UNIVERSAL REGISTRATION DOCUMENT 2019

INTERIM FINANCIAL REPORT
JUNE 2019

CRÉDIT MUTUEL ALLIANCE FÉDÉRALE

Crédit Mutuel
Alliance Fédérale

BANQUE FÉDÉRATIVE
Crédit Mutuel

Contents

2019 UNIVERSAL REGISTRATION DOCUMENT

Including the interim financial report

This universal registration document was filed on August 7, 2019, with the AMF, as the competent authority under Regulation (EU) 2017/1129, without prior approval, in accordance with Article 9 of the regulation.
The universal registration document can be used for the purposes of a public offering of securities or for the admission of securities to trading on a regulated market if it is supplemented by a note on the securities and, where relevant, a summary and all amendments to the universal registration document are included. These are approved by the AMF in accordance with Regulation (EU) 2017/1129.

Preamble

In application of Article 212-11 of the General Regulation of *Autorité des marchés financiers* (AMF - French Financial Markets Authority), the 2018 single registration document of Crédit Mutuel Alliance Fédérale (BFCM), filed with the AMF on April 18, 2019 under number D.19-0359, is included by reference to this universal registration document.

The document is available on the websites of the AMF (www.amf-france.org) and of the issuer (www.bfcm.creditmutuel.fr).

The universal registration document was filed with the AMF, as the competent authority under Regulation (EU) 2017/1129, without prior approval, in accordance with Article 9 of the regulation.

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1. Interim financial report at June 30, 2019

1.1 Economic environment over the 1st half-year of 2019

1st half-year 2019: lingering uncertainties

The persistence of political and geopolitical risks on a global scale and the fears over their impact on growth prospects blew hot and cold on financial markets throughout the first half-year. While business activity was resilient at the start of the year, driven by hopes of a Chinese-American trade deal before the breakdown of negotiations in May, it is showing increasing signs of weakness. In the context of heightened uncertainties, central banks have clearly softened their position and are now preparing to lower interest rates should such a move prove necessary. Overall, central banks are helping to steer arbitrage on financial markets, upward on risky assets and downward on sovereign spreads.

In the euro zone, growth was better than expected from the start of the year, but prospects remain downgraded due to the persistence of risk factors (Brexit, protectionism). On the one hand, the Chinese slowdown and the trade war continue to weigh on European industry, which is highly dependent on foreign trade (particularly in Germany and Italy). On the other, consumption is struggling to make headway while households, worried about their future, are saving a part of their gains in purchasing power (wage acceleration, low inflation). At the political level, the Eurosceptic crash may have been avoided during European elections, but the furthering of European integration seems to be compromised and this is keeping the euro from rebounding against the dollar. Importantly, the ballot box has rearranged the pieces on Europe's political chessboard. In Italy, the Liga has come out on top by a considerable margin, changing the balance of the coalition. The budget question was still an issue while Rome faced the threat of legal proceedings from Brussels for an excessive budget deficit, but the move was scrapped in early July. In Germany, the coalition parties in power lost further ground, which has undermined Angela Merkel. Political uncertainties, worries about the growth cycle, and the absence of inflationary pressures led the ECB to be increasingly cautious throughout the first half-year. Even more accommodating rhetoric was used during the June 6th meeting, while the institution launched new TLTROs (Targeted long-term refinancing operations) and reminded us of all the tools at its disposal (lowering of interest rates or purchasing assets) to support inflation and business activity. The ECB has said that it is ready to use them should the outlook start to rapidly deteriorate, and this has driven the downward trend in interest rates with German and French 10-year rates sinking to historic lows.

In France, growth has proven more resilient than expected (an annual rate stable at +1.2% in Q1-2019 and Q4-2018). Despite the difficult environment (social movements, automotive industry, Brexit, protectionism which since the start of the year has weighed on business investment, activity has looked brighter on account of domestic demand. The latter is benefiting from support measures for purchasing power, announced at the end of 2018 by Emmanuel Macron, from wage acceleration and from the low inflation rate. The government has also taken up reforms (unemployment insurance, retirement pensions) in order to identify cost savings and compensate for future tax cuts for households in 2020.

In the United Kingdom, twists and turns surrounding Brexit have continued over the last few months with (1) the inability of the British Parliament to find common ground to approve an exit strategy; 2) the government setback in European elections with the rise of the Brexit Party; (3) the resignation of Theresa May on June 7th, and (4) the role of favorite Boris Johnson in becoming the next Prime Minister, the results of which will be known on July 23. This increases the likelihood of a no-deal Brexit by October 31st, and the lack of visibility continues to weigh on business across the Channel and on the pound sterling.

The United States continues to set itself apart from the rest of the world with growth that has once again proven to be very vigorous since the start of the year (+3.2% year-on-year in Q1-2019 vs. +3% in Q4-2018), thanks to sustained domestic demand related to a very tight job market and wage acceleration, a fact that has allowed Donald Trump to pursue trade and geopolitical wars (Iran, North Korea, Mexico).

While hopes for an agreement with China had fed optimism on financial markets, the breakdown in negotiations in May followed by an increase in tariffs (from 10 to 25% on $200 billion of products imported from China), as well as new tensions with Mexico, has heightened concerns about the growth cycle. The trade war is starting to reflect in the latest business indicators (ISM Manufacturing, confidence, job creation), which contributed to the truce agreed between Washington and Beijing at the G20 Summit on June 28th. Faced with a deterioration in the economic environment and with low inflation, the Fed has demonstrated greater caution since the start of the year. It implemented a major shift in monetary policy on June 19th by adjusting its message in order to prepare investors for a reduction in interest rates, prompting a sharp decline in American interest rates and, by arbitration, in world rates.

In China, the economic slowdown has intensified due to a policy of debt relief and the trade war. However, it did not prevent the government from breaking off negotiations with the United States at the start of May, considering that the agreement was too lopsided after having made multiple concessions to the Americans (an increase in imports, intellectual property law…). The resurgence of tensions hurt growth even more, compelling authorities to remain steady in support of the economy with the implementation of stimulus measures on three fronts: monetary (lowering interest rates, promoting credit), fiscal (lowering business and household taxes) and budgetary (spending on infrastructure).

Other emerging countries are confronted with the Chinese slowdown, and some with domestic risks (Argentina, Turkey), which are hampering their own growth. While currencies have stabilized overall since the start of the year, emerging countries continue to suffer from the consequences of a sharp decline in their rates of inflation, which began in 2018. However, the more accommodating tone of the Fed has left the central banks in emerging countries greater room for maneuver in order to reduce their interest rates (Argentina, Russia, India), and this will support growth during the coming quarters.

The rise in the price of oil observed since the start of the year has sharply accelerated following the decision by the American administration on April 22nd to discontinue exemptions on imports of Iranian oil for countries that enjoyed this benefit since the fall. The situation was compounded by the geopolitical tensions in the Middle East, leading to a sharp rebound in the price of Brent crude, over $74 a barrel. Since then, prices have fluctuated, geared to declarations by D. Trump in relation to Iran, the inability of OPEC and Russia to agree on a date for their next summit, and worries over world demand, sufficiently acute to bring the price of Brent crude back down to under $65 a barrel.

Prospects for 2019:

Political uncertainties and protectionist fears will continue to weigh on the world economy over the course of the second half-year, virtually extinguishing any hope of a rebound in growth in H2-2019. This pressure on business activity should prompt China and the United States to find a compromise before the end of the year, opening the path to an improved economic outlook for 2020. This is even more important for Donald Trump, because he will need the most positive track record possible to be re-elected in 2020. In Europe, the United Kingdom's departure from the European Union will take place without a deal. However, governments and businesses will have enough time to prepare for this and try to reduce the impact on growth. In this turbulent phase, central banks will monitor growth closely, particularly because low inflation remains a concern. They will not hesitate to lower interest rates, which will help to sustain an environment of extremely low interest rates worldwide.

Several elements may, however, jeopardize our scenario:

- upward, with a quicker resolution of the conflict between China and the United States or an agreement to avoid a no-deal Brexit, which would clear the way to a quicker rebound in growth. This would incite central bankers not to relax monetary policy and as such would contribute to a rise in sovereign interest rates;

- downward, due to an escalation of protectionism worldwide, triggering a sudden break in the growth cycle or to a surge in the price of oil caused by intensification of the conflict between the United States and Iran.

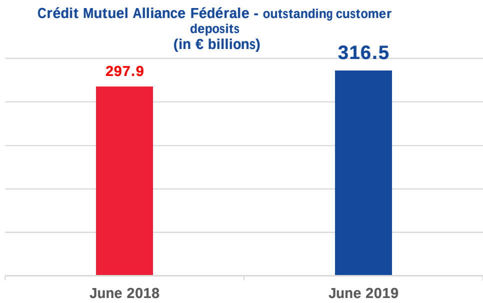
1.2 Credit Mutuel Alliance Fédérale and BFCM Group activity and results

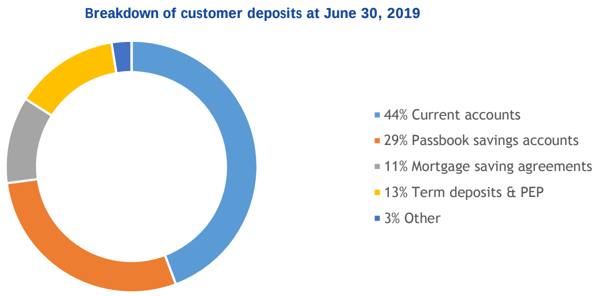
Activity

After developing its banking, insurance and services business lines in 2018, the Group pursued sustained commercial activity during the first half of 2019 for the benefit of its 25.4 million customer-members.

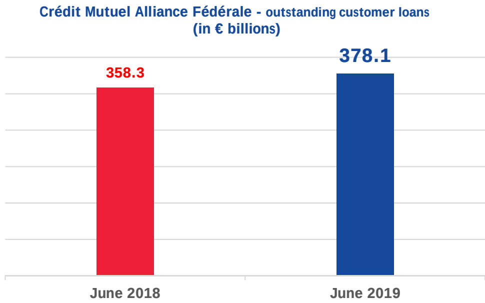
- **The bank**

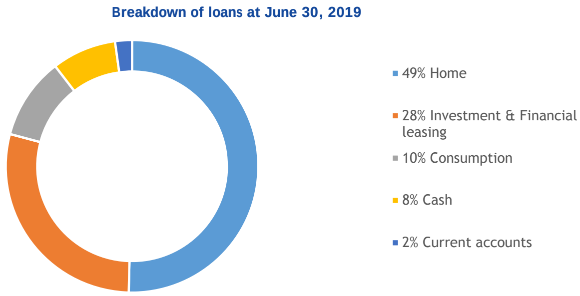
Customer deposits reached €316.5 billion, up substantially by 6.3% supported by demand deposits whose outstandings increased by 11.2% year-over-year, and by passbook accounts which accounted for outstandings of nearly €90.6 billion, up 6.3% compared to the first half of 2018.





Outstanding **loans** grew by 5.5% (€378.1 billion at the end of June 2019) thanks to home loans (up 7.4% to €185.9 billion), the main reason for customer loyalty, and to investment and finance leasing loans (up 10.7%) and consumer loans (up 7.8%).





