédit Mutuel CM11 Group's 2017 Registration Document filed on April 20, 2018.

Page 68 (112 in English version):
European sovereign debt exposure

(€ millions)	**12/31/2017**	**12/31/2016**
Greece	0	0
Portugal	60	99
Ireland	131	162
Total exposure to Greece, Portugal and Ireland	**191**	**261**
Italy	745	1,318
Spain	324	424
Total exposure on Italy and Spain	**1,069**	**1,742**

Page 93 (152 in English version):
Commitments given

(in € millions)	12/31/2017	12/31/2016
Financing commitments given		
Credit institutions	1,217	1,316
Customers	59,550	56,784
Guarantee commitments given		
Credit institutions	3,294	2,591
Customers	16,522	15,676
Provision for risks on commitments given	**136**	**133**

Source: Accounting - excluding repurchase agreements.

Page 144 (227 in English version):

Level 3 details	Opening	Purchases	Sales	Gains and losses recognized in profit	Other movements	Closing
- Equities and other variable-income securities - FVO	1,558	518	-307	182	853	2,804

Page 155 (238 in English version):

	Targobank in Germany	Cofidis
	Network bank	Consumer credit
Capital cost	9.00%	9.00%
Effect of 50 basis point increase in capital cost	-304	-213
Effect of 1% decrease in future cash flows	-46	-32

Page 147 (230 in English version):

Other sovereign risk exposures in the banking portfolio

Net exposure	Dec. 31, 2017		Dec. 31, 2016	
	Spain	**Italy**	**Spain**	**Italy**
Financial assets at fair value through profit or loss	42	98	35	353
Available-for-sale financial assets	282	647	389	965
TOTAL	**324**	**745**	**424**	**1,318**

Capital markets activities are shown at market value and other activities at par value. Outstandings are shown net of credit default swaps.

Residual contractual maturity	**Spain**	**Italy**	**Spain**	**Italy**
< 1 year	169	565	389	756
1 to 3 years	26	82		375
3 to 5 years	36	33	6	49
5 to 10 years	58	54		129
> 10 years	35	11	29	9
Total	**324**	**745**	**424**	**1,318**

Page 311 (429 in English version):

Summary	Carrying amount Dec. 31, 2017	Carrying amount Dec. 31, 2016
RMBS	3,002	2,797
CMBS	49	51
CLO	1,897	2,075
Other ABS	2,042	1,640
Sub-total	**6,990**	**6,564**
CLO hedged by CDS	0	5
Liquidity facilities for ABCP programs	185	185
TOTAL	**7,175**	**6,754**

Unless otherwise stated, securities are not covered by CDS.

7. Governance

7.1 BFCM – corporate governance report

<u>Composition of the management bodies as of June 30, 2018</u>

Board of Directors	Non-voting members
Nicolas Théry, Chairman	Jean-Louis Bazille
Jacques Humbert, Vice-Chairman	Yves Blanc
Jean-Louis Boisson	Michel Bokarius
Gérard Bontoux	Aimée Brutus
Hervé Brochard	Claude Courtois
Maurice Corgini	Roger Danguel
Gérard Cormorèche	Gérard Diacquenod
Jean-Louis Girodot	Marie-Hélène Dumont
Etienne Grad	Philippe Tuffreau
Daniel Leroyer, representing CFCM Maine-Anjou Basse-Normandie	Monique Groc
Damien Lievens	Robert Laval
Lucien Miara	Fernand Lutz
Gérard Oliger	Alain Pupel
Daniel Rocipon	Alain Tessier
Alain Têtedoie	Dominique Trinquet
Michel Vieux	

Executive Management

Daniel Baal, Chief Executive Officer and effective manager

Alexandre Saada, Deputy Chief Operating Officer and effective manager

Statutory Auditors

ERNST & YOUNG et Autres

PRICEWATERHOUSE COOPERS France

Conditions for preparing and organizing the board's work

The provisions of Article L. 225-37 of the French Commercial Code stipulate that the Board of Directors must submit a separate report on corporate governance to the shareholders' meeting referred to in Article L. 225-100, along with the management report referred to in that same article. However, the relevant information may be presented in a specific section of the management report.

This report presents the composition of the Board, the application of the principle of balanced representation of men and women on the Board and the conditions under which it prepares and organizes its work, as well as any limits placed on the powers of the Chief Executive Officer by the Board of Directors.

Preparation and organization of the Board's work

Composition of the Board

The workings of the Board of Directors are governed by Articles 14 through 18 of the bylaws, which do not contain any stipulations over and above the legal provisions.

Banque Fédérative du Crédit Mutuel (BFCM) complies with current corporate governance regulations. It does not adhere to the AFEP-MEDEF corporate governance code, a number of whose recommendations the Group finds unsuitable, given that 100% of its shares are held by entities of the Crédit Mutuel Group, including Caisse Fédérale de Crédit Mutuel, which holds 93% of the share capital and voting rights, and the Crédit Mutuel regional and local cooperative banks in the Crédit Mutuel CM11 scope, which hold 5.1% of the share capital and voting rights.

In determining the composition of the Board of Directors a number of guiding principles are applied.

1. Incompatibilities and prohibitions: at the time of his or her appointment each director signs a statement certifying that he or she is not subject to the banking bans set out in Article L. 500-1 of the French Monetary and Financial Code.

2. Age limit: the composition of the Board reflects a provision defined in the bylaws, whereby the number of directors over the age of 70 may not exceed one third of directors. For reasons of harmonization and consistency at group level, as from December 2018, the individual age limit is set at 70 for each director and at 75 for each non-voting director. Directors in office at that age will be required to retire at the shareholders' meeting following the relevant birthday.

3. Plurality of employment contracts: no director has a contract of employment with the company and its controlled subsidiaries (except for directors who represent employees, who are not affected by the rules concerning concurrent directorships and employment contracts).

4. Application of the principle of balanced representation of women and men on the Board of Directors: French law no. 2011-103 of January 27, 2011 (the "Copé – Zimmermann law") as amended in 2014 and in force as at January 1, 2017, applies to BFCM, which does not meet the thresholds requiring balanced representation of women and men on the Board of Directors.

5. Competencies and training of directors: BFCM attaches great importance to the competencies of its directors. A specific training module has been developed for directors at the initiative of the interfederal commission on elected member training in order to strengthen the knowledge and competencies of BFCM's directors and non-voting directors in light of the regulatory expertise required since the transposition in France of CRD IV.

Members of the regulatory committees also have access to specific training modules to strengthen the skills needed to perform the work of these committees.

6. Composition of the Board of Directors and independent directors: the joint guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) of September 26, 2017 on the assessment of the suitability of members of the management body and key function holders have now set 11 independence criteria applicable to all credit institutions within the European Union as of July 1, 2018. These orientations were translated on March 23, 2018 and published on June

5, 2018. The ACPR, the French Prudential Supervision and Resolution Authority, intends to partially comply with the orientations on evaluating aptitude of September 26, 2017. The ACPR intends to comply with the orientations, except the provisions for evaluation by the supervisory authority of the aptitude of those holding key positions for every appointment or renewal. The declaration of non-compliance applies to paragraphs 162 and 176 (transmission to the competent authority of results and documentation concerning the internal evaluation) and paragraphs 171 and 172 (evaluation of the aptitude of managers of internal control functions and of the financial director by the competent authority). This declaration does not call into question existing procedures, which will continue to apply to the evaluation of internal control managers for approval and in case of change of control.

Moreover, the ACPR intends to apply the orientations concerning the presence and definition of independent members, with two reservations concerning interpretation:

- the formal independence of the members of the management body and the members of the risk committee and of the appointments committee does not constitute an aptitude criteria under existing French law and regulations, which would be enforceable as part of the examination of an individual candidacy. In French law, implementation of the orientations shall therefore not lead to refusal of an individual candidacy for this sole reason of designation as “fit and proper.” In addition, aside from the specific case of the audit committees for the public interest entities, for which Article L. 823-19 of the French Commercial Code stipulates, in principle, the presence of an independent director by virtue of the transposition of Directive 2006/43/EC of the European Parliament and Council of May 17, 2006 concerning the statutory audits of annual and consolidated financial statements, the ACPR considers the presence of independent members on the supervisory bodies and other specialized committees as a best practice to be encouraged, and not as a legal or regulatory requirement.

- under law, not complying with one or more criteria listed in the orientations (paragraph 91) does not constitute a presumption of non independence of a member. Non-respect of these criteria does not exhaust the notion of independence. The analysis of this quality must also take other measures into account, notably those that are developed by the French establishments under existing laws and regulations, and which could serve to support the same objective of independence.

In application of paragraph 89b, orientations on the evaluation of aptitude, the ACPR also intends to not require the presence of independent members in the CRD institutions fully owned by a CRD institution, and in the CRD institutions of no significant importance, which are investment companies.

7. Stock listing and prevention of market abuse: BFCM shares are not listed.

8. Conflicts of interest of the members of the administrative, management and supervisory bodies: in accordance with the code of ethics and compliance in force within the Group, there are no potential conflicts of interest for the members of the Board of Directors and the Chief Executive Officer, between their obligations with regard to BFCM and their private interests.