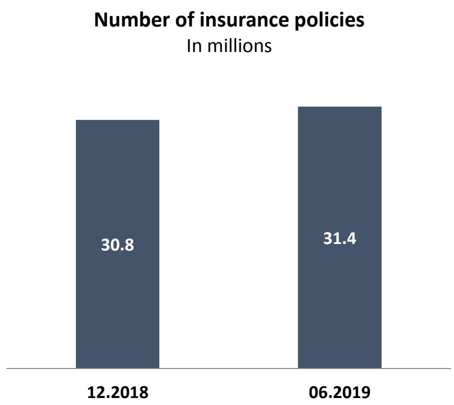
- **Insurance**

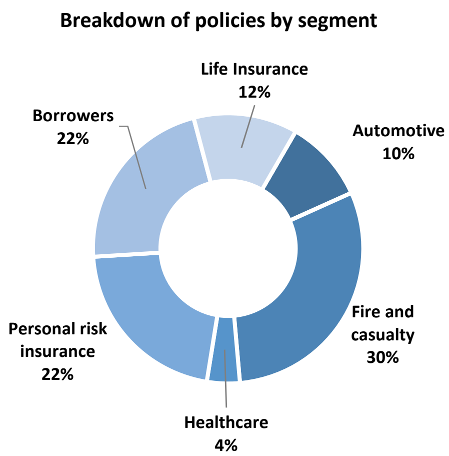
The growth of the distribution networks continued to be strong in the first half of 2019. Insurance revenue grew by 3.5% to €6.3 billion.

Property insurance revenue increased by 5.5%, i.e. at a pace nearly two times greater than the market (up 3.0% at the end of May 2019). It was driven by the ongoing growth of portfolios, notably of automotive, comprehensive home and multi-risk professional policies.

Life and investment life insurance gross premium income increased by 2.4% to reach €3.6 billion in an environment of historically low interest rates. However, the significant drop in the financial markets at the end of 2018 dampened savers' appetite for unit-linked products at the start of the year. Their share of gross GACM premium income was 21.2%, down compared to the first half of 2018 (30.8%). This was, nevertheless, in line with the market place (23.5% at the end of May 2019).

Personal insurance was also a significant source of development and growth. As a result, thanks to the new health and personal risk insurance products sold in 2018, business grew by 4.8%.





- **Services**

In addition to bank and insurance activities, the positive sales performance was also apparent in the diversity of services distributed by the Group's networks.

Euro Information Telecom, which provides mobile telephony services, now has a portfolio with over 1.9 million customers. Euro Information Telecom is pursuing a generous data policy to boost its offerings and continues to develop the market for professionals and its wholesale offer for operators.

This development strategy is bearing fruit given that the total mobile user base has increased by 100,000 lines since the beginning of the year.

Euro Information Telecom has also launched a very high-speed fixed Internet product. The launch was very successful.

Euro Protection Surveillance, which sells remote surveillance solutions, is the leading operator in the remote surveillance field in France with 490,906 contracts (+6.4% compared with June 30, 2018) and approximately 31% market share in residential installations.

With respect to new real estate sales, **CM-CIC Agence Immobilière** booked orders for 4,395 homes in the first half of 2019. A significant share of nearly 40% of the bookings also resulted in the sale of a management mandate (ZenInvest).

Profit/loss of Crédit Mutuel Alliance Fédérale

After spending six months implementing its 2019-2023 strategic plan, Crédit Mutuel Alliance Fédérale recorded net half-year income of €1.6 billion, up 5.2% year-over-year. Its revenue also grew strongly (6.4%) to reach net banking income of €7,537 million.

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**7,537**	**7,083**	**+6.4%**
General operating expenses	(4,567)	(4,424)	+3.3%
Gross operating profit / (loss)	**2,970**	**2,659**	**+11.7%**
Cost of risk	(462)	(349)	+32.5%
Operating income	**2,507**	**2,310**	**+8.5%**
Net gains and losses on other assets and ECC (1)	21	68	-69.6%
Profit / (loss) before tax	**2,528**	**2,378**	**+6.3%**
Income tax	(899)	(830)	+8.3%
Net profit / (loss)	**1,629**	**1,549**	**+5.2%**
Non-controlling interests	169	154	+9.9%
Net profit / (loss) attributable to the group	**1,460**	**1,395**	**+4.6%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

Net banking income (NBI)

Crédit Mutuel Alliance Fédérale's net banking income was €7,537 million, up 6.4% compared with the first half of 2018. It reflects the strong activity of the operational business lines.

Net banking income from the operational business lines

(in € millions)	1st half-year 2019	1st half-year 2018	Change	
			in %	in € millions
Retail banking	**5,265**	**5,162**	**+2.0%**	**+103**
Insurance	**1,096**	**989**	**+10.9%**	**+108**
Specialized business lines	**831**	**811**	**+2.4%**	**+20**
Private banking	273	250	+9.3% *	+23
Corporate banking	188	186	+1.2%	+2
Capital Markets	194	154	+25.8%	+40
Private Equity	176	221	-20.6%	(46)
IT, logistics and press	**873**	**814**	**+7.2%**	**+59**

** +0.2% at comparable scope (see below "Methodology notes" paragraph).*

Despite the persistent effects of low interest rates on revenues, net banking income from retail banking grew by 2% year-over-year to €5,265 million. It accounted for 65% of the net banking income from the operational business lines.

Insurance, which accounts for 14%, saw its revenue grow substantially by nearly 11% to €1,096 million.

Private banking net banking income rose by 9.3% over a year to reach €273 million. At comparable scope the growth would be 0.2%.

The decline in net banking income from the private equity business was the result of a base effect: the first half of 2018 recorded exceptional gains from a particularly significant disposal.

The capital markets business, which remained very limited for Crédit Mutuel Alliance Fédérale, performed well following the difficult environment at the end of 2018. Its net banking income increased by nearly 26% to €194 million.

Gross operating profit/(loss)

Operating expenses were €4,567 million. They were up by 3.3% compared to the first half of 2018 due to the growth in business, the acceleration of the Group's digital transformation as part of its 2019-2023 strategic plan and the increase in the contribution to the Single Resolution Fund.

Excluding the impact of the contributions to the Single Resolution Fund (SRF), which increased by €17 million to €155.2 million, and following neutralization of the entry into the scope of the Banque de Luxembourg Investments, the general operating expenses increased by 2.8% well below the increase in revenue (6.4%).

The cost/income ratio was 60.6%, improving by 1.9 points year-over-year.

At €2,970 million, gross operating income was up by 11.7% thanks to the healthy growth in net banking income compared to general operating expenses.

Cost of risk

The cost of risk increased significantly by €113 million due primarily to a provision on a corporate default.

The loan quality indicators continued to improve: the rate of non-performing loans stood at 3.03% at the end of June 2019 (i.e. a decline of 0.11 points compared with the end of June 2018) and the coverage ratio was virtually stable at 69.9%. The cost of customer risk compared to outstandings was 24 bp as of June 30, 2019 compared to 22 bp on December 31, 2018.

Other elements of the income statement

Share in the net income of equity consolidated companies: this item decreased from €59 million in the first half of 2018 to €19 million in the first half of 2019. This was due to the departure of Banque Marocaine du Commerce Extérieur (BMCE Bank of Africa) from the scope of consolidation on 12/31/2018. Its shares were reclassified as short-term investment securities.

Gains or losses on other assets: this item recognized income of €2 million, down compared to the first half of 2018 which had recorded a non-recurring item.

Changes in the value of goodwill: None.

Profit/(loss) before tax

The profit before tax was up by 6.3% year-over-year at €2,528 million in the first half of 2019.

The income tax increased by 8.3% to €899 million, taking into account an expected tax rate of 34.43%.

Net profit/(loss)

The net profit was up by 5.2% to €1,629 million. This reflects the strong sales momentum of Crédit Mutuel Alliance Fédérale's business lines and its operational efficiency.

Results by activity

Description of areas of activity

RETAIL BANKING: this business line consists of the Crédit Mutuel branches of the 11 federations, the CIC network, Banque Européenne du Crédit Mutuel, CIC Iberbanco, the Targobank branches in Germany and Spain, the Cofidis Participations Group, Banque Casino and all of the specialized business lines including those for which products are sold via the networks: equipment leasing and lease purchasing, real estate leasing, factoring, asset management, employee savings and real estate sales and management.

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

CORPORATE BANKING: corporate banking provides services to large corporate and institutional customers, based on a comprehensive approach to their requirements both in France and at CIC's foreign subsidiaries (New York, London, Singapore and Hong Kong). It also relies on the action of the "corporate" networks for their large customers, and contributes to the development of international business and to the implementation of specialized financing.

CAPITAL MARKETS: Crédit Mutuel Alliance Fédérale's capital markets business activities are recognized on CIC's balance sheet. It includes the interest rates investment business, shares and loans and the commercial business (CM-CIC Market Solutions) in France and in the branches in New York and Singapore.

PRIVATE BANKING: the companies composing the business line operate in France through CIC Banque Transatlantique and abroad through the intermediary of the subsidiaries and branches: Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, Banque Transatlantique Belgium, Banque Transatlantique Londres. They have expertise in financial management and wealth organization and provide services to the families of entrepreneurs and private investors.

PRIVATE EQUITY: this business line is exercised by CM-CIC Investissement which, based in Paris, has branches in Lyon, Nantes, Lille, Bordeaux and Strasbourg, thus ensuring proximity with customers, while addressing a gradual international development phase. It brings together the businesses of equity investment, mergers/acquisitions consulting and financial and stock-market engineering.

IT, LOGISTICS and PRESS: this division combines organizations with a logistics function: 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 business.

HOLDING: this division consists of the custodian and central treasury/refinancing activities of the Group as well as all the businesses not allocated to another activity.

- ***Retail banking***

Retail banking is by far the most important activity of Crédit Mutuel Alliance Fédérale. As of June 30, 2019, 65% of its net banking income came from the retail banking business line.

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**5,265**	**5,162**	**+2.0%**
General operating expenses	(3,386)	(3,309)	+2.3%
Gross operating profit / (loss)	**1,879**	**1,853**	**+1.4%**
Cost of risk	(391)	(369)	+6.2%
Operating income	**1,487**	**1,484**	**+0.2%**
Net gains and losses on other assets and ECC (1)	3	4	-19.0%
Profit / (loss) before tax	**1,490**	**1,488**	**+0.2%**
Income tax	(551)	(524)	+5.3%
Net profit / (loss)	**939**	**964**	**-2.6%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

The business activity of the retail banking network is sustained thanks to strong commercial momentum and cross-selling extended to new products and services to adapt both to customer needs and the continuing low interest rates.

At €5,265 million, net banking income from retail banking and insurance increased by 2% compared with the first half of 2018. The increase resulted from the rise in the interest margin (up €101 million). Commissions were consistent (+0.4%, i.e. €9 million) and other NBI items decreased by €6 million.

The increase in general operating expenses (+2.3%) was in line with revenue at €3,386 million.

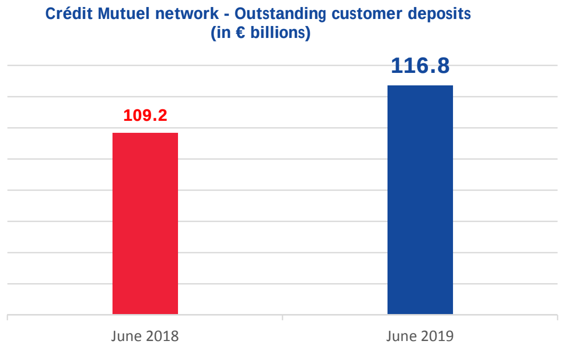
The cost of risk was €391 million, up €22 million due to the impact of realized risk (provision on a file). The cost of unrealized risk was down compared with the first half of 2018.

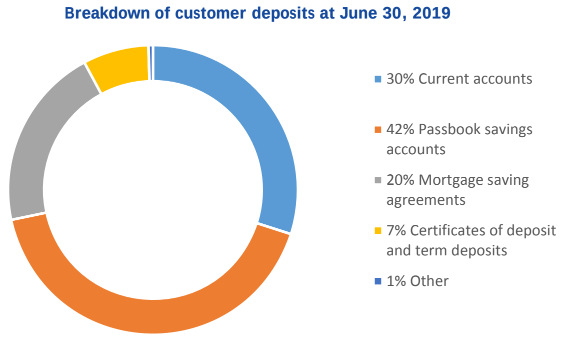
The net profit reached €939 million, versus €964 million in the first half of 2018.

- The banking network
  - **The Crédit Mutuel banking and insurance network**

At the end of June 2019, the banking and insurance network at Crédit Mutuel branches had 7.057 million **customers**. This was a 1.2% increase over a year. Private individuals accounted for 87% of the total followed by professionals and companies (8% of the total, up 2.8%), and non-profits (4%, up 2.8%).

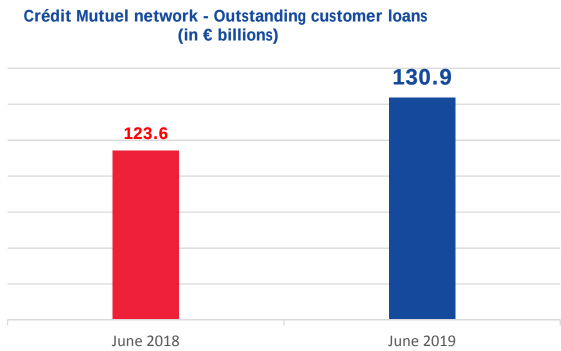
Outstanding customer **deposits** reached €116.8 billion. They were up considerably, by 6.9%, thanks to demand deposits, which grew by 14.9% year-over-year, and to passbook accounts with outstandings of €45.3 billion, up 6.5% compared to the first half of 2018.

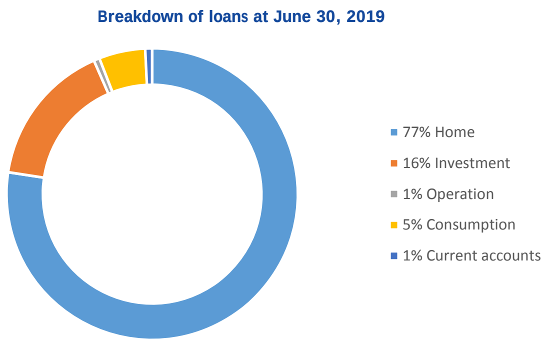




Life insurance outstandings (€39.8 billion) continued to grow (up 5%). However, bank financial savings (€7.7 billion) declined by 12.2%. In all, the savings entrusted by customers of the Crédit Mutuel bank network totaled €164.2 billion, up 5.4%.

Outstanding **loans** grew by 6% (€130.9 billion at the end of June 2019) thanks to home loans (up 6.8% to €100.7 billion), the main reason for customer loyalty, and to investment loans (up 4.2%) and consumer loans (up 3.5%).





With respect to **services**, the network continues to promote a range of high-performance insurance products. The contract inventory now exceeds 10 million policies, up 3.6%. The number of mobile telephony contracts reached 804,028, a 5.4% increase year-over-year. The network is pursuing its multiservice innovation strategy: it has offered a Triple Play Box (Internet, fixed telephony and television) since the end of 2018. Its sales reached nearly 15,000 units in the first half of 2019. The inventory of remote surveillance contracts rose by 4,037 units (up 4.2%) since the beginning of the year, reaching 163,292.

With respect to the **income statement**, the net banking income from the banking and insurance network of Crédit Mutuel banks increased by 1.2% to €1,549 million. In an environment in which interest rates are again falling, the volume effect offset the pressure on interest margins which improved by 2.4%. The freeze on prices for all individual customers and the capping of incident fees for vulnerable customers had an impact on commissions growth which was limited to 0.8%.

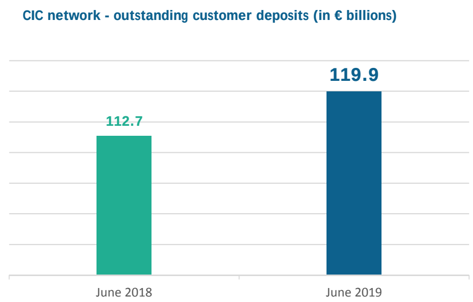
Excluding the contribution to the Single Resolution Fund, general operating expenses increased by 2.5%.

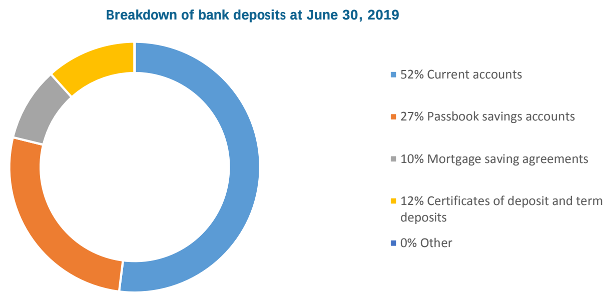
The cost of risk decreased significantly by €30 million (€1 million in the first half of 2019 compared with €31 million in the first half of 2018): the cost of realized risk decreased by €11 million and the cost of unrealized risk by €19 million (a net reversal of €14 million in 2019 compared to a net allocation of €5 million in 2018).

The profit before tax was up by 3.9% at €391 million.

- **CIC banking and insurance network**

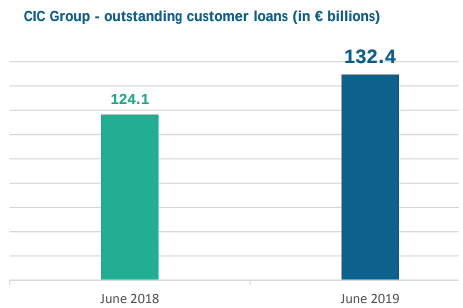
There were 5.185 million banking network clients as of the end of June 2019, an increase of 1.9% year-over-year. Growth was 3% in the professional and corporate market, with 1.020 million customers at the end of June 2019 (20% of the total).
The outstanding deposits notched up growth of 6.4% year-over-year to €119.9 billion, due in particular to the significant premium income on passbook accounts (+7.2% growth in outstandings). Current credit accounts continued to increase (+11%).

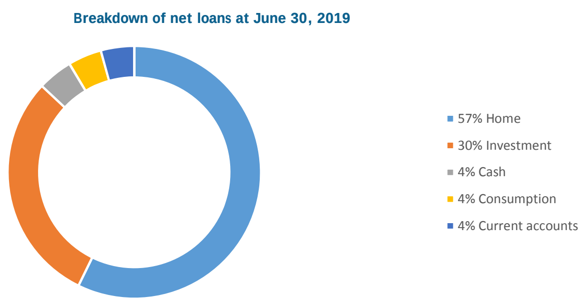




At €60.2 billion, managed savings held in custody were stable in comparison to the end of June 2018. Market developments weighed on the outstandings of UCITS and securities while life insurance outstandings grew by 3%.

Customer assistance continued with an 8.1% increase in the appropriation of loans. This translated into 6.6% growth in outstandings to €132.4 billion. Investment loans grew by 10.2% to €39.3 billion, home loans by 6.5% to €75.8 billion and consumer loans increased by 3.4%.





Continued expansion of insurance and services:

The cross-selling of products and services for the customers' benefit strengthened in insurance with growth of 5.2% in the number of in-force contracts (5,506,160), as in services:

- +9.9% in remote banking with 2,865,419 contracts;
- +4.5% in theft protection (105,638 contracts);
- +4% in telephony (519,235 contracts);
- +3.3% in Electronic Payment Terminals (148,058 contracts).

The solid commercial dynamics favored a 1.3% increase in the network's net banking income, which amounted

to €1,751 million compared to €1,728 million a year earlier. The net interest margin grew by 4.6% while commissions declined by 2.1% due to the effect of financial commissions, and because of the policy to freeze rates decided for 2019.

The general operating expenses remained well under control, increasing only 0.6% to €1,130 million.

The gross operating income grew by 2.7% to €621 million and the banking network's cost/income ratio improved by 0.9 points to 62.4% (excluding the SRF).

The cost of risk stood at €70 million, an increase of €21 million, driven by the growth of unrealized risk (+€13 million) and a non-recurring allocation to a file.

The banking network posted a net profit of €365 million on June 30, 2019, compared with €357 million on June 30, 2018, an increase of 2.1%.

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

Banque Européenne du Crédit Mutuel operates in the corporate and REIT markets in France and Germany, as well as the real estate development market in France. Serving over 21,400 customers, its sales network is composed of 53 branches (including 44 in France) and a subsidiary in Monaco.

When the scope includes BECM Monaco, on June 30, 2019, customer loans were up 14.5% over 12 rolling months, at €16.4 billion. Deposits rose 4.7% on a rolling 12-month basis, to €12.7 billion.

As of June 30, 2019, net banking income was up by 5.6% to €156 million. The interest margin increased by 5.2% due to the growth in the volume of loans to customers and the decrease in the cost of customer deposits. Commissions increased by 7.3%, notably commissions on accounts tied to the growth in flows generated and commissions on loans in France and in Germany.

General operating expenses stood at €55 million, i.e. +3.6%.

The cost/income ratio was 35.0%, down 0.6 points year-over-year. Gross operating income increased by 6.8% to €102 million.

The cost of risk was €21.6 million, up €9.3 million year-over-year. It consists of the cost of realized risk, which rose by €5.2 million. The cost of unrealized risk was up by €4.1 million year-over-year, but stable since the second quarter of 2019.

Corporate income tax increased as a result of the rise in non-deductible taxes and expenses and the increase in the tax on BECM Monaco due to its income growth.

The net carrying amount was €49 million as of June 30, 2019 compared with €52 million for the first half of 2018.

- **TARGOBANK in Germany**

The activity of the Targobank retail bank in Germany was very dynamic in the first half of 2019.

At June 30, outstanding loans stood at €15.4 billion, up by 9.0% year-over-year. Net direct personal loan production totaled €2.5 billion in the first half of 2019, up €376 million (+17.8%) compared with the previous fiscal year. The market share of personal loans (consumption and equivalent) grew by 12% compared with the first half of 2018, reaching a new record of 9.8% versus 8.8% in the previous year.

Moreover, customer deposits totaled €17 billion on June 30, up 10.6% since June 30, 2018.

In the corporate market, factoring was down by 5.4% compared to the previous year as the volume of invoices contributed by the customer portfolio of the joint venture with Commerzbank (CommerzFactoring) declined.

The finance leasing business continued to expand. At the end of June 2019, production was up by 12.5% to €285 million. The portfolio was €1.2 billion on average, up 15% compared with the first half of 2018.

Net banking income was €807 million in the first half of 2019, up 4.2% compared with the previous year. The profit/(loss) before tax grew by 5.8% to €255 million.

- Cofidis Participations Group

The commercial activity continued to be strong during the first half of the year for both products sold directly and via partners. Production increased by 8% compared to the previous fiscal year.

Customer rates remained on a downward trend due to low refinancing rates and the growth of the automotive loan business.

Outstandings increased significantly also: +9.9% compared to June 2018. Personal loans, receivables purchases and automotive loans continued to experience the most growth.

Net banking income increased by €25 million. It was driven by the growth in commercial activity and by the market refinancing conditions which continued to be very favorable.

Operating expenses are under control. They increased by €19 million compared with 2018 due to the increase in resources deployed to support development in new markets and the migration of the IT of the Cofidis Portugal automotive business, which was implemented in early July.

The cost of risk improved compared to outstandings thanks to decreasing arrears entries and improved recovery effectiveness.