The work of the Board in 2018

The Board of Directors meets at least three times a year in accordance with a pre-established calendar.

Each agenda item has a corresponding file or presentation depending on its scale to provide Board members with the necessary information. Detailed minutes are prepared, recording deliberations, resolutions and voting.

In 2018, as of June 30, the Board of Directors had met twice. The attendance rate was 70%.

The February 21, 2018 meeting of the Board focused primarily on reviewing and approving the financial statements and consolidated accounts, and on preparing for the Ordinary and Extraordinary Shareholders' Meeting that was held on May 4. The Board examined the financial statements for fiscal year 2017, heard the conclusions of the Statutory Auditors and took note of the control and monitoring activities. The Board noted the absence of regulated agreements. The Board approved the projected three-year results for the Crédit Mutuel CM11 Group. The Board examined the reports of the regulatory committees. It approved the risk appetite, examined the elements related to the process of evaluation of capital adequacy requirements (SREP), approved the corporate unit and sector limits at group level, and validated the sector policies and application grids. The Board approved the new limits to engagement in the local authorities market. The Board approved the bodies of rules for CM-CIC Marchés and Group Treasury, and renewed the authorization to issue EMTN for a new term of one year. The Board validated the Group's crisis prevention and business recovery plan. The Board also approved the Group compensation policy for the 2018 fiscal year, and the principle of appointing a cooperative auditor, with delegation of this role and of the assignment to monitor the cooperative audit to each Federation on behalf of their local savings banks.

The Board meeting of June 27, 2018 unanimously approved the protocol for convergence of Crédit Mutuel du Massif Central with Caisse Fédérale de Crédit Mutuel. This resolution was presented following preliminary approval by Confédération Nationale du Crédit Mutuel, the central body of the Crédit Mutuel Group, adopted on June 19, 2018. Definitive decisions on the convergence will be made by the competent bodies of Fédération du Crédit Mutuel Massif Central.

Operation of the Board.

Executive Management operating methods

In accordance with Article L.511-13 paragraph 2 of the French Monetary and Financial Code, banking regulations require that the roles of chairman of an institution's supervisory body and its effective manager be separated. At least two people are responsible for the effective management of an institution. Members of effective management have all the powers provided for by law and by banking and financial regulations, both internally and vis-à-vis third parties.

The members of executive management of BFCM are:

- Daniel Baal, Chief Executive Officer and effective manager,
- Alexandre Saada, Deputy Chief Operating Officer and effective manager,

The Board meetings of July 29, 2016 and April 6, 2017 did not set any limits on the powers of the two effective managers, as defined by law and by our bylaws and internal rules.

Offices and positions held by corporate officers as of June 30, 2018 under Article L.225-102-1 of the French Commercial Code

Nicolas Théry
Born on December 22, 1965 in Lille (59)
Work address:
Caisse Fédérale de Crédit Mutuel
4 rue Frédéric-Guillaume Raiffeisen - 67000
Strasbourg – France

Offices	**Position**	**Start of term of office**	**End of term of office**
Confédération Nationale du Crédit Mutuel	Chairman of the Board of Directors	3/21/2016	2024
Caisse Centrale du Crédit Mutuel	Chairman of the Board of Directors	3/21/2016	2022
Fédération Centre Est Europe	Chairman of the Board of Directors	1/18/2016	2020
Caisse Fédérale du Crédit Mutuel	Chairman of the Board of Directors	11/14/2014	2019
Banque Fédérative du Crédit Mutuel	Chairman of the Board of Directors	11/14/2014	2020
Crédit Industriel et Commercial	Chairman of the Board of Directors	12/11/2014	2019
Assurances du Crédit Mutuel Vie SA	Chairman of the Supervisory Board	10/14/2014	2023
Assurances du Crédit Mutuel Vie SAM	Chairman of the Supervisory Board	10/14/2014	2023
Assurances du Crédit Mutuel IARD	Chairman of the Supervisory Board	10/14/2014	2023
Groupe des Assurances du Crédit Mutuel (GACM)	Chairman of the Supervisory Board	7/27/2016	2021
Banque CIC Est	Chairman of the Board of Directors	9/13/2012	2019
Banque CIC Nord-Ouest	Chairman of the Board of Directors	5/12/2017	2021
Banque Européenne du Crédit Mutuel	Chairman of the Supervisory Board	11/14/2014	2019
Caisse de Crédit Mutuel Strasbourg Vosges	Member of the Board of Directors	3/5/2014	2019
Euro Information	Member of the Management Board, representing Fédération du Crédit Mutuel Centre Est Europe	5/7/2014	2020
ACM GIE	Member of the Board of Directors	6/30/2015	2021

Jean-Louis Boisson
Born on August 2, 1948 in Bourg en Bresse (01)
Work address:
Fédération du Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg – France

Offices	**Position**	**Start of term of office**	**End of term of office**
Union des Caisses de Crédit Mutuel du District de Bourgogne	Chairman	October 2014	2018
Caisse de Crédit Mutuel de Montbard Venarey	Chairman of the Board of Directors	3/20/1992	2020
Fédération du Crédit Mutuel Centre Est Europe	Vice-Chairman of the Board of Directors	1995	2018
Banque Européenne du Crédit Mutuel	Vice-Chairman of the Supervisory Board	5/7/2008	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	10/16/2002	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2006	2021
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	12/17/1999	2021
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2020
Targobank Spain	Member of the Board of Directors	6/23/2015	2021
Est Bourgogne Média	Member of the Board of Directors	9/17/2012	2024
Euro-Information Production	Member of the Supervisory Board	5/16/1991	2021
Assurance du Crédit Mutuel Vie SA	Permanent representative of Caisse Fédérale de Crédit Mutuel	6/30/2015	2023

Gérard Bontoux
Born on March 7, 1950 in Toulouse (31)
Work address:
Crédit Mutuel Midi Atlantique
10 rue de la Tuilerie – 31112 Balma cedex - France

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Midi-Atlantique	Chairman	10/25/1990	2020
Caisse Régionale du Crédit Mutuel Midi-Atlantique	Chairman	10/25/1990	2020
Caisse Fédérale de Crédit Mutuel	Vice-Chairman of the Board of Directors	4/6/2017	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	10/7/2015	2022
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/6/2009	2021
Caisse de Crédit Mutuel Toulouse Saint-Cyprien	Member of the Board of Directors	4/29/1996	2020
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	5/6/2009	2021
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CRCM Midi-Atlantique	5/13/2015	2021
Board of Directors of CIC Sud-Ouest	Permanent representative of Marsovalor	2/26/2009	2019

Hervé Brochard
Born on March 6, 1948 in Colmar (68)
Work address:
Fédération du Crédit Mutuel de Normandie
17 rue du 11 novembre – 14052 Caen cedex - France

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel de Normandie	Chairman of the Board of Directors	10/18/2010	2019
Créavenir Normandie	Chairman of the Board of Directors		
Caisse Régionale de Crédit Mutuel de Normandie	Chairman of the Board of Directors	10/18/2010	2019
Caisse de Crédit Mutuel de Caen Ecuyère	Chairman of the Board of Directors	10/22/2010	2019
Confédération Nationale du Crédit Mutuel	Non-voting director	3/21/2016	2020
Caisse Centrale du Crédit Mutuel	Non-voting director	3/21/2016	2020
Caisse Fédérale de Crédit Mutuel	Non-voting director	5/3/2017	2020
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/7/2013	2020
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	5/7/2013	2018
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CRCM de Normandie	5/13/2015	6 years 2021
Centre International du Crédit Mutuel - CICM	Permanent representative of Fédération du Crédit Mutuel de Normandie		2018
Association des Amis de Jean Bosco			
SCI rue des Dames			

Maurice Corgini
Born on September 27, 1942 in Baume-les-Dames (25)
Work address:
Fédération du Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg – France

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Franche-Comté Sud	Chairman of the Board of Directors	4/20/1995	2018
Caisse de Crédit Mutuel de Baume-Valdahon-Rougemont	Member of the Board of Directors	5/10/1981	2020
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	4/20/1995	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	6/22/1995	2021
Crédit Industriel et Commercial	Member of the Board of Directors	5/19/2011	2021
Cogit'Hommes Franche-Comté	Co-Managing Partner		

Gérard Cormorèche
Born on July 3, 1957 in the 6th arrondissement of Lyon (69)
Work address:
Crédit Mutuel du Sud-Est
8-10 rue Rhin et Danube – 69266 Lyon cedex 09 - France

Offices	**Position**	**Start of term of office**	**End of term of office**
Fédération du Crédit Mutuel du Sud Est	Chairman of the Board of Directors	4/27/1995	2019
Caisse de Crédit Mutuel du Sud Est	Chairman of the Board of Directors	4/27/1995	2019
Caisse Agricole Crédit Mutuel	Chairman of the Board of Directors	4/14/2004	2022
C.E.C.A.M.U.S.E.	Chairman of the Board of Directors	12/2/1991	2024
Caisse de Crédit Mutuel Neuville-sur-Saône	Chairman of the Board of Directors	4/15/1993	2021
Caisse Fédérale de Crédit Mutuel	Director	6/22/1995	2019
Confédération Nationale du Crédit Mutuel	Director	6/14/1995	2022
Caisse Centrale du Crédit Mutuel	Director	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Director	1995	2019
Fédération du Crédit Mutuel Agricole et Rural – FCMAR	Vice-Chairman	4/16/2004	2021
MTRL	Vice-Chairman	2007	2023
CIC	Non-voting director	7/28/2011	2023
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CCM Sud Est	5/11/2016	2022
SCEA Cormorèche Jean-Gérard	Managing Partner		
SARL Cormorèche	Managing Partner		
SCI Cormorèche	Managing Partner		
SCI Ravaille	Managing Partner		
Société des Agriculteurs de France	Director		

Jean-Louis Girodot
Born on February 10, 1944 in Saintes (17)
Work address:
Crédit Mutuel Ile-de-France
18 rue de la Rochefoucauld – 75439 Paris cedex 09 - France

Offices	Position	Start of term of office	End of term of office
Fédération des Caisses de Crédit Mutuel Ile-de-France	Chairman of the Board of Directors	1995	2018
Caisse Régionale du Crédit Mutuel Ile-de-France	Chairman of the Board of Directors	1995	2018
Caisse de Crédit Mutuel de Paris Montmartre Grands Boulevards	Chairman of the Board of Directors	10/7/1980	2019
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/7/2003	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/22/2008	2020
Centre International du Crédit Mutuel – CICM	Member of the Board of Directors	2000	2019
Euro-Information Production	Member of the Supervisory Board	5/14/1996	2022
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale de Crédit Mutuel Ile-de-France	5/11/2016	2022
Confédération Nationale du Crédit Mutuel	Non-voting director	3/21/2016	2024
Caisse Centrale du Crédit Mutuel	Non-voting director	3/21/2016	2024
Conseil Economique Social et Environnemental de la Région Ile-de-France (CESER IDF)	Chairman		
Association de moyens du groupe Audiens	Chairman		
Girodot Conseil	Managing Partner		
Chambre Régionale de l'Economie Sociale et Solidaire d'Ile-de-France (CRESS)	Vice-Chairman		
Coopérative d'Information et d'Edition Mutualiste	Vice-Chairman		
Mutuelle Audiens de la Presse, du Spectacle et de la Communication	Vice-Chairman		
AFDAS	Member of the Board of Directors		
WELCARE	Member of the Supervisory Board		
Commission Paritaire des Publications et Agences de Presse	Permanent representative of FNPS		
Fédération Nationale de la Presse Spécialisée (FNPS)	General Secretary		
Syndicat de la Presse magazine et spécialisée	General Secretary		

Etienne Grad
Born on December 26, 1952 in Illkirch (67)
Work address:
Fédération du Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg – France

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg	Chairman	2010	2018
Caisse de Crédit Mutuel Cours de l'Andlau	Chairman of the Board of Directors	5/15/1992	2019
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2010	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	10/17/2010	2019
SAS GRAD Etienne Conseil et Développement	Chairman		
SCI Lemilion	Managing Partner		

Jacques Humbert
Born on July 7, 1942 in Patay (45)
Work address:
Fédération du Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg – France

Offices	**Position**	**Start of term of office**	**End of term of office**
Union des Caisses de Crédit Mutuel du District de Mulhouse	Chairman	2002	2018
Banque Fédérative du Crédit Mutuel	Vice-Chairman of the Board of Directors	12/13/2002	2021
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2002	2018
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	12/13/2002	2021
Caisse de Crédit Mutuel la Doller	Member of the Board of Directors	1988	2020
DNA	Member of the Board of Directors	3/31/2014	2020
Société de publications l'Alsace	Member of the Board of Directors	6/21/2012	2024
Assurances du Crédit Mutuel Vie SA	Permanent representative of Fédération du Crédit Mutuel Centre Est Europe	11/27/2015	2021
Editions COPRUR	Member of the Supervisory Board	8/3/2008	2020
CIC	Non-voting director	2/23/2017	2020
Musique Municipale Masevaux	Chairman		
Groupement de l'Union des sociétés de musique Thur-Doller	Chairman		

Damien Liévens
Born on July 25, 1970 in Dreux (28)
Work address:
Crédit Mutuel du Centre
Place de l'Europe 105 rue du faubourg Madeleine – 45920 Orléans cedex 9 – France

Offices	**Position**	**Start of term of office**	**End of term of office**
Caisse de Crédit Mutuel Agricole du Centre	Chairman	11/25/2015	2018
Caisse de Crédit Mutuel de Brezolles	Vice-Chairman	5/3/2007	2019
Caisse Régionale de Crédit Mutuel du Centre	Member of the Board of Directors	5/16/2014	2019
Fédération Régionale des Caisses de Crédit Mutuel du Centre	Member of the Board of Directors	5/19/2015	2019
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	7/30/2015	2020
Caisse Agricole Crédit Mutuel	Member of the Board of Directors	11/25/2015	2022
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	05.2015	2024
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	5/10/2017	2024
Fédération du Crédit Mutuel Agricole et Rural	Member of the Board of Directors	05.2015	
Caisse Fédérale de Crédit Mutuel	Non-voting director	5/3/2017	2020
CIC	Non-voting director	7/3/2015	2021
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	7/30/2015	2020
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale de Crédit Mutuel du Centre	5/11/2011	2023
CENTREXPERT	Member of the Board of Directors		
SCEA LIEVENS	Managing Partner		

Lucien Miara
Born on January 17, 1949 in Casablanca (Morocco)
Work address:
Crédit Mutuel Méditerranéen
494 avenue du Prado BP115 – 13267 Marseille cedex 8 – France

Offices	**Position**	**Start of term of office**	**End of term of office**
Fédération du Crédit Mutuel Méditerranéen	Chairman	2014	2022
Caisse Régionale du Crédit Mutuel Méditerranéen	Chairman	2014	2022
CAMEFI MARSEILLE	Chairman	4/26/2016	5/31/2020
Caisse de Crédit Mutuel Marseille Prado	Chairman	5/17/2016	2020
Caisse de Crédit Mutuel Perpignan Kennedy	Member of the Board of Directors	11/24/2016	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	6/25/2014	2020
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/13/2015	2021
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/13/2015	2021
Centre International du Crédit Mutuel – CICM	Permanent representative of Fédération du Crédit Mutuel Méditerranée	12/18/2014	2019
Euro-Information Production	Member of the Supervisory Board	5/20/1997	2019
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale du Crédit Mutuel Méditerranée	5/11/2011	2023
Board of Directors Assurances du Crédit Mutuel VIE	Permanent representative of Caisse Régionale du Crédit Mutuel Méditerranée	5/11/2016	2022
Banque Marocaine du Commerce Extérieur	Permanent representative of Banque Fédérative du Crédit Mutuel	11/15/2017	End of BFCM term of office

Gérard Oliger
Born on July 7, 1951 in Bitche (57)
Work address:
Fédération du Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg – France

Offices	**Position**	**Start of term of office**	**End of term of office**
Union des Caisses de Crédit Mutuel du District de Sarreguemines	Chairman	2006	2018
Caisse de Crédit Mutuel Pays de Bitche	Chairman of the Board of Directors	3/26/1999	2018
Board of Directors of Assurances du Crédit Mutuel VIE	Permanent representative of Groupe des Assurances du Crédit Mutuel	5/11/2011	2023
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2006	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	12/15/2006	2020

Daniel Rocipon
Born on February 17, 1948 in Montchanin (28)
Work address:
Crédit Mutuel Savoie-Mont Blanc
99 avenue de Genève – 74054 Annecy cedex - France

Offices	**Position**	**Start of term of office**	**End of term of office**
Fédération du Crédit Mutuel Savoie-Mont Blanc	Chairman of the Board of Directors	12/2/2015	2019
Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	Chairman of the Board of Directors	12/2/2015	2019
Caisse de Crédit Mutuel d'Albertville	Chairman of the Board of Directors	4/22/2011	2021
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	2/26/2016	2021
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	2/25/2016	2021
Centre International du Crédit Mutuel	Member of the Board of Directors		2018
Board of Directors of ACM VIE S.A.M.	Permanent representative of Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	5/7/2014	2020
Les 3 D	Managing Partner - Shareholder		

Alain Têtedoie
Born on May 16, 1964 in Loroux Bottereau (44)
Work address:
Crédit Mutuel de Loire Atlantique et du Centre Ouest
10 rue de Rieux - 44040 Nantes cedex 1 - France