At €96 million, the net profit for the first half of 2019 was virtually stable compared with 2018.

- ***Insurance***

As of June 30, 2019, 14% of Crédit Mutuel Alliance Fédérale's net banking income came from the insurance business line. The table below presents the items constituting the profit/(loss) of the insurance business line as of June 30, 2018 and 2019, as shown in the Group's consolidated financial statements.

Insurance

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net insurance income	**1,096**	**989**	**+10.9%**
General operating expenses	(329)	(306)	+7.4%
Gross operating profit / (loss)	**767**	**682**	**+12.4%**
Net gains and losses on other assets and ECC (1)	15	13	+18.7%
Profit / (loss) before tax	**783**	**695**	**+12.6%**
Income tax	(277)	(235)	+18.0%
Net profit / (loss)	**505**	**460**	**+9.8%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

The insurance business, carried out via Groupe des Assurances du Crédit Mutuel (GACM), is fully integrated both commercially and technically with Crédit Mutuel Alliance Fédérale.

The growth of the distribution networks continued to be strong in the first half of 2019. Insurance revenue grew by 3.5% to €6.3 billion.

Property insurance revenue increased by 5.5%, i.e. at a pace nearly two times greater than the market (up 3.0% at the end of May 2019). It was driven by the ongoing growth of portfolios, notably of automotive, comprehensive home and multi-risk professional policies.

Life and investment life insurance gross premium income increased by 2.4% to reach €3.6 billion in an environment of historically low interest rates. However, the significant drop in the financial markets at the end of 2018 dampened savers’ appetite for unit-linked products at the start of the year. Their share of gross GACM premium income was 21.2%, down compared to the first half of 2018 (30.8%). This was, nevertheless, in line with the market place (23.5% at the end of May 2019).

Personal insurance was also a significant source of development and growth. As a result, thanks to the new health and personal risk insurance products sold in 2018, business grew by 4.8%.

Driven by the growth in business, the commissions paid to the networks were up 5.3% at €782 million, of which €618 million was paid to Crédit Mutuel Alliance Fédérale.

GACM’s contributory net profit at the end of June 2019 amounted to €505 million, up 9.8% compared with June 2018 (€460 million).

This result reflects the sales performance of the distribution networks and the consistency of underwriting income. However, they were impacted by the increase in the number personal risk insurance and borrower insurance medical leaves - a trend seen in the social protection scheme market in France - and by the legal environment for automotive insurance. Lastly, the financial market recovery during the first half of 2019 had a very positive impact on the growth of IFRS results.

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

As of June 30, 2019, 5% of Crédit Mutuel Alliance Fédérale’s net banking income came from the financing and capital market business lines. The table below presents the items constituting the profit/(loss) of the corporate banking and capital market business lines as of June 30, 2018 and 2019.

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**383**	**341**	**+12.4%**
General operating expenses	(196)	(182)	+7.7%
Gross operating profit/(loss)	**187**	**159**	**+17.7%**
Cost of risk	(81)	31	ns
Profit/(loss) before tax	**106**	**190**	**-44.4%**
Income tax	(19)	(69)	-72.9%
Net profit/(loss)	**87**	**121**	**-28.1%**

Corporate banking

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**188**	**186**	**+1.2%**
General operating expenses	(70)	(61)	+15.1%
Gross operating profit/(loss)	**119**	**126**	**-5.5%**
Cost of risk	(81)	29	ns
Profit/(loss) before tax	**38**	**155**	**-75.7%**
Income tax	6	(53)	ns
Net profit/(loss)	**44**	**102**	**-57.4%**

At €21.8 billion, corporate banking loan outstandings rose by 12.2% and customer resources increased significantly by 35.1% to €7.8 billion in outstandings at the end of June 2019.

Net banking income was €188 million in the first half of 2019, up 1.2%. This reflects the development of synergies with the other entities of the Group.

General operating expenses increased by €9 million over a year. Gross operating income came to €119 million versus €126 million in the first half of 2018.

The cost of risk was impacted by the one-off provision recorded in respect of a major corporate default in the first half of 2019 and is comparable to a net reversal of €29 million for the first half of 2018.

The net profit was €44 million compared to €102 million for the same period a year earlier.

Capital Markets

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**194**	**154**	**+25.8%**
General operating expenses	(126)	(121)	+4.0%
Gross operating profit/(loss)	**68**	**33**	**x 2.1**
Cost of risk	(0)	2	ns
Profit/(loss) before tax	**68**	**35**	**x 2**
Income tax	(25)	(16)	+52.7%
Net profit/(loss)	**43**	**19**	**x 2.3**

Net banking income increased substantially by 26%. This showed the business line's ability to rebound after a difficult fourth quarter in 2018.

General operating expenses increased by 4%, but the business line's gross operating income doubled to €68 million.

The cost of risk was zero following a reversal for loan losses of €2 million on June 30, 2018. The net profit was therefore up sharply at €43 million.

- ***Private banking***

As of June 30, 2019, 3% of Crédit Mutuel Alliance Fédérale's net banking income came from the private banking business line. The table below presents the items constituting the profit/(loss) of the private banking business line.

(in € millions)	1st half-year 2019	1st half-year 2018	Change (1)
Net Banking Income	**273**	**250**	**+0.2%**
General operating expenses	(204)	(179)	+10.5%
Gross operating profit/(loss)	**68**	**71**	**-21.6%**
Cost of risk	11	(5)	ns
Operating income	**79**	**65**	**-2.8%**
Net gains and losses on other assets and ECC (2)	2	8	ns
Profit/(loss) before tax	**81**	**73**	**-9.4%**
Income tax	(16)	(16)	-29.1%
Net profit/(loss)	**65**	**57**	**-2.6%**

(1) At constant scope – see methodology notes.

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

- ***Private equity***

As of June 30, 2019, 2% of Crédit Mutuel Alliance Fédérale's net banking income came from the private equity business line. The table below presents the items constituting the profit/(loss) of this business line.

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**176**	**221**	**-20.6%**
General operating expenses	(23)	(24)	-2.5%
Gross operating profit/(loss)	**152**	**197**	**-22.8%**
Cost of risk	(0)	(1)	ns
Profit/(loss) before tax	**152**	**196**	**-22.4%**
Income tax	1	0	ns
Net profit/(loss)	**153**	**196**	**-21.9%**

The Group's proprietary investment portfolio had a healthy level of investment in the first half of 2019.

Of the €181 million in investments carried out, €110 million were invested in 15 new ventures. Disposals accounted for €100 million.

The group's proprietary investment portfolio totaled €2.5 billion at June 30, 2019, including 89% in unlisted companies. The portfolio consists of 338 non-fund holdings, the vast majority of which are in companies that are Group customers.

The capital managed on behalf of third parties amounted to €121 million.

The 20.6% decline in net banking income was due to a significant capital gain recognized last year at the same time. The performance of private equity transactions must be analyzed over the medium- and long-term.

General operating expenses went from €24 million to €23 million as of June 30, 2019, down 2.5%. This resulted in a net profit of €153 million compared to €196 million the previous year.

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

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**779**	**522**	**+49.2%**
General operating expenses	(863)	(824)	+4.6%
Gross operating profit / (loss)	**(84)**	**(303)**	**-72.2%**
Cost of risk	(1)	(5)	ns
Operating income	**(85)**	**(308)**	**-72.5%**
Net gains and losses on other assets and ECC (1)	0	43	ns
Profit / (loss) before tax	**(84)**	**(264)**	**-68.1%**
Income tax	(37)	14	ns
Net profit / (loss)	**(121)**	**(251)**	**-51.8%**

The net banking income of the Group's logistics and holding businesses was €779 million as of June 30, 2019 compared to €522 million on June 30, 2018. These figures are explained as follows:

- the Group's "IT, logistics and press" businesses generated net banking income of €873 million as of June 30, 2019 (+7.2%). The change was primarily due to an improvement in the sales margins recorded by Euro Information and its subsidiaries;
- the Group's holding business recorded negative NBI of €94.8 million as of June 30, 2019 compared to a charge of €293 million on June 30, 2018.

General operating expenses amounted to €863 million on June 30, 2019 compared to €824 million on June 30, 2018 (+4.6%).

The decline in the "net gains and losses on other assets and equity consolidated companies" item was the result of the departure of the Banque Marocaine du Commerce Extérieur (BMCE Bank of Africa) from the scope of consolidation on 12/31/2018. Its shares were reclassified as short-term investment securities.

Methodology notes

As a result of the entry of Banque de Luxembourg Investments into the scope of consolidation in the second half of 2018, changes at constant scope in the intermediate balances of private banking were calculated after accounting for this entity in the first half of 2018.

These elements are broken down below for the various intermediate operating totals:

in € millions	1st half-year 2019	1st half-year 2018			variation	
	published	published	variation in scope	at constant scope	gross	at constant scope
Interest margin	106	103	0	103	+3.2%	+3.1%
Fees and commissions	149	116	38	154	+28.9%	-3.1%
Other NBI	17	31	(16)	15	-44.5%	+14.6%
Net Banking Income	**273**	**250**	**23**	**272**	**+9.3%**	**+0.2%**
General operating expenses	(204)	(179)	(6)	(185)	+14.2%	+10.5%
Gross operating profit/(loss)	**68**	**71**	**16**	**87**	**-3.3%**	**-21.6%**
Cost of risk	11	(5)		(5)	ns	ns
Operating income	**79**	**65**	**16**	**82**	**+21.7%**	**-2.8%**
Net profit/(loss) on other assets and ECC	2	8		8	ns	ns
Profit/(loss) before tax	**81**	**73**	**16**	**90**	**+11.0%**	**-9.4%**
Income tax	(16)	(16)	(7)	(23)	+0.8%	-29.1%
Net profit/(loss)	**65**	**57**	**10**	**67**	**+13.9%**	**-2.6%**

Alternative performance measures (APM) - Article 223-1 of the General Regulations of the Autorité des marchés financiers (AMF - French Financial Markets Authority) / policies of the ESMA (ESMA/2015/1415)

Name	Definition/calculation method	For ratios, reason for use
cost/income ratio	ratio calculated from items in the consolidated income statement: ratio of general operating expenses (sum of items “general operating expenses” and “allocations to / reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets” of the consolidated income statement) to “IFRS net banking income”	Measure of the bank’s operational efficiency
Overall cost of customer risk related to the outstanding loans (expressed in % or in basis points)	Cost of customer risk from the notes to the consolidated financial statements related to gross outstanding loans at the end of the period	Enables assessment of the level of risk as a percentage of credit commitments on the balance sheet
cost of risk	the “net provision allocations/reversals for loan losses” item on the publishable consolidated income statement	measurement of the level of risk.
customer loans	the “loans and receivables due from customers at amortized cost” item in consolidated balance sheet assets	Measurement of customer loan activity.
Cost of unrealized risk	Application of IFRS 9 (IAS 39 for 2017). Impairment is recognized for all financial assets that have not been objectively indicated as individual losses.	measurement of the level of unrealized risk.
customer deposits accounting deposits	the “amounts due to customers at amortized cost” item in consolidated balance sheet liabilities	measurement of customer activity in terms of balance sheet resources.
insurance savings	life insurance outstandings held by our customers - management data (insurance company)	measurement of customer activity in matters of life insurance
financial savings; managed savings held in custody	off-balance sheet savings outstandings held by our customers or held in custody (securities accounts, UCITS, etc.) — management data (Group entities)	measurement representative of the activity in matters of off-balance-sheet resources (excluding life insurance)
total savings	sum of account deposits, insurance savings and bank financial savings	measurement of customer activity in matters of savings
general operating expenses; management fees	sum of lines “general operating expenses” and “allocations to/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets” from the publishable consolidated income statement	measure the level of general operating expenses.
margin of interest; net interest income	calculated from items in the consolidated income statement. difference between interest received and interest paid: - interest received = item “interest and similar income” of the publishable consolidated income statement - interest paid = item “interest and similar expenses” of the publishable consolidated income statement	representative measurement of profitability.
production of loans	amounts of new funds made available to customers — source: management data, sum of individual data for entities in the “retail banking - banking network” segment + COFIDIS.	measurement of customer activity in matters of new loans
total coverage ratio	determined by calculating the ratio of provisions for credit risk (including collective provisions) to the gross outstandings identified as in default in accordance with regulations.	this hedge rate measures the maximum residual risk associated with loans in default (“non-performing”).
share of non-performing loans in gross loans	ratio between gross outstanding receivables subject to individual depreciation (S3) and gross customer loans (calculated from the notes “Loans and receivables to customers” to the consolidated financial statements: gross receivables +finance leases)	asset quality indicator