Offices	**Position**	**Start of term of office**	**End of term of office**
Fédération du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	Chairman of the Board of Directors	2009	2020
Caisse Régionale du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	Chairman of the Board of Directors	2009	2020
Cémavie	Chairman of the Board of Directors		
Caisse de Crédit Mutuel de Loire-Divatte	Member of the Board of Directors	5/9/2006	2018
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2022
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/10/2007	2018
CM-CIC Services	Chairman of the Supervisory Board	5/7/2008	2018
CM-CIC Immobilier	Chairman of the Supervisory Board	2/1/2013	2019
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	5/11/2011	2020
Investlaco as Chairman	Permanent representative of Fédération du Crédit Mutuel LACO		
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale de Crédit Mutuel LACO	5/13/2015	2021
SCI Champ de Mars 2015	Permanent representative of Caisse Régionale de Crédit Mutuel LACO	9/26/2006	2018
Banque CIC-Ouest on the Board of Directors	Permanent representative of EFSA		
Caisse Fédérale de Crédit Mutuel	Non-voting director	5/3/2017	2020
Thalie Holding	Chairman		
La Fraiseraie	Representative of Thalie Holding		
SCEA La Fraiseraie	Representative of Thalie Holding		
GFA LA FRAISERAIE	Managing Partner		
SCI Profruit	Managing Partner		
SCI Syalie	Co-Managing Partner		
SCI Alvie	Co-Managing Partner		

Executive Management

Daniel Baal
Born on December 27, 1957 in Strasbourg (67)
Work address:
Banque Fédérative du Crédit Mutuel
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg – France

Offices	**Position**	**Start of term of office**	**End of term of office**
Fédération Centre Est Europe	Chief Executive Officer	6/1/2017	2021
Caisse Fédérale de Crédit Mutuel	Chief Executive Officer	6/1/2017	2020
Banque Fédérative du Crédit Mutuel	Chief Executive Officer	6/1/2017	2020
Crédit Industriel et Commercial	Chief Executive Officer	6/1/2017	2023
Cofidis	Chairman of the Supervisory Board	5/12/2017	2021
Cofidis Participations	Chairman of the Supervisory Board	5/12/2017	2021
Euro-Information Production	Chairman of the Supervisory Board	3/23/2017	2020
Targo Deutschland GmbH	Vice-Chairman of the Supervisory Board:	3/29 & 30/2017	2022
Targobank AG	Vice-Chairman of the Supervisory Board:	3/29 & 30/2017	2022
GACM	Member of the Executive Board	5/3/2017	2021
Banque de Luxembourg	Vice-Chairman of the supervisory body	3/28/2017	2023

Alexandre Saada
Born on September 5, 1965 in Boulogne-Billancourt (92)
Work address:
Banque Fédérative du Crédit Mutuel
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg – France

Offices	**Position**	**Start of term of office**	**End of term of office**
Banque Fédérative du Crédit Mutuel	Deputy Chief Operating Officer	6/1/2017	2020
Crédit Mutuel-CIC Home Loan SFH	Chairman of the Board of Directors	5/3/2017	2018
CIC Ouest	Chairman of the Board of Directors	4/26/2018	2021
Opuntia (Luxe TV)	Permanent representative of BFCM (director)	1/2/2018	No fixed maturity

7.2 Caisse Fédérale de Crédit Mutuel – corporate governance report

Composition of the management bodies as of June 30, 2018

Board of Directors	Non-voting members
Nicolas Théry, Chairman	Bernard Basse
Jean-Paul Adenot	Jean-Louis Bazille
Jean-Louis Boisson	Bernard Boccard
Gérard Bontoux	Hervé Brochard
Gérard Cormorèche	Bernard Dubuis
Chantal Dubois	Marie-Hélène Dumont
Charles Gerber	Philippe Gallienne
André Gerwig	Jean-François Jouffray
Audrey Hammerer	Damien Lievens
Jacques Humbert	Gérard Lindacher
Christine Leenders	Jean-Paul Panzani
Mireille Lefébure	Marc Prigent
Elia Martins	Denis Schitz
Lucien Miara	Alain Tessier
Laurence Miras	Alain Têtedoie
Marie-Josée Neyer	Philippe Truffreau
Daniel Rocipon	Didier Vieilly
Agnès Rouxel	Michel Vieux
François Troillard	
Annie Virot	

Executive Management

Daniel Baal, Chief Executive Officer and effective manager

Eric Petitgand, Deputy Chief Operating Officer and effective manager

Frantz Rublé, Deputy Chief Operating Officer

Statutory Auditors

ERNST & YOUNG et Autres

KPMG Audit

Conditions for preparing and organizing the board's work

The provisions of Article L. 225-37 of the French Commercial Code stipulate that the Board of Directors must submit a separate report on corporate governance to the shareholders' meeting referred to in Article L. 225-100, along with the management report referred to in that same article. However, the relevant information may be presented in a specific section of the management report.

This report presents the composition of the Board, the application of the principle of balanced representation of men and women on the Board and the conditions under which it prepares and organizes its work, as well as any limits placed on the powers of the Chief Executive Officer by the Board of Directors.

Preparation and organization of the Board's work

Composition of the Board

The workings of the Board of Directors are governed by Articles 14 through 18 of the bylaws, which do not contain any stipulations over and above the legal provisions.

Caisse Fédérale de Crédit Mutuel (CFdeCM) complies with current corporate governance regulations. It does not adhere to the AFEP-MEDEF corporate governance code, a number of whose recommendations the Group finds unsuitable, given that 100% of its shares are held by entities of the Crédit Mutuel Group, including the Crédit Mutuel regional and local cooperative banks in the Crédit Mutuel CM11 scope, which hold 88.3% of the share capital (directly and indirectly) and 99.9% of the voting rights.

In determining the composition of the Board of Directors a number of guiding principles are applied.

1. Incompatibilities and prohibitions: at the time of his or her appointment each director signs a statement certifying that he or she is not subject to the banking bans set out in Article L. 500-1 of the French Monetary and Financial Code.

2. Age limit: the composition of the Board reflects a provision defined in the bylaws, whereby the number of directors over the age of 70 may not exceed one third of directors. For reasons of harmonization and consistency at group level, as from December 2018, the individual age limit is set at 70 for each director and at 75 for each non-voting director. Directors in office at that age will be required to retire at the shareholders' meeting following the relevant birthday.

3. Plurality of employment contracts: no director has a contract of employment with the company and its controlled subsidiaries (except for directors who represent employees, who are not affected by the rules concerning concurrent directorships and employment contracts).

4. Application of the principle of balanced representation of women and men on the Board of Directors: French law no. 2011-103 of January 27, 2011 (the "Copé – Zimmermann law") as amended in 2014 and in force as at January 1, 2017, applies to CFdeCM and is implemented with eight female and ten male directors on the Board of Directors. The Board may also factor in the participation of one female and one male employee director.

5. Competencies and training of directors: CFdeCM attaches great importance to the competencies of its directors. A specific training module has been developed for directors at the initiative of the interfederal commission on elected member training in order to strengthen the knowledge and competencies of CFdeCM's directors and non-voting directors in light of the regulatory expertise required since the transposition in France of CRD IV.

Members of the regulatory committees also have access to specific training modules to strengthen the skills needed to perform the work of these committees.

6. Composition of the Board of Directors and independent directors: the joint guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) of September 26, 2017 on the assessment of the suitability of members of the management body and key function holders have now set 11 independence criteria applicable to all credit institutions within the European

Union as of July 1, 2018. These orientations were translated on March 23, 2018 and published on June 5, 2018. The ACPR, the French Prudential Supervision and Resolution Authority, intends to partially comply with the orientations on evaluating aptitude of September 26, 2017. The ACPR intends to comply with the orientations, except the provisions for evaluation by the supervisory authority of the aptitude of those holding key positions for every appointment or renewal. The declaration of non-compliance applies to paragraphs 162 and 176 (transmission to the competent authority of results and documentation concerning the internal evaluation) and paragraphs 171 and 172 (evaluation of the aptitude of managers of internal control functions and of the financial director by the competent authority). This declaration does not call into question existing procedures, which will continue to apply to the evaluation of internal control managers for approval and in case of change of control.

Moreover, the ACPR intends to apply the orientations concerning the presence and definition of independent members, with two reservations concerning interpretation:

- the formal independence of the members of the management body and the members of the risk committee and of the appointments committee does not constitute an aptitude criteria under existing French law and regulations, which would be enforceable as part of the examination of an individual candidacy. In French law, implementation of the orientations shall therefore not lead to refusal of an individual candidacy for this sole reason of designation as “fit and proper.” In addition, aside from the specific case of the audit committees for the public interest entities, for which Article L. 823-19 of the French Commercial Code stipulates, in principle, the presence of an independent director by virtue of the transposition of Directive 2006/43/EC of the European Parliament and Council of May 17, 2006 concerning the statutory audits of annual and consolidated financial statements, the ACPR considers the presence of independent members on the supervisory bodies and other specialized committees as a best practice to be encouraged, and not as a legal or regulatory requirement.

- under law, not complying with one or more criteria listed in the orientations (paragraph 91) does not constitute a presumption of non independence of a member. Non-respect of these criteria does not exhaust the notion of independence. The analysis of this quality must also take other measures into account, notably those that are developed by the French institutions under existing laws and regulations, and which could serve to support the same objective of independence.

In application of paragraph 89b, orientations on the evaluation of aptitude, the ACPR also intends to not require the presence of independent members in the CRD institutions fully owned by a CRD institution, and in the CRD institutions of no significant importance, which are investment companies.

7. Stock listing and prevention of market abuse: CFdeCM shares are not listed.

8. Conflicts of interest of the members of the administrative, management and supervisory bodies: in accordance with the code of ethics and compliance in force within the Group, there are no potential conflicts of interest for the members of the Board of Directors and the Chief Executive Officer, between their obligations with regard to CFdeCM and their private interests.

The work of the Board in 2018

The Board of Directors meets at least three times a year in accordance with a pre-established calendar.

Each agenda item has a corresponding file or presentation depending on its scale to provide Board members with the necessary information. Detailed minutes are prepared, recording deliberations, resolutions and voting.

In 2018, as of June 30, The Board of Directors had met twice. The attendance rate varied between 76% and 82% (averaging 79%).

The February 21, 2018 meeting of the Board focused primarily on reviewing and approving the company and consolidated financial statements, and on preparing for the Ordinary and Extraordinary Shareholders' Meeting that was held on May 4. The Board examined the financial statements for fiscal year 2017, heard the conclusions of the Statutory Auditors and took note of the control and monitoring activities. The Board examined and authorized the continuation of the regulated agreements. The Board examined the reports of the regulatory committees. It approved the corporate unit and sector limits at the group level, and validated the sector policies and application grids. The Board approved the new limits to engagement in the local authorities market. The Board approved the bodies of rules for CM-CIC Marchés and Group Treasury, and renewed the authorization to issue EMTN for a new term of one year.

Operation of the Board.

In accordance with Article L.511-13 paragraph 2 of the French Monetary and Financial Code, banking regulations require that the roles of chairman of an institution's supervisory body and its effective manager be separated. At least two people are responsible for the effective management of an institution. Members of effective management have all the powers provided for by law and by banking and financial regulations, both internally and vis-à-vis third parties.

The members of executive management of CFdeCM are:

Daniel Baal, Chief Executive Officer and effective manager,

Eric Petitgand, Deputy Chief Operating Officer and effective manager,

Frantz Rublé, Deputy Chief Operating Officer.

The Board meetings of April 6, 2017 and February 21, 2018 did not set any limits on the powers of the two effective managers, as defined by law and by our bylaws and internal rules.

Offices and positions held by corporate officers as of June 30, 2018 under Article L.225-102-1 of the French Commercial Code

Nicolas Théry
Born on December 22, 1965 in Lille (59)
Work address:
Caisse Fédérale de Crédit Mutuel
4 rue Frédéric-Guillaume Raiffeisen - 67000
Strasbourg - France

Offices	Position	Start of term of office	End of term of office
Confédération Nationale du Crédit Mutuel	Chairman of the Board of Directors	3/21/2016	2024
Caisse Centrale du Crédit Mutuel	Chairman of the Board of Directors	3/21/2016	2022
Fédération Centre Est Europe	Chairman of the Board of Directors	1/18/2016	2020
Caisse Fédérale du Crédit Mutuel	Chairman of the Board of Directors	11/14/2014	2019
Banque Fédérative du Crédit Mutuel	Chairman of the Board of Directors	11/14/2014	2020
Crédit Industriel et Commercial	Chairman of the Board of Directors	12/11/2014	2019
Assurances du Crédit Mutuel Vie SA	Chairman of the Supervisory Board	10/14/2014	2023
Assurances du Crédit Mutuel Vie SAM	Chairman of the Supervisory Board	10/14/2014	2023
Assurances du Crédit Mutuel IARD	Chairman of the Supervisory Board	10/14/2014	2023
Groupe des Assurances du Crédit Mutuel (GACM)	Chairman of the Supervisory Board	7/27/2016	2021
Banque CIC Est	Chairman of the Board of Directors	9/13/2012	2019
Banque CIC Nord-Ouest	Chairman of the Board of Directors	5/12/2017	2021
Banque Européenne du Crédit Mutuel	Chairman of the Supervisory Board	11/14/2014	2019
Caisse de Crédit Mutuel Strasbourg Vosges	Member of the Board of Directors	3/5/2014	2019
Euro Information	Member of the Management Board, representing Fédération du Crédit Mutuel Centre Est Europe	5/7/2014	2020
ACM GIE	Member of the Board of Directors	6/30/2015	2021

Jean-Paul Adenot
Born on November 15, 1948 in La Petite Raon (88)
Work address:
Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg - France

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District des Vosges	Chairman	2010	2018
Caisse de Crédit Mutuel CME 88	Chairman of the Board of Directors	5/1/2004	2020
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2010	2018
Caisse Fédérale du Crédit Mutuel	Member of the Board of Directors	5/11/2011	2021
Assurances du Crédit Mutuel Vie SA	Permanent representative of Banque Fédérative du Crédit Mutuel	6/30/2015	2023
SCI Les Hauts de Chantraine	Managing Partner		

Jean-Louis Boisson
Born on August 2, 1948 in Bourg en Bresse (01)
Work address:
Fédération du Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg - France

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Bourgogne	Chairman	October 2014	2018
Caisse de Crédit Mutuel de Montbard Venarey	Chairman of the Board of Directors	3/20/1992	2020
Fédération du Crédit Mutuel Centre Est Europe	Vice-Chairman of the Board of Directors	1995	2018
Banque Européenne du Crédit Mutuel	Vice-Chairman of the Supervisory Board	5/7/2008	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	10/16/2002	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2006	2021
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	12/17/1999	2021
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2020
Targobank Spain	Member of the Board of Directors	6/23/2015	2021
Est Bourgogne Média	Member of the Board of Directors	9/17/2012	2024
Euro-Information Production	Member of the Supervisory Board	5/16/1991	2021
Assurance du Crédit Mutuel Vie SA	Permanent representative of Caisse Fédérale de Crédit Mutuel	6/30/2015	2023

Gérard Bontoux
Born on March 7, 1950 in Toulouse (31)
Work address:
Crédit Mutuel Midi Atlantique
10 rue de la Tuilerie – 31112 Balma cedex - France

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Midi-Atlantique	Chairman	10/25/1990	2020
Caisse Régionale du Crédit Mutuel Midi-Atlantique	Chairman	10/25/1990	2020
Caisse Fédérale de Crédit Mutuel	Vice-Chairman of the Board of Directors	4/6/2017	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	10/7/2015	2022
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/6/2009	2021
Caisse de Crédit Mutuel Toulouse Saint-Cyprien	Member of the Board of Directors	4/29/1996	2020
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	5/6/2009	2021
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CRCM Midi-Atlantique	5/13/2015	2021
Board of Directors of CIC Sud-Ouest	Permanent representative of Marsovalor	2/26/2009	2019

Gérard Cormorèche
Born on July 3, 1957 in the 6th arrondissement of Lyon (69)
Work address:
Crédit Mutuel du Sud-Est
8-10 rue Rhin et Danube – 69266 Lyon cedex 09 - France

Offices	**Position**	**Start of term of office**	**End of term of office**
Fédération du Crédit Mutuel du Sud Est	Chairman of the Board of Directors	4/27/1995	2019
Caisse de Crédit Mutuel du Sud Est	Chairman of the Board of Directors	4/27/1995	2019
Caisse Agricole Crédit Mutuel	Chairman of the Board of Directors	4/14/2004	2022
C.E.C.A.M.U.S.E.	Chairman of the Board of Directors	12/2/1991	2024
Caisse de Crédit Mutuel de Neuville-sur-Saône	Chairman of the Board of Directors	4/15/1993	2021
Caisse Fédérale de Crédit Mutuel	Director	6/22/1995	2019
Confédération Nationale du Crédit Mutuel	Director	6/14/1995	2022
Caisse Centrale du Crédit Mutuel	Director	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Director	1995	2019
Fédération du Crédit Mutuel Agricole et Rural – FCMAR	Vice-Chairman	4/16/2004	2021
MTRL	Vice-Chairman	2007	2023
CIC	Non-voting director	7/28/2011	2023
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CCM Sud Est	5/11/2016	2022
SCEA Cormorèche Jean-Gérard	Managing Partner		
SARL Cormorèche	Managing Partner		
SCI Cormorèche	Managing Partner		
SCI Ravaille	Managing Partner		
Société des Agriculteurs de France	Director		

Marie-Chantal Dubois-Thuillier
Born on October 8, 1952 in Périgueux (24)
Work address:
Crédit Mutuel de Loire Atlantique et du Centre Ouest
10 rue de Rieux - 44040 Nantes cedex 1 - France

Offices	**Position**	**Start of term of office**	**End of term of office**
Caisse de Crédit Mutuel de Limoges Centre	Vice-Chairman of the Board of Directors	1985	2019
Caisse Régionale du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	Member of the Board of Directors	2010	2020
Fédération du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	Member of the Board of Directors	2010	2020
The Crédit Mutuel de Loire-Atlantique et du Centre Ouest Foundation	Chairman	2013	2019
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020
DOM'AULIM ESH	Permanent representative of Caisse Régionale du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	10/23/2012	

Charles Gerber
Born on June 3, 1954 in Pfetterhouse (68)
Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg - France

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel d'Altkirch Saint-Louis	Chairman	1999	2018
Caisse de Crédit Mutuel de La Largue	Chairman of the Board of Directors	4/20/2012	2021
Fédération du Crédit Mutuel Centre Est Europe	Director	1999	2018
Caisse Fédérale de Crédit Mutuel	Director	12/19/1999	2021