Alternative performance measures, reconciliation with the financial statements

(in € millions)

Cost/income ratio	1st half-year 2019	1st half-year 2018
General operating expenses	(4,567)	(4,424)
Net Banking Income	7,537	7,083
Cost/income ratio	**60.6%**	**62.5%**

Total coverage ratio	06/30/2019	06/30/2018
Impairment of performing loans (S1/S2) + other impairments (S3)	8,172	8,047
Individually-impaired receivables, gross (S3)	11,695	11,490
Total coverage ratio	**69.9%**	**70.0%**

Rate of non-performing loans	06/30/2019	06/30/2018
Individually-impaired receivables, gross (S3)	11,695	11,490
Gross loans to customers	386,263	366,394
Rate of non-performing loans	**3.03%**	**3.14%**

BFCM Group net profit/(loss)

The BFCM Group's net profit/(loss) for the first half of 2019 was sustained by the same factors that impacted the results of Crédit Mutuel Alliance Fédérale. The table below presents the key figures for the BFCM Group for the first half of 2019 and the first half of 2018.

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**5,617**	**5,222**	**+7.6%**
General operating expenses	(3,172)	(3,087)	+2.8%
Gross operating profit / (loss)	**2,445**	**2,135**	**+14.5%**
Cost of risk	(460)	(314)	+46.3%
Operating income	**1,985**	**1,821**	**+9.0%**
Net gains and losses on other assets and ECC (1)	37	89	-58.3%
Profit / (loss) before tax	**2,023**	**1,910**	**+5.9%**
Income tax	(639)	(654)	-2.2%
Net profit / (loss)	**1,383**	**1,256**	**+10.1%**
Non-controlling interests	206	188	+9.3%
Net profit / (loss) attributable to the group	**1,177**	**1,068**	**+10.3%**

(1) ECC = Equity consolidated companies = proportionate share of the net profit (loss) from equity consolidated companies.

Net banking income (NBI)

BFCM Group's net banking income was €5,617 million as of June 30, 2019 compared with €5,222 million on June 30, 2018, up 7.6%. The main reasons for the change in the BFCM Group's net banking income between the first half of 2018 and the first half of 2019 are detailed below. They are the result of factors identical to those that affected Crédit Mutuel Alliance Fédérale:

Net banking income from the operational business lines

(in € millions)	1st half-year 2019	1st half-year 2018	Change in %	Change in € millions
Retail banking	**3,713**	**3,628**	**+2.3%**	**+85**
Insurance	**1,037**	**939**	**+10.5%**	**+99**
Specialized business lines	**831**	**811**	**+2.4%**	**+20**
Private banking	273	250	+9.3% *	+23
Corporate banking	188	186	+1.2%	+2
Capital Markets	194	154	+25.8%	+40
Private Equity	176	221	-20.6%	(46)
IT, logistics and press	**133**	**138**	**-4.1%**	**(6)**

** +0.2% at comparable scope (see below "Methodology notes" paragraph).*

Despite the persistent effects of low interest rates on revenues, net banking income from retail banking grew by 2.3% year-over-year to €3,713 million. It accounted for 65% of the net banking income from the operational business lines.

Insurance, which accounts for 18%, saw its revenues grow substantially by nearly 11% to €1,037 million.

Private banking net banking income rose by 9.3% over a year to reach €273 million. At comparable scope the growth would be 0.2%.

The decline in net banking income from the private equity business was the result of a base effect: the first half of 2018 recorded exceptional gains from a particularly significant disposal.

The capital markets business, which remained very limited for Crédit Mutuel Alliance Fédérale, performed well following the difficult environment at the end of 2018. Its net banking income increased by nearly 26% to €194 million.

Gross operating profit/(loss)

Operating expenses were €3,172 million. They were up by 2.8% compared to the first half of 2018 due to the growth in business, the acceleration of the Group's digital transformation as part of the 2019-2023 strategic plan, and the increase in the contribution to the Single Resolution Fund.

The cost/income ratio was 56.5%, improving by 2.6 points year-over-year.

Gross operating income, at €2,445 million, was up by 14.5% thanks to the healthy growth in net banking income compared to general operating expenses.

Cost of risk

The cost of risk increased significantly to €145 million due primarily to a provision for a corporate default.

Other elements of the income statement

Share in the net income of equity consolidated companies: this item decreased from €81 million in the first half of 2018 to €37 million in the first half of 2019. This was due to the departure of Banque Marocaine du Commerce Extérieur (BMCE Bank of Africa) from the scope of consolidation on 12/31/2018. Its shares were reclassified as short-term investment securities.

Gains or losses on other assets: none in the first half of 2019 compared with income of €8 million the first half of 2018 which recorded a non-recurring item.

Changes in the value of goodwill: None.

Profit/(loss) before tax

The profit before tax was up by 5.9% year-over-year at €2,023 million in the first half of 2019.

Income tax decreased by 2.2% to €639 million, taking into account an expected tax rate of 34.43%.

Net profit/(loss)

The net profit was up by 10.1% to €1,383 million. This reflects the strong sales momentum of BFCM's business lines and its operational efficiency.

Transactions with Crédit Mutuel Alliance Fédérale entities

At June 30, 2019, outstanding loans granted to Crédit Mutuel Alliance Fédérale entities that are not part of the BFCM Group totaled €34.2 billion.

BFCM Group's gross operating income, negative in the amount of €112 million, related to transactions carried out with entities of Crédit Mutuel Alliance Fédérale that are not part of the BFCM Group (mainly local banks and Caisse Fédérale de Crédit Mutuel). In the first half of 2019, net interest income from these transactions totaled €174 million, net commissions paid were -€17 million and the net balance of income and expenses from other activities recorded by these entities was -€270 million.

1.3 Financial position of Crédit Mutuel Alliance Fédérale as of June 30, 2019

The balance sheet total was €704.7 billion as of June 30, 2019, up by 5.6% compared with December 31, 2018 (+€37 billion).

Assets

The Group had consolidated assets of €704.7 billion as of June 30, 2019 compared with €667.4 billion as of December 31, 2018, up €37 billion. This increase in total assets was due to several factors: an increase in financial assets at fair value through profit or loss (+€15.4 billion), loans and receivables to customers (+€7.2 billion), cash and central bank outstandings (+€6.7 billion) and insurance business line investments (+€5 billion).

Short-term investments in the insurance business line and reinsurers' share of technical provisions Following the Group's decision to defer application of IFRS 9 by its insurance subsidiaries, all of the financial assets and real estate holdings held by the latter were combined in a single balance sheet item in which financial assets are recognized in accordance with the provisions of IAS 39. As of June 30, 2019, insurance business line investments and the share of reinsurers in technical provisions totaled €127 billion.

Loans and receivables to customers. Loans and receivables to customers stood at €378.1 billion on June 30, 2019, compared with €370.9 billion on December 31, 2018, reflecting the Group's sales momentum.

Liabilities (excluding shareholders' equity)

Crédit Mutuel Alliance Fédérale's consolidated liabilities excluding shareholders' equity were €659.1 billion as of June 30, 2019 compared with €623.8 billion as of December 31, 2018. These liabilities include subordinated debt of €8.2 billion on June 30, 2019 and outstandings up €1 billion compared with December 31, 2018. This increase in liabilities excluding shareholders' equity during the first half of 2018 was primarily due to the increase in financial liabilities at fair value through profit or loss of €16.8 billion, amounts due to customers (+€12.2 billion) and debt securities (€6.8 billion).

Financial liabilities at fair value through profit or loss. The total amount of financial liabilities at fair value through profit or loss was €21.2 billion as of June 30, 2019, up by €16.8 billion over the half year.

Due to credit institutions. Debts due to credit institutions were €43.2 billion as of June 30, 2019 compared with €53.6 billion as of December 31, 2018, i.e. a decrease of €10.5 billion.

Due to customers. Debts due to customers are mainly composed of demand deposits, term deposits, regulated savings accounts and securities subject to repurchase agreements. Debts due to customers stood at €316.5 billion as of June 30, 2019 compared with €304.3 billion on December 31, 2018, i.e. up €12.2 billion. The main increase in this item was in demand accounts.

Debt securities Debt securities are composed of negotiable certificates of deposit and bond issues. Debt securities increased by €6.8 billion to €126.4 billion on June 30, 2019. The Group's securities issues are presented in the "Liquidity and financing" section.

Consolidated equity

The consolidated equity attributable to the Group stood at €42.5 billion as of June 30, 2019 against €40.3 billion on December 31, 2018, i.e. an increase of €2.2 billion corresponding primarily to a carryover.

Non-controlling interests were €3.2 billion as of June 30, 2019 compared with €3.3 billion as of December 31, 2018.

Liquidity and financing

Crédit Mutuel Alliance Fédérale has a solid liquidity position. Banque Fédérative du Crédit Mutuel (BFCM) carries out regular bond issues which are invested in medium- and long-term financial markets with investors in- and outside the eurozone.

At June 30, 2019, Crédit Mutuel Alliance Fédérale's market resources were €143.9 billion consisting of 62% of medium- and long-term funding raised and 38% money market resources.

The money market resources totaled €55.2 billion, up by €5.7 billion compared with mid-2018 (€49.5 billion). These resources benefit from excellent diversification. They are originally primarily raised in euros (56%), US dollars (31%) and pound sterling (12%).

With respect to the maturing of €13.3 billion in medium- and short-term resources over all of 2019 and the annual issue goal of €15 billion, a total of €11.8 billion had already been raised from investors by July 1, 2019.

The Group carried out public transactions in the amount of €8.136 billion which break down as follows:

For BFCM:

- €1,250 million at 4 years + in January;
- €444 million (equivalent) in GBP at 5 years in January;
- €89 million (equivalent) in CHF at 5 years in February;
- €1,000 million for the inaugural issue of non-preferred senior debt, at 10 years in March;
- €177 million (equivalent) in CHF at 6 years+ in April;
- €1,500 million at 7 years+ in April;
- €111 million (equivalent) in CHF at 7 years+ in June;
- €565 million (equivalent) in GBP at 5 years+ in June;
- €1,000 million at 5 years- in June.

Crédit Mutuel Home Loan SFH:

- €1,000 million at 5 years+ in January;
- €1,000 million at 10 years in January.

BFCM issued subordinated debt in June in the amount of €1,000 million with a 10-year maturity.

The remaining €2.6 billion were put into private EMTN placements.

The Group's liquidity system is secure given that, on June 30, 2019, a total of €119.8 billion in ECB-eligible liquid assets were hedged up to 179.5% of the market resources maturing over the coming 12 months excluding TLTRO reimbursements.