André Gerwig
Born on April 23, 1939 in Mathay (25)
Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg - France

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Belfort	Chairman	1988	2018
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	9/29/1992	2019
Caisse de Crédit Mutuel Mandeure-Valentigney	Member of the Board of Directors	4/10/2002	2021
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	1988	2018
Targo Deutschland Gmbh	Member of the Supervisory Board	12/8/2008	2022
Targobank AG	Member of the Board of Directors	12/8/2008	2022
Editions Coprur	Member of the Board of Directors	7/9/2007	2019
Centre International du Crédit Mutuel – CICM	Permanent representative of Fédération du Crédit Mutuel Centre Est Europe	10/9/2012	2020
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Fédérale de Crédit Mutuel	5/7/2013	2019

Elia Martins
Born on June 4, 1970 Alcochete (Portugal)
Work address:
Crédit Mutuel Ile-de-France
18 rue de la Rochefoucauld – 75439 Paris cedex 09 - France

Offices	Position	Start of term of office	End of term of office
Fédération des Caisses de Crédit Mutuel Ile-de-France	Member of the Board of Directors	4/27/2017	2020
Caisse Régionale du Crédit Mutuel Ile-de-France	Member of the Board of Directors	4/27/2017	2020
Caisse de Crédit Mutuel de Paris 8	Member of the Board of Directors	4/17/2013	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/4/2018	2021
Association générale des Familles du 8e	Member		

Audrey Hammerer
Born on January 8, 1978 in Mulhouse (68)
Work address: Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg
- France

Offices	Position	Start ofterm of office	End of term of office
Caisse Fédérale de Crédit Mutuel	Employee representative member of the Board of Directors	7/29/2016	2019

Jacques Humbert
Born on July 7, 1942 in Patay (45)
Work address: Fédération du Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg – France

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Mulhouse	Chairman	2002	2018
Banque Fédérative du Crédit Mutuel	Vice-Chairman of the Board of Directors	12/13/2002	2021
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2002	2018
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	12/13/2002	2021
Caisse de Crédit Mutuel la Doller	Member of the Board of Directors	1988	2020
DNA	Member of the Board of Directors	3/31/2014	2020
Société de publications l'Alsace	Member of the Board of Directors	6/21/2012	2024
Assurances du Crédit Mutuel Vie SA	Permanent representative of Fédération du Crédit Mutuel Centre Est Europe	11/27/2015	2021
Editions COPRUR	Member of the Supervisory Board	8/3/2008	2020
CIC	Non-voting director	2/23/2017	2020
Musique Municipale Masevaux	Chairman		
Groupement de l'Union des sociétés de musique Thur-Doller	Chairman		

Christine Leenders
Born on February 21, 1956 in Le Bourg Saint Léonard (61)
Work address:
Crédit Mutuel Anjou
1 place Molière
BP 10648
49006 Angers Cedex 01 - France

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel de Durtal-Seiches sur le Loir	Chairman of the Board of Directors	4/2/2003	2019
Caisse de Crédit Mutuel Agricole et Rural de l'Anjou	Member of the Board of Directors	11/28/2006	2021
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020
Fédération du Crédit Mutuel Anjou	Member of the Board of Directors	2010	2020
Caisse Régionale du Crédit Mutuel Anjou	Member of the Board of Directors	9/26/2010	2019
Les Landes	Managing Partner		
GFR GONDLEEN	Co-Managing Partner		
SCI GOIREL	Co-Managing Partner		
Le Pied à l'Etrier	Chairman		
Ecurie Le Mors aux Dents	Chairman		

Mireille Lefébure
Born on October 27, 1952 in Couture d'Argenson (79)
Work address:
Crédit Mutuel du Centre
Place de l'Europe 105 rue du faubourg Madeleine – 45920
Orléans cedex 9 - France

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel Tours Halles	Chairman of the Board of Directors	4/3/2014	2019
Fédération du Crédit Mutuel du Centre	Member of the Board of Directors	5/7/2017	2021
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020
ESCEMAGE Association	Treasurer		

Lucien Miara
Born on January 17, 1949 in Casablanca (Morocco)
Work address:
Crédit Mutuel Méditerranéen
494 avenue du Prado BP115 – 13267 Marseille cedex 8 – France

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Méditerranéen	Chairman	2014	2022
Caisse Régionale du Crédit Mutuel Méditerranéen	Chairman	2014	2022
CAMEFI MARSEILLE	Chairman	4/26/2016	5/31/2020
Caisse de Crédit Mutuel Marseille Prado	Chairman	5/17/2016	2020
Caisse de Crédit Mutuel Perpignan Kennedy	Member of the Board of Directors	11/24/2016	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	6/25/2014	2020
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/13/2015	2021
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/13/2015	2021
Centre International du Crédit Mutuel – CICM	Permanent representative of Fédération du Crédit Mutuel Méditerranée	12/18/2014	2019
Euro-Information Production	Member of the Supervisory Board	5/20/1997	2019
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale du Crédit Mutuel Méditerranée	5/11/2011	2023
Board of Directors Assurances du Crédit Mutuel VIE	Permanent representative of Caisse Régionale du Crédit Mutuel Méditerranée	5/11/2016	2022
Banque Marocaine du Commerce Extérieur	Permanent representative of Banque Fédérative du Crédit Mutuel	11/15/2017	End of BFCM term of office

Laurence Miras
Born on April 4, 1965 in Marseille (13)
Work address:
Crédit Mutuel Dauphiné-Vivarais
130-132 avenue Victor Hugo – 26009 Valence cedex - France

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel Agriculture de Valréas	Chairman of the Board of Directors	3/29/2014	2021
Fédération du Crédit Mutuel Dauphiné-Vivarais	Member of the Board of Directors	2015	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020
SCI LM	Shareholder - Managing Partner		
SCI L'OCCIMORON	Managing Partner		

Marie-Josée Neyer
Born on March 4, 1949 in Mulhouse (68)
Work address:
Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg – France

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel de Forbach et Environs	Chairman of the Board of Directors	3/17/2004	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020

Daniel Rocipon
Born on February 17, 1948 in Montchanin (28)
Work address:
Crédit Mutuel Savoie-Mont Blanc
99 avenue de Genève – 74054 Annecy cedex - France

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Savoie-Mont Blanc	Chairman of the Board of Directors	12/2/2015	2019
Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	Chairman of the Board of Directors	12/2/2015	2019
Caisse de Crédit Mutuel d'Albertville	Chairman of the Board of Directors	4/22/2011	2021
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	2/26/2016	2021
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	2/25/2016	2021
Centre International du Crédit Mutuel	Member of the Board of Directors		2018
Board of Directors of ACM VIE S.A.M.	Permanent representative of Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	5/7/2014	2020
Les 3 D	Managing Partner - Shareholder		

Agnès Rouxel
Born on April 20, 1958 in Le Havre (76)
Work address:
Fédération du Crédit Mutuel de Normandie
17 rue du 11 novembre – 14052 Caen cedex - France

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel Le Havre Océane	Chairman of the Board of Directors	4/3/2014	2018
Caisse Régionale de Crédit Mutuel de Normandie	Member of the Board of Directors	5/18/2017	2023
Caisse Fédérale de Crédit Mutuel	Managing Partner	5/3/2017	2020
JP2A	Managing Partner		
Genèse	Managing Partner		
SCI Les Béliers	Managing Partner		
SCI Les 4 couleurs	Shareholder - Managing Partner		
Chamber of Commerce and Industry of Seine Estuaire	Full member and Chairman of the Elected Officials Commission		
Conseil Européen des Entreprises et Commerce – Conseil du commerce de France	Member of the Board		
MEDEF Seine Estuaire	Member of the Board of Directors		

François Troillard
Born on September 16, 1958 in Paris (14ème)
Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg - France

Offices	Position	Start of term of office	End of term of office
Caisse Fédérale de Crédit Mutuel	Employee representative member of the Board of Directors	July 2016	2019

Annie Virot
Born on March 6, 1955 in Lavannes (51)
Crédit Mutuel Centre Est Europe
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg - France

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel de Dijon Darcy	Chairman of the Board of Directors	3/16/2017	2019
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020

Executive Management

Daniel Baal
Born on December 27, 1957 in Strasbourg (67)
Work address:
Banque Fédérative du Crédit Mutuel
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg - France

Offices	Position	Start of term of office	End of term of office
Fédération Centre Est Europe	Chief Executive Officer	6/1/2017	2021
Caisse Fédérale de Crédit Mutuel	Chief Executive Officer	6/1/2017	2020
Banque Fédérative du Crédit Mutuel	Chief Executive Officer	6/1/2017	2020
Crédit Industriel et Commercial	Chief Executive Officer	6/1/2017	2023
Cofidis	Chairman of the Supervisory Board	5/12/2017	2021
Cofidis Participations	Chairman of the Supervisory Board	5/12/2017	2021
Euro-Information Production	Chairman of the Supervisory Board	3/23/2017	2020
Targo Deutschland GmbH	Vice-Chairman of the Supervisory Board:	3/29 & 30/2017	2022
Targobank AG	Vice-Chairman of the Supervisory Board:	3/29 & 30/2017	2022
GACM	Member of the Executive Board	5/3/2017	2021
Banque de Luxembourg	Vice-Chairman of the supervisory body	3/28/2017	2023

Eric Petitgand
Born on February 4, 1964 in Meulan (78)
Address: Caisse Fédérale de Crédit Mutuel
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg - France

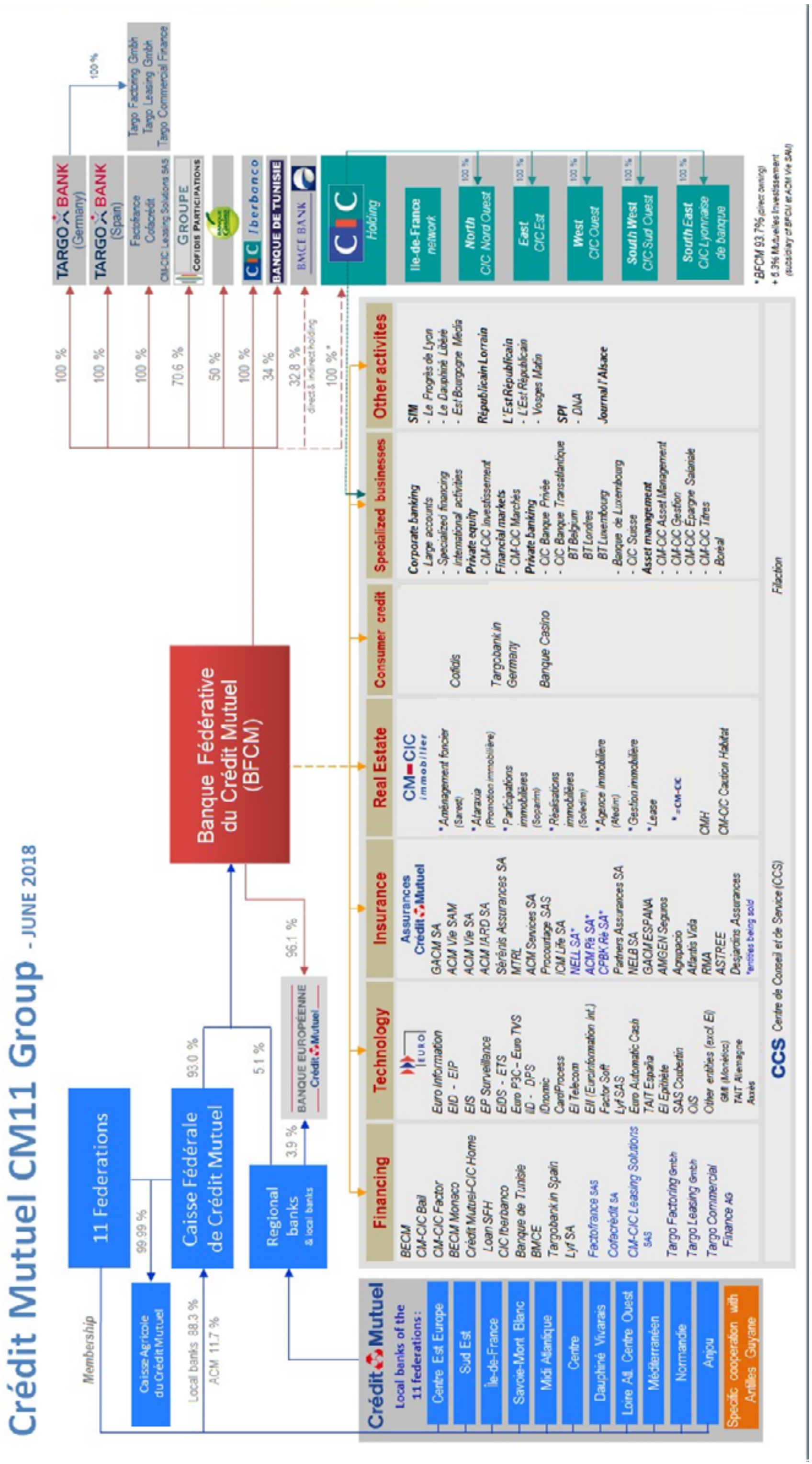
Offices	Position	Start of term of office	End of term of office
Caisse Fédérale de Crédit Mutuel	Deputy Chief Operating Officer Executive Director	7/29/2016	No fixed maturity
Fédération du Crédit Mutuel Centre Est Europe	Deputy Chief Operating Officer	7/29/2016	No fixed maturity
Fédération du Crédit Mutuel Antilles Guyane	Chief Executive Officer and effective manager	10/24/2017	No fixed maturity
Fédération du Crédit Mutuel Antilles Guyane	Chief Executive Officer and effective manager	10/24/2017	No fixed maturity
Monetico International	Vice-Chairman	4/4/2013	2019
LYF	Member of the Board of Directors	7/27/2017	2019
GIE CM-CIC Services	Member of the Supervisory Board	12/9/2016	2022
Euro Information	Permanent representative of BFCM	5/3/2006	2024
GACM	Permanent representative of BFCM	8/1/2016	2021
Bischenberg	Permanent representative of BFCM	4/5/2005	No fixed maturity
Euro-Information Telecom	Member of the Management Committee	6/19/2017	No fixed maturity

Frantz Rublé
Born on April 26, 1956 in Saverne (67)
Address: Caisse Fédérale de Crédit Mutuel
4 rue Frédéric-Guillaume Raiffeisen - 67000 Strasbourg - France

Offices	Position	Start of term of office	End of term of office
Euro-Information Production – CM-CIC IT group	Director	5/16/2001	No fixed maturity
Lyf	Chief Executive Officer	1/8/2014	2019
International Information Developments	Chief Executive Officer	2/6/2004	
Caisse Fédérale de Crédit Mutuel	Deputy Chief Operating Officer	6/1/2017	No fixed maturity
Euro.P3C	Chief Operating Officer	6/27/2016	2022
Euro-Information	Chairman of the Management Board	4/2/2001	2020
Euro-Information Développement	Chairman of the Management Board	4/2/2001	2020
EuroInformation International	Chairman of the Board of Directors	6/29/2011	2021
Lyf SAS	Chairman of the Board of Directors	5/4/2015	2019
CM-CIC Centre de Services et de Traitement - CST	Member of the Management Committee	3/19/2010	2022
Offres Innovantes de Services (OIDS)	Member of the Management Board	12/30/2016	2020
Banque du Groupe Casino	Member of the Board of Directors	7/7/2011	2023
Monetico International	Member of the Board of Directors	4/4/2013	2019
Targo Deutschland GmbH	Member of the Supervisory Board	12/8/2008	2022
Targobank AG	Member of the Supervisory Board	12/8/2008	2022
CM-CIC Services	Member of the Supervisory Board	5/7/2008	2020
Eurafric Information	Member of the Supervisory Board	2008	
Chairman of Euro-Information Telecom	Permanent representative of Euro-Information	5/13/2008	No fixed maturity
Chairman of Euro Automatic Cash	Permanent representative of Euro-Information	1/31/2014	
Chairman and member of the Management Board of SAS Coubertin	Permanent representative of Euro-Information	12/21/2016	6 years 2021
Board of Directors of Keynectis	Permanent representative of Euro-Information	2004	
Management Board of EI Epithète	Permanent representative of Euro-Information	1/16/2017	2023
Management Board of Euro-Information Direct Services	Permanent representative of Euro-Information	10/20/1997	2020
Management Board of Euro-Information Services	Permanent representative of Euro-Information	5/20/2000	2020
Management Board of Euro-Protection Surveillance	Permanent representative of Euro-Information	2001	2020
Management Board of Euro Télé Services	Permanent representative of Euro-Information	12/12/2003	
Management Board of Euro TVS - Traitement Valeurs Services	Permanent representative of Euro-Information	At least 1994	2020
Management Board of Euro-Information Telecom	Permanent representative of Euro-Information	5/16/2006	No fixed maturity
Management Board of Euro-Information Personnalisation Chèques Cartes et Composantes	Permanent representative of Euro-Information	12/2/2003	2021
Board of Directors of ACM VIE	Permanent representative of ADEPI SAS	3/15/2016	

8. Information regarding the Crédit Mutuel CM11 Group and BFCM – Recent events and outlook

8.1 Presentation of the Group



New developments since December 31, 2017.

1) Following approval by the competent supervisory authorities and in particular the ACPR in a decision published in the *Journal Officiel* (France's State Bulletin) dated **June 27, 2018**, the merger-absorption of Nord Europe Assurance (NEA) and its subsidiaries by Groupe des Assurances du Crédit Mutuel (GACM) took effect retroactively to January 1, 2018.

   Three entering companies were merged as follows:

   - NEA merger / absorption with GACM SA
   - ACM Nord Vie SA merger / absorption with ACM Vie SA
   - ACM Nord Iard SA merger / absorption with ACM Iard SA

   The companies CPBK Ré and Nord Europe Life Luxembourg (NELL) entered into the GACM sub-scope as companies held for disposal.

2) On **June 27, 2018**, Factofrance SAS became the sole shareholder of Cofacrédit SA following the acquisition of the minority share (36%) owned by COFACE. The Crédit Mutuel CM11 Group has thus completed the integration of the factoring and leasing businesses acquired from General Electric in 2016. Cofacrédit is the only French factor 100% specialized in the export market.