Exposure to European sovereign debt

The table below presents Crédit Mutuel Alliance Fédérale's exposure to the weakest sovereign debt as of June 30, 2019 :

(in € millions)	**06/30/2019**
Portugal	161
Ireland	200
Total exposure to Portugal and Ireland *	**361**
Italy	505
Spain	819
Total exposure to Italy and Spain *	**1,324**

* after taking into account the profit sharing of the insured for the insurance portion

On June 30, 2019, all securities representing the public debt of Portugal and Ireland held by the Group accounted for 0.8% of shareholders' equity. Additional information about the Group's exposure to European sovereign debt is provided in Note 7b to Crédit Mutuel Alliance Fédérale's financial statements for the first half of 2018.

Capital adequacy ratios

Crédit Mutuel Alliance Fédérale's own funds were €45.6 billion as of June 30, 2019 (€42.5 billion as of June 30, 2018).

Crédit Mutuel Alliance Fédérale's solvency remained very solid at the end of March 2019, with a Common Equity Tier 1 (CET1) ratio of 16.4%[1], up 30 basis points year-over-year. The Tier 1 ratio was 16.4% [1] at the end of March 2019, and the overall solvency ratio was 19.4% [1].

Risk-weighted assets (RWA) were €219.5 billion on March 31, 2019 (compared to €201.2 billion at the end of March 2018, i.e. +9.1%). Risk-weighted assets in terms of credit risk accounted for 89.5% of the total, at €196.4 billion.

When the first quarter of 2019 is included, the CET1 ratio is 16.7% compared with 16.6% as of December 31, 2018.

The leverage ratio[1] was 6.1% on March 31, 2019 (6.2% at the end of December 2018).

MREL

Based on the data from December 31, 2017, the Single Resolution Board (SRB) informed Groupe Crédit Mutuel (the "Group", "Crédit Mutuel") of a minimum requirement for own funds and eligible liabilities (MREL) applicable on the consolidated basis of 23.7% of the Group's risk-weighted assets (RWA)[2] (>8% of the total liabilities and shareholders' equity ("TLOF").

[1] [4] The group has made early application of the amendment to IFRS 9 on the clauses on early repayment specifying negative compensation, adopted by the EU in March 2018.

[4] The group has made early application of the amendment to IFRS 9 on the clauses on early repayment specifying negative compensation, adopted by the EU in March 2018.

The Group met the MREL requirement on December 31, 2017 with a MREL of 14.97% of TLOF and 38.18% of RWA.

Given that the Group already meets the MREL requirement set on the basis of the 2018 resolution cycle, this threshold is applicable immediately.

Crédit Mutuel puts its financial strength at the heart of its objectives. Its growth is based on setting aside virtually all of its income as reserves.

Given expected changes in the regulatory environment, the Group intends to consolidate all its eligible liabilities, including those issued by Banque Fédérative du Crédit Mutuel.

***Ratings*[1]**

Crédit Mutuel Alliance Fédérale's ratings at the end of June 2019 are shown in the following table.

	Counterparty LT / ST *	Issuer / LT preferred senior debt	Outlook	ST Preferred senior debt	Date of most recent publication
Standard & Poor's	A+/A-1	A	Stable	A-1	10/24/2018
Moody's	Aa2/P-1	Aa3	Stable	P-1	05/02/2019
Fitch Ratings	A+	A+	Stable	F1	04/12/2019

* *The counterparty ratings represent ratings from the following agencies:* Resolution Counterparty *at Standard & Poor's,* Counterparty Risk Rating *at Moody's and* Derivative Counterparty Rating *at Fitch Ratings.*

[2] The group has made early application of the amendment to IFRS 9 on the clauses on early repayment specifying negative compensation, adopted by the EU in March 2018.

2. Consolidated financial statements of Crédit Mutuel Alliance Fédérale at June 30, 2019

Accounts have not been audited, but are subject to a limited review

Balance sheet (assets)

In € millions	06/30/2019	12/31/2018	Notes
Cash, central banks	63,358	56,696	4
Financial assets at fair value through profit or loss	33,947	18,590	5a
Hedging derivatives	2,747	2,640	6a
Financial assets at fair value through other comprehensive income	29,350	27,182	7
Securities at amortized cost	2,920	2,990	10a
Loans and receivables to credit institutions and similar, at amortized cost	42,376	44,168	10b
Loans and receivables due from customers at amortized cost	378,091	370,886	10c
Revaluation adjustment on rate-hedged books	2,581	1,169	6b
Short-term investments in the insurance business line and reinsurers' share of technical provisions	126,961	122,004	13a
Current tax assets	1,368	1,852	14a
Deferred tax assets	1,346	1,473	14b
Accruals and other assets	9,621	9,100	15a
Non-current assets held for sale	736	0	
Deferred profit-sharing	0	0	
Investments in equity consolidated companies	759	719	16
Investment properties	86	86	17
Property, plant and equipment	3,612	2,973	18a
Intangible assets	735	719	18b
Goodwill	4,118	4,118	19
Total assets	**704,715**	**667,364**	

Balance sheet (liabilities)

In € millions	06/30/2019	12/31/2018	Notes
Due to central banks	160	350	4
Financial liabilities at fair value through profit or loss	21,219	4,392	5b
Hedging derivatives	2,496	2,350	6a
Debt securities at amortized cost	126,449	119,680	11a
Due to credit and similar institutions at amortized cost	43,159	53,635	11b
Amounts due to customers at amortized cost	316,517	304,319	11c
Revaluation adjustment on rate-hedged books	32	19	6b
Current tax liabilities	934	648	14a
Deferred tax liabilities	1,262	1,031	14b
Deferred income, accrued charges and other liabilities	12,633	11,290	15b
Debt related to non-current assets held for sale	734	0	
Liabilities related to insurance business policies	122,025	115,565	13b
Provisions	3,244	3,266	20
Subordinated debt at amortized cost	8,224	7,224	21
Total shareholders' equity	**45,625**	**43,595**	22
Shareholders' equity attributable to the group	**42,450**	**40,290**	22
Capital and related reserves	6,396	6,167	22a
Consolidated reserves	33,504	30,926	22a
Gains and losses recognized directly in equity	1,090	502	22b
Profit (loss) for the fiscal year	**1,460**	**2,695**	
Shareholders' equity – Non-controlling interests	3,175	3,305	
Total liabilities	**704,715**	**667,364**	

INCOME STATEMENT

In € millions	06/30/2019	06/30/2018 restated	Notes
Interest and similar income	8,788	7,940	24
Interest and similar expenses	-5,509	-4,842	24
Commissions (income)	2,286	2,384	25
Commissions (expenses)	-529	-642	25
Net gains on financial instruments at fair value through profit or loss	497	306	26
Net gains or losses on financial assets at fair value through shareholders' equity	75	76	27
Net income from insurance activities	1,543	1,366	28
Income from other activities	909	908	29
Expenses on other activities	-524	-415	29
Net Banking Income	**7,537**	**7,083**	
General operating expenses	-4,274	-4,204	30a,b
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	-294	-220	30c
Gross operating income/(loss)	2,969	2,659	
Cost of counterparty risk	-462	-349	31
Operating income	2,507	2,310	
Share of net profit/(loss) of equity consolidated companies	19	59	16
Net gains/(losses) on disposals of other assets	2	9	32
Changes in the value of goodwill	0	0	33
Profit/(loss) before tax	**2,528**	**2,378**	
Income tax	-899	-830	34
Post-tax gains/(losses) on discontinued operations	**0**	**0**	
Net profit/(loss)	**1,629**	**1,548**	
Net profit/(loss) – Non-controlling interests	169	154	
Net profit/(loss) attributable to the group	**1,460**	**1,395**	

Statement of net income/(loss) and gains and losses recognized directly in equity

In € millions	06/30/2019	06/30/2018
Net profit/(loss)	**1,629**	**1,548**
Translation adjustments	7	27
Remeasurement of financial assets at fair value through equity – debt instruments	40	-75
Revaluation of insurance business investments	633	-54
Remeasurement of hedging derivatives	-3	-1
Share of unrealized or deferred gains and losses of associates	4	5
Total recyclable gains and losses recognized directly in equity	**681**	**-98**
Revaluation of financial assets at fair value through equity – capital instruments at closing	31	140
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year	29	0
Actuarial gains and losses on defined benefit plans	-17	31
Share of non-recyclable gains and losses of associates	-1	1
Total non-recyclable gains and losses recognized directly in equity	**42**	**173**
Net profit/(loss) and gains and (losses) recognized directly in equity	**2,352**	**1,623**
o/w attributable to the group	2,048	1,378
o/w percentage of non-controlling interests	304	246

The items relating to gains and losses recognized directly in equity are presented for the amount net of tax.

CHANGES IN SHAREHOLDERS' EQUITY

In millions	Capital	Premiums	Reserves (1)	Gains and losses recognized directly in equity				Net profit/(loss) attributable to the group	Shareholders' equity attributable to the group	Non-controlling interests	Gains and (losses) recognized directly in equity
				Translation adjustments	Financial assets at fair value through other comprehensive income	Hedging derivatives	Actuarial gains and losses				
Shareholders' equity as of December 31, 2017	**6,010**	**0**	**29,035**	**-55**	**1,670**	**4**	**-273**	**2,208**	**38,600**	**2,390**	**40,990**
Impact of first application of IFRS 9			*-429*		*-476*				*-904*	*-86*	*-991*
Shareholders' equity as of 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
Change in investments in subsidiaries without loss of control			4						4	-101	-98
Subtotal of movements related to relations with shareholders	**82**	**0**	**2,131**	**0**	**0**	**0**	**0**	**-2,208**	**5**	**-179**	**-175**
Consolidated income for the period								1,395	1,395	154	1,548
Changes in the fair value of assets at fair value through comprehensive income					2	-1			1	-14	-13
of which transferred to reserves (capital instruments)											
Remeasurement adjustment due to own credit risk on financial liabilities under fair value											
Change in actuarial gains and losses							31		31	0	31
Change in conversion rates				31					31	1	31
Sub-total	**0**	**0**	**0**	**31**	**2**	**-1**	**31**	**1,395**	**1,457**	**141**	**1,598**
Effects of acquisitions and disposals on non-controlling interests			251		-80				171	954	1,125
Other variations		0	-28						-28	2	-26
Shareholders' equity as of June 30, 2018	**6,092**	**0**	**30,960**	**-24**	**1,116**	**3**	**-242**	**1,395**	**39,300**	**3,222**	**42,522**
Impact of the first application of IFRS 9 (second half-year adjustment)			*-8*		*1*				*-8*	*-11*	*-19*
Appropriation of earnings from previous year								0	0		0
Capital increase	75								75		75
Distribution of dividends									0	1	1
Change in investments in subsidiaries without loss of control									0	5	5
Subtotal of movements related to relations with shareholders	**75**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**75**	**6**	**81**
Consolidated income for the period								1,300	1,300	144	1,444
Changes in gains and (losses) recognized directly in equity				13	-367	0	2		-352	-47	-399
Sub-total	**0**	**0**	**0**	**13**	**-367**	**0**	**2**	**1,300**	**949**	**97**	**1,046**
Effects of acquisitions and disposals on non-controlling interests			-39		0				-39	-6	-45
Other variations			13			0			13	-2	11
Shareholders' equity as of December 31, 2018	**6,167**	**0**	**30,926**	**-11**	**750**	**3**	**-240**	**2,695**	**40,290**	**3,306**	**43,596**
Appropriation of earnings from previous year			2,695					-2,695	0		0
Capital increase	229								229		229
Distribution of dividends			-88						-88	-430	-518
Change in investments in subsidiaries without loss of control									0		0
Subtotal of movements related to relations with shareholders	**229**	**0**	**2,607**	**0**	**0**	**0**	**0**	**-2,695**	**141**	**-430**	**-289**
Consolidated income for the period								1,460	1,460	169	1,629
Changes in gains and (losses) recognized directly in equity			-30	9	598	-2	-16		558	135	693
of which transferred to reserves (capital instruments)											
Remeasurement adjustment due to own credit risk on financial liabilities under fair value											
Sub-total	**0**	**0**	**-30**	**9**	**598**	**-2**	**-16**	**1,460**	**2,018**	**304**	**2,322**
Effects of acquisitions and disposals on non-controlling interests					0				0		0
Other variations		0	0						0	-4	-4
Shareholders' equity as of June 30, 2019	**6,396**	**0**	**33,504**	**-2**	**1,348**	**1**	**-256**	**1,460**	**42,449**	**3,176**	**45,625**

(1) As of June 30, 2019 reserves are made up of the legal reserve for €366 million, statutory reserves for €5,492 million and other reserves for €27,646 million.

STATEMENT OF NET CASH FLOWS

	6/30/2019	6/30/2018
Net profit/(loss)	1,629	1,548
Tax	899	830
Profit/(loss) before tax	**2,528**	**2,378**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	292	223
- Impairment of goodwill and other fixed assets	0	-1
+/- Net provisions	114	98
+/- Share of income from companies consolidated using the equity method	-19	-59
+/- Net loss/gain from investing activities	27	-21
+/- Other movements	5,076	-901
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	**5,490**	**-660**
+/- Flows related to transactions with credit institutions	-10,621	4,428
+/- Flows related to client transactions	4,585	-5,777
+/- Flows related to other transactions affecting financial assets or liabilities	-74	611
+/- Flows related to other transactions affecting non-financial assets or liabilities	451	2,594
- Taxes paid	-199	-500
= Net decrease in assets and liabilities from operating activities	**-5,859**	**1,356**
TOTAL NET CASH FLOW GENERATED BY OPERATING ACTIVITY	**2,159**	**3,074**
+/- Flows related to financial assets and investments	221	-470
+/- Flows related to investment property	-3	-652
+/- Flows related to property, plant and equipment and intangible assets	-232	-193
TOTAL NET CASH FLOW RELATED TO INVESTMENT ACTIVITIES	**-13**	**-1,314**
+/- Cash flow to or from shareholders	-290	-80
+/- Other net cash flows from financing activities	3,281	2,615
TOTAL NET CASH FLOW RELATED TO FINANCING TRANSACTIONS	**2,991**	**2,535**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**31**	**38**
Net increase of cash and cash equivalents	**5,167**	**4,333**
Net cash flow generated by operating activities	2,159	3,074
Net cash flow related to investment activities	-13	-1,314
Net cash flow related to financing transactions	2,991	2,535
Effect of foreign exchange rate changes on cash and cash equivalents	31	38
Cash and cash equivalents at opening	**53,510**	**51,511**
Cash, central banks, CCP	56,346	56,766
Accounts and demand loans/borrowing with credit institutions	-2,837	-5,255
Cash and cash equivalents at closing	**58,677**	**55,844**
Cash, central banks, CCP	63,200	61,915
Accounts and demand loans/borrowing with credit institutions	-4,523	-6,071
CHANGE IN NET CASH POSITION	**5,167**	**4,333**

Notes to the financial statement items

The explanatory notes are presented in millions of euros.

NOTE 1 - Accounting policies and principles

1.1 Accounting basis

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 have been drawn up in accordance with IFRS as adopted by the European Union on June 30, 2019.

The entire framework is 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 the format advised by the *Autorité des normes comptables* (ANC – French Accounting Standards Authority) in its Recommendation No. 2017-02 relating to IFRS summary statements. They comply with the international accounting standards as adopted by the European Union.

Information relating to risk management is included in the Group's management report.

These half-year financial statements are prepared in accordance with IAS 34 on interim financial reporting which allows for the publication of condensed financial statements. They supplement the financial statements for the year ended December 31, 2018, presented in the 2018 registration document.

Since January 1, 2019, the group has been applying the following standards:

- ✓ IFRS 16

Adopted by the European Union on October 31, 2017, it replaces IAS 17 and the interpretations related to lease accounting.

Under IFRS 16, for a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

From the lessor's point of view, the provisions adopted remain substantially the same as those of the current IAS 17.

In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

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

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

As a first-time application the group has opted for:

- to retain:
  - o the application of the new lease definition to all current leases,
  - o the modified prospective approach, with no impact on equity, and to opt for the related simplification measures. In particular, automatically renewable contracts have been excluded due to the exception of §C10c,
  - o a depreciation sum for user rights equal to the provision of contracts for pecuniary interest in application of IAS 37;
- the exemptions proposed under IFRS 16.C10 in relation to leases where the term is less than 12 months as of the date of first application as well as low-value contracts (set at €5,000).

The group has also opted to exclude the initial direct costs of valuation of the user right at the date of first application.

The group has mainly capitalized its real estate leases using, on first application (for not automatically renewed leases), their remaining life and the corresponding incremental borrowing rate applied to the rent (excluding taxes).

The impacts at January 1, 2019 are as follows (in € millions):

Assets	01.01.2019
Usage rights - Real estate	679
Usage rights - Other	37
Liabilities	01.01.2019
Lease obligations - Real estate	679
Lease obligations - Other	37

✓ IFRIC 23 – Uncertainty over Income Tax Treatments

Published on June 7, 2017, the IFRIC interpretation “IFRIC 23 – Uncertainty over Income Tax Treatments” came into effect on January 1, 2019.

This text induces the presumption that the tax authority:

- will audit all amounts reported;
- has access to all required documentation and knowledge.

The entity must assess the probability that the tax authority will or will not accept the position opted for, and draw the relevant consequences on its taxable income, losses carried forward, unused tax credits and taxation rates. In the event of an uncertain tax position (i.e. it is likely that the tax authority will not accept the position opted for), the amounts payable are appraised on the basis of the most likely amount or the expected amount according to the method that reflects the best estimate of the amount to be paid or received.

The scope of this text is limited to corporate income tax (current / deferred) The group estimates that this will not result in any changes compared to existing practices. At present, a risk is recognized when a tax adjustment is made. Such an adjustment may concern the entity itself, a related entity, or a third entity.

The impacts shown on the balance sheet (reclassification of provision for current tax liabilities) are specified in Note 20.

✓ Other amendments with no impact for the group in 2019

- Amendment to IAS 28

This amendment deals with all financial instruments representing “other interests” in a related company or joint venture to which the equity method is not applied, including long-term financial assets that are part of net investment in a related company or joint venture (for example, loans granted to these entities). This recognition is done in two steps:

  - the financial instrument is recognized according to IFRS 9, including the provisions pertaining to the depreciation of the financial assets;
  - then the provisions of IAS 28 apply, which may lead to reducing the carrying amount by charging the accumulated losses of the equity consolidated company, when the value of the equity value was already reduced to zero.

In the initial application of this amendment, the issuers may recognize the impacts in the opening equity of 2019, without restating comparative information. At the reporting date, the group had not identified any case within the scope of this amendment.

- Amendment to IAS 19

This amendment deals with the consequences of a modification, curtailment or liquidation on the determination of the cost of the services rendered and the net interest. The cost of the services rendered and the net interest for the post-modification, curtailment or liquidation period are necessarily determined by using the valuation assumptions retained for the recognition of these events. At the reporting date, the group was not aware of any cases falling within the scope of this amendment.

- Amendment to IAS 12

This amendment specifies that the tax effects of the distribution of dividends on financial instruments classified as equity must be recognized in net profit/(loss), regardless of their origin, on the date that the dividend liability is recognized. In accounting terms, the dividends are deducted from equity. From a tax standpoint, they are debt instruments whose coupons are deductible. The group recognizes perpetual securities as debt instruments and not as equity. To date, the group is not affected by this amendment.

1.2 Scope and methods of consolidation

Consolidating entity

Crédit Mutuel Alliance Fédérale comprises 11 Crédit Mutuel federations: Centre Est Europe, Sud-Est, Île-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Anjou.

Crédit Mutuel Alliance Fédérale is a mutualist group belonging to a central body, within the meaning of Articles L.511-30 *et seq.* of the French Monetary and Financial Code. Crédit Mutuel's local banks, which are fully owned by the members, form the basis of the group, according to a "reverse pyramid" capital control structure.

In order to show the community of interest of our members in consolidation as accurately as possible, the consolidating entity is defined in such a way as to reflect the common bonds of operation, financial solidarity and governance.

To this end, the consolidating entity at the head of the group is made up of the companies placed under the same collective accreditation to carry out banking activity, issued by the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority).

As such, the consolidating entity is made up of the following federations:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE), Fédération du Crédit Mutuel du Sud-Est (FCMSE), Fédération du Crédit Mutuel Île-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). These political bodies of the groups determine the main strategic orientations, decide on their strategy and organize the representation of the banks;
- Caisse Fédérale de Crédit Mutuel (CF de CM), Caisse Régionale du Crédit Mutuel du Sud-Est (CRCMSE), Caisse Régionale du Crédit Mutuel d'Île-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). CF de CM, which is at the service of the local banks, is responsible for joint services across the network, ensures its smooth running and supports the group's logistics. It centralizes all the banks' deposits and in parallel ensures their refinancing, while fulfilling regulatory requirements on their behalf (compulsory reserves, allocated deposits, deposits at Caisse Centrale du Crédit Mutuel, etc.);

- The Credit Mutuel banks that are members of FCMCEE, FCMSE, FCMIDF, FCMSMB, FCMMA, FCMLACO, FCMC, FCMN, FCMDV, FCMM and FCMA: these form the basis of the group's banking network.

Consolidation scope

The general principles governing whether an entity is included in the consolidation scope are defined by IFRS 10, IFRS 11 and IAS28R.

Entities that are controlled or under significant influence that do not have a significant character in relation to the consolidated financial statements are excluded from the consolidation scope. This situation is assumed when the balance sheet total or the profit or loss of a company has no impact greater than 1% on the consolidated or sub-consolidated equivalent (in case of consolidation by level). This quantitative criterion is but relative; an entity may be included within the scope of consolidation regardless of this threshold when its business or its expected development afford it the status of strategic investment.

The consolidation scope comprises:

- *Controlled entities*: Control is deemed to exist when the group has power over the entity, is exposed to or is entitled to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect the returns it obtains. The financial statements of the controlled entities are fully consolidated;

- *Entities under joint control:* joint control is the contractually-agreed sharing of control over an entity, which exists only in the case where decisions concerning key activities require the unanimous consent of the parties sharing control. Two or more parties that exercise joint control constitute a partnership, which is either a jointly-controlled operation or a joint venture:

- a jointly-controlled operation is a partnership in which the parties exercising joint control have rights over the assets and obligations pursuant to liabilities relative to the entity: this involves recognizing the assets, liabilities, income and expenses relative to the interests held in the entity,
- a joint venture is a partnership in which the parties who exercise joint control have rights over the net assets of the entity: the joint venture is accounted for according to the equity method.

All entities under joint control of the group are joint ventures according to the meaning of IFRS 11.

- *Entities over which the group has significant influence*: These are entities that are not controlled by the consolidating entity, which may, however, participate in these entities' financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method.

Investments held by private equity companies and over which joint control or significant influence is exercised are recognized at fair value through profit or loss.