8.2 Distribution of BFCM's capital as of June 30, 2018

Shareholders	% held	number of shares	nominal amount held (€)
Caisse Fédérale de Crédit Mutuel	92.98%	31,401,572	1,570,078,600
CRCM Midi Atlantique	0.07%	24,484	1,224,200
CCM Sud Est (formerly CFCM)	0.18%	61,535	3,076,750
CRCM Savoie Mont-Blanc	0.00%	20	1,000
CRCM Méditerranéen	0.22%	74,540	3,727,000
Fédération du Crédit Mutuel Centre Est Europe	0.00%	81	4,050
CRCM Loire Atlantique Centre Ouest	2.20%	741,959	37,097,950
CRCM Ile de France	0.43%	146,411	7,320,550
CRCM de Normandie	0.37%	123,786	6,189,300
CRCM du Centre	0.91%	308,716	15,435,800
CRCM Dauphiné Vivarais	0.01%	2,470	123,500
Private individuals	0.00%	42	2,100
CRCM Anjou	0.52%	175,991	8,799,550
CFCM Maine Anjou Basse-Normandie	1.36%	459,722	22,986,100
CFCM Océan	0.51%	172,116	8,605,800
CFCM Nord Europe	0.00%	1	50
CFCM Antilles Guyane	0.01%	3,111	155,550
CCM Anjou	0.00%	400	20,000
CCM Centre Est Europe	0.17%	59,066	2,953,300
CCM Centre	0.00%	1,040	52,000
CCM Dauphiné Vivarais	0.00%	551	27,550
CCM Ile de France	0.01%	1,890	94,500
CCM Loire Atlantique Centre Ouest	0.00%	1,470	73,500
CCM Méditerranéen	0.00%	1,360	68,000
CCM Midi Atlantique	0.00%	1,172	58,600
CCM Normandie	0.00%	890	44,500
CCM Savoie Mont-Blanc	0.00%	490	24,500
CCM Sud Est	0.02%	5,704	285,200
	100.00%	33,770,590	1,688,529,500

CRCM: Caisse Régionale de Crédit Mutuel / CCM: Caisses de Crédit Mutuel / CFCM: Caisse Fédérale de Crédit Mutuel

Changes in the distribution of capital stock during the half-year period:

CRCM Anjou sold 10 BFCM shares to a local bank.

CRCM de Normandie sold 20 BFCM shares to two local banks.

CRCM Méditerranéen sold 20 BFCM shares to two local banks.

CRCM Loire Atlantique Centre Ouest acquired 10 BFCM shares from a local bank.

8.3 Main risks and uncertainties for the second half of 2018

The main risks and uncertainties related to the macroeconomic environment are presented on page 8 in the section entitled "2018 outlook".

8.4 Recent events specific to the Crédit Mutuel CM11 Group and BFCM that have a material impact on the assessment of its solvency

No material event affecting the Group's financial or commercial situation has occurred since the December 31, 2017 and June 30, 2018 closings, for which verified financial statements have been published, that would affect the solvency of the Crédit Mutuel CM11 Group and BFCM.

9. Documents available to the public – Person responsible for the information

Documents available to the public

During the period of validity of the registration document, the following documents (or copies thereof) may be consulted:

By accessing BFCM’s website (corporate site)

http://www.bfcm.creditmutuel.fr

- Historical financial information on BFCM and the Crédit Mutuel CM11 Group for each of the two fiscal years preceding publication of the Registration Document.
- The 2017 Registration Document and those of the two previous fiscal years.

In document form

- The issuer's articles of incorporation and bylaws.
- All reports, mail and other documents, historical financial information, assessments and declarations compiled by an expert at the issuer's request, a part of which is included or referred to in the registration document.
- Historical financial information on BFCM's subsidiaries for each of the two fiscal years preceding publication of the registration document.

By mailing a written request to:

Banque Fédérative du Crédit Mutuel
Département Juridique
4, rue Frédéric-Guillaume Raiffeisen
67913 STRASBOURG Cedex 9, France

Persons responsible for the information

Mr. Alexandre Saada
Deputy Chief Operating Officer of BFCM
Email: alexandre.saada@creditmutuel.fr

Ms. Annie Gain
Chief Financial Officer of Crédit Mutuel CM11 Group
E-mail: annie.gain@creditmutuel.fr

Statutory auditors

Mr. Hassan Baaj represents **Ernst & Young et Autres**.

Mr. Jacques Lévi represents **PricewaterhouseCoopers France**.

10. Certification statement by the person responsible for updating the Registration Document and for the interim financial report

Mr. Daniel Baal, Chief Executive Officer of Caisse Fédérale de Crédit Mutuel.

Having taken all reasonable measures, I hereby certify that the information contained in this update to the Registration Document is, to the best of my knowledge, accurate and does not contain any omissions that could alter its impact.

I certify that, to the best of my knowledge, the condensed consolidated interim financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets and liabilities, financial position and results of the company and of all the companies included in the consolidation scope, and that the interim management report provides a true and fair view of the significant events that occurred during the first six months of the year, their impact on the financial statements, the main related party transactions and a description of the main risks and uncertainties for the remaining six months of the year.

I obtained an assignment completion letter from the statutory auditors, Ernst & Young et Autres and PricewaterhouseCoopers France, in which they state that they have verified the information regarding the financial position and the financial statements provided in this update and have read the entire updated Registration Document.

Executed in Strasbourg, August 7, 2018

11. Cross-reference table

Registration Document cross-reference table Draft chapters of Annex XI of European Regulation No. 809/2004	2017 Registration Document filed on April 20, 2018 under number D.18-0354	Update filed on August 7, 2018 under number D.18-0354-A01
Chapter I - Persons responsible		
1.1 Person responsible for the Registration Document	442	179
1.2 Declaration of person responsible	442	181
Chapter II - Statutory auditors		
2.1 Statutory auditors	442	179
2.2 Resignation and non-renewal	-	-
Chapter III - Risk factors		
3.1 Risks affecting the issuer	83-91	-
Chapter IV - Information about the issuer		
4.1 History and development of the company	26-28	-
4.1.1 Issuer's corporate name and trading name	436	-
4.1.2 Issuer's place of incorporation and registration number	436	-
4.1.3 Issuer's date of incorporation and term	436	-
4.1.4 Registered office, legal form, legislation governing the issuer's activities, country of origin, telephone number of issuer's registered office	436	-
4.1.5 Recent events specific to the issuer that have a material impact on the assessment of its solvency	437	178
Chapter V - Business overview		
5.1 Principal activities		
5.1.1 Principal activities	15	13
5.1.2 New products and/or activities	14	-
5.1.3 Principal markets	14	-
5.1.4 Basis for any statements in the Registration Document made by the issuer regarding its competitive position	14	-
Chapter VI - Organizational structure		
6.1 Description of the company and of the Group	10-12	175
6.2 Dependence of the issuer on other Group entities.	418	-
Chapter VII - Trend information		
7.1 Statement regarding the Crédit Mutuel CM11 Group's outlook	257	178
7.2 Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's outlook for at least the current fiscal year	257	178
Chapter VIII - Profit forecasts or estimates	438	-
Chapter IX - Administrative, management and supervisory bodies		
9.1 Names and functions of the members of administrative bodies, BFCM management and significant main activities exercised outside of management	40-48	153-160
9.2 Conflicts of interest of the members of the administrative, management and supervisory bodies	33	151 153

Chapter X - Major shareholders		
10.1 Indications as to whether BFCM is owned and directly or indirectly controlled by the Crédit Mutuel CM11 Group and description of the nature of such control.	418	-
10.2 Knowledge by BFCM of an agreement likely to result in a change in control	418	-
Chapter XI - Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
11.1 Historical financial information	338-339	179
11.2 Financial statements	112-169 274-331 340-365	33-90 93-144
11.3.1 Statutory Auditors' report on historical financial information	170-171 332-335 366-368	91-92 145-146
11.3.2 Other information verified by the Statutory Auditors	411-414 434-435	-
11.3.3 Financial information contained in the Registration Document which is not taken from the issuer's audited financial statements	411-414	-
11.4 Date of the most recent financial information	437	5
11.5 Interim information	437	-
11.5.1 Interim financial information	437	5-31
11.6 Legal and arbitration proceedings	438	-
11.7 Material changes in the issuer's financial position	437	-
Chapter XII - Material contracts	438	-
Chapter XIII - Third-party information and statements by experts and declarations of any interest	438	-
Chapter XIV - Documents available to the public		
14.1 Documents available to the public	442	179
14.2 Person responsible for the information	442	181

Banque Fédérative du Crédit Mutuel – *Société Anonyme* (French Limited Company) with share capital of €1,688,529,500

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Telegraphic address: CREDITMUT – Telex: CREMU X 880034 F – Fax: +33 (0)3 88 14 67 00

SWIFT address: CMCIFRPA – Trade and Companies Register Strasbourg B 355 801 929 – ORIAS No. 07 031 238

Intra-community VAT number: FR 48 355 801 929