Consolidation methods

The consolidation methods used are the following:

- **Full consolidation**

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling shareholders in equity and net profit. This is the method used for all controlled entities, including those with a different account structure, regardless of whether the business concerned is an extension of that of the consolidating entity.

- **Consolidation using the equity method**

This method involves replacing the value of the shares held with the equity attributable to the group and net profit of the entities concerned. It is applied to all entities under joint control, classified as joint ventures or for all entities under significant influence.

Non-controlling interests

Non-controlling interests correspond to interests that do not confer control as defined by IFRS 10 and include partnership interests that entitle their holders to a share in the net assets in the event of liquidation and other capital instruments issued by subsidiaries that are not held by the group.

Reporting date

The reporting date for all of the group's consolidated companies is December 31.

Elimination of intercompany transactions

Intercompany transactions and balances, as well as profits on intercompany sales that have a material impact on the consolidated financial statements, are eliminated.

Conversion of foreign currency accounts

Concerning the accounts of foreign entities expressed in foreign currencies, the balance sheet is converted based on the official exchange rate at the reporting date. Differences arising from exchange rate fluctuations impacting the share capital, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustments". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the fiscal year. The resulting translation differences are recorded directly under "Cumulative 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.

Goodwill

- **Fair value adjustments**

On the date of acquisition of a controlling interest in a new entity, said entity's assets, liabilities and contingent operating liabilities are measured at fair value as at that date. Fair value adjustments correspond to the difference between the carrying amount and fair value.

- **Goodwill**

In accordance with IFRS 3R, when a controlling interest is acquired in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at their fair value as at the acquisition date, with the exception of non-current assets classified as assets held for sale (IFRS 5), which are recognized at the lower of the fair value net of selling costs and their net carrying amount. Goodwill corresponds to the amount of the consideration transferred and non-controlling interests less the net amount recognized (generally at fair value) as identifiable assets acquired and liabilities assumed. 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, the 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 the goodwill is positive, it is recognized as an asset; if it is negative, it is recognized immediately in the income statement under "Changes in value of goodwill".

If the group's stake in an entity it already controls, increases/decreases, the difference between the share acquisition cost/selling price 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 balance sheet when it relates to fully-consolidated companies, and under the heading "Investments in associates" when it relates to equity consolidated companies.

Goodwill not including direct costs related to acquisitions according to IFRS 3R is recognized in profit/loss.

Goodwill is tested for impairment regularly by the group (at least once a year). The tests are designed to identify whether the goodwill has suffered a decline in value. The goodwill from a business combination is allocated to the cash generating units (CGU) or groups of CGUs likely to benefit from the synergies generated by the business combination. The recoverable amount from a CGU or group of CGUs is the value in use or the fair value less selling costs, whichever is the highest. The value in use is measured in relation to the estimated future cash flows, discounted at the interest rate that reflects the current market evaluation of the time value of money and the specific risks to the asset or to the CGU. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These losses – 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.

When goodwill concerns a related company or a joint venture, it is included in the carrying amount of the value of consolidation using the equity method. In this event, it is not subject to impairment testing apart from the value of consolidation using the equity method. When the recoverable amount of this value (namely the higher of the values between the value in use and the fair value less the selling costs) is less than its carrying amount, a loss in value is recognized and not allocated to a specific asset. Any reversal of this impairment loss is recognized to the extent that the recoverable amount of consolidation using the equity method increases at a later date.

1.3 Accounting policies and principles

1.3.1 Financial instruments under IFRS 9

1.3.1.1. Classification and measurement of financial instruments

Under IFRS 9, the classification and measurement of financial instruments depend on the business model and contractual terms of the financial instruments.

❑ **Loans, receivables and debt securities acquired**

The asset is classified:

- at amortized cost, if it is held in order to collect contractual cash flows and if its characteristics are similar to those of a "basic" contract, see the section below "Characteristics of cash flows" (hold to collect model);
- at fair value through other comprehensive income if the instrument is held with a view to collecting contractual cash flows and selling it when the opportunity arises, yet without holding it for trading, and if its characteristics are similar to those of a basic contract implicitly entailing a high predictability of associated cash flows ("hold to collect and sell" model);
- at fair value through profit or loss:
  - if it is not eligible for the two aforementioned categories (as it does not meet the "basic" criterion and/or is managed in accordance with the "other" business model, or,
  - if the group initially opts to classify it as such, in an irrevocable way. This option is used to reduce accounting mismatch in relation to another associated instrument.

Cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a "basic" contract.

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

All contractual clauses must be analyzed, in particular those that could alter the timing or amount of contractual cash flows. The option, under the agreement, for the borrower or lender to repay the financial instrument early is compatible with the SPPI (*Solely Payments of Principal and Interest)* criterion of contractual cash flows, provided that the amount repaid essentially represents the outstanding principal and accrued interest, as well as, where applicable, early repayment compensation of a reasonable amount.

The compensation for early repayment[1] is deemed reasonable if, for example:

[1] The group has made early application of the amendment to IFRS 9 on the clauses on early repayment specifying negative compensation, adopted by the EU in March 2018.

- it is expressed as a percentage of the principal repaid and is below 10% of the nominal amount repaid; or
- it is determined according to a formula aimed at compensating the difference in the benchmark interest rate between the date on which the loan was granted and its early repayment date.

The analysis of contractual cash flows may also require their comparison with those of a reference instrument when the time value of money included in the interest is likely to change due to the contractual clauses of the instrument. Such is the case, for example, if the interest rate of the financial instrument is revised periodically, but the frequency of such revisions is unrelated to the period for which the interest rate was established (e.g. monthly revision of an annual interest rate), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the non-discounted contractual cash flows of the financial asset and those of the reference instrument is significant, or may become so, the financial asset cannot be considered as 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 range of reasonably possible scenarios. To this effect, the group has used yield curves going back to the year 2000.

Moreover, a specific analysis is conducted in the case of securitization where there is priority of payment among holders, and credit risk concentrations in the form of tranches. In that case, the analysis requires the examination of the contractual characteristics of the tranches in which the group has invested and of the underlying financial instruments, as well as the credit risk of the tranches in relation to the credit risk of the underlying financial instruments.

Note that:

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

✓ Business models

The business model represents the way in which the instruments are managed 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 the event of a change in model (exceptional cases).

To determine the business model, it is necessary to consider all available information, including the following:

- how the activity's performance is reported to decision-makers;
- how managers are compensated;
- the frequency, timing and volumes of sales in previous periods;
- the reason for the sales;
- future sales forecasts;
- the way in which risk is assessed.

For the "hold to collect" business model, certain examples of authorized sales are explicitly set out in the standard:

- in response to an increase in credit risk;
- close to maturity and for an amount near the par amount;

- exceptional (e.g. linked to a liquidity stress).

Such “authorized” sales are not included in the analysis of the significant and frequent nature of the sales made out of a portfolio. Frequent and/or significant sales would not be compatible with this business model. 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, for example 2% for an average maturity of 8 years (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 the sale of these assets, as well as a model for other financial assets, in particular financial assets held for trading.

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

Financial assets held for trading consist of securities originally acquired with the intention of reselling them in the near future, 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 comprise cash accounts, deposits, and demand loans and borrowings with central banks and credit institutions;
- other loans to credit institutions and loans 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.

The financial assets classified in this category are initially recognized at their fair value, which is generally 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.

At subsequent reporting dates, the assets are measured 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 estimated life of the financial instrument to obtain the net carrying amount of the financial asset or liability. It takes account of estimated cash flows without taking account of future losses on loans, and includes commissions paid or received when these are treated as interest, as well as directly related transaction costs, and all premiums and discounts.

For securities, the amortized cost takes account of the amortization of premiums and discounts, as well as acquisition costs, if significant. Purchases and sales of securities are recognized at the settlement date.

The income received is booked in the income statement under “Interest and similar income”.

Commissions received or paid, which are directly linked to the arrangement of a loan and are treated as a component of interest, are spread over the term of the loan using the effective interest rate method and are booked to the income statement under interest items.

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

The restructuring of a loan following financial difficulties by the debtor leads to novation of the contract. Following the definition of this concept by the European Banking Authority, the group included it in the information systems in order to harmonize the accounting and prudential definitions.

The fair value of assets at amortized cost is disclosed in the notes to the financial statements at the end of each reporting period. It 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 other comprehensive income

Since the group does not sell its loans, this category solely consists of securities. They are recognized at fair value in the balance sheet at the time of their acquisition, on the settlement date 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 or deferred gains and losses booked to equity are only recognized in the income statement if they are sold or depreciate (see Section "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 method.

✓ Financial assets at fair value through profit or loss

These assets are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see Section "1.3.1.7. Derecognition of financial assets and liabilities"). Changes in fair value are taken to the income statement under "Net gains/ (losses) on financial instruments at fair value through profit or loss".

Since the 2018 fiscal year, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). This interest was previously presented in the "Net gains or losses on financial instruments at fair value through profit or loss". This change was made for the sake of consistency with the regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on the interest received and paid.

In 2019, in order to better reflect the interest income and expenses of transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section. As a result, for the purposes of comparability with the interest income and expenses as of June 30, 2019 presented using this definition, the figures published on June 30, 2018 and on December 31, 2018 have been restated in Note 25.

Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

❑ **Equity instruments acquired**

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

- at fair value through profit or loss; or
- optionally, at fair value through other non-recyclable comprehensive income at the initial recognition and in an irrevocable manner when they are not held for trading.

✓ Financial assets at fair value through other comprehensive income

Shares and other equity instruments are recognized in the balance sheet at their fair value at the time of their 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 or deferred gains and losses booked to equity are never recognized in the income statement, even when they are sold (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 other comprehensive income". Purchases and sales of securities 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 classified in one of the following two categories:

- ✓ financial liabilities measured at fair value through profit or loss
  - those incurred for trading purposes including, by default, derivatives with a negative fair value which do not qualify as hedging instruments; and
  - non-derivative financial liabilities that the group originally classified as measured at fair value through profit or loss (fair value option). These include:
    - o financial instruments containing one or more separable embedded derivatives;
    - o instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;
    - o instruments belonging to a pool of financial instruments measured and managed at fair value.

The recognition of changes in fair value resulting from own credit risk concerning debts optionally designated at fair value through profit or loss is recognized in unrealized or deferred profit or loss in non-reclassifiable equity. The group is marginally concerned by the problem of own credit risk.

- ✓ financial liabilities at amortized cost.

These consist of other non-derivative financial liabilities. These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

Subordinated debt is separated from other debt securities since, in the event of liquidation of the debtor's assets, it is repaid only after claims by other creditors have been extinguished. Debt securities include the non-preferred senior debt instruments created by the Sapin 2 Act.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

Regulated savings contracts

Amongst the liabilities at amortized cost are the *comptes épargne logement* (CEL – mortgage saving accounts) and *plans épargne logement* (PEL – mortgage saving plans), which are regulated French products accessible to customers (natural persons). In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as variable-rate interest);

- an obligation to grant loans to customers under predetermined terms (both PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable to the bank, compared to the interest rates offered by the bank to individual customers on similar, but non-regulated, products. This approach is implemented through the creation of PEL and CEL savings products that are similar in terms of their regulated conditions. The impacts on profit/(loss) are recorded as interest paid to customers.

1.3.1.3. Debt-equity distinction

According to the IFRIC 2 interpretation, members' shares are shareholders' equity if the entity has an unconditional right to refuse redemption or if there are legal or statutory provisions prohibiting or significantly limiting redemption. Due to the existing statutory and legal provisions, the members' shares issued by structures composing the Crédit Mutuel group's consolidating entity are recognized in shareholders' equity.

Other financial instruments issued by the group are classified as debt instruments in the group's accounts when the group has a contractual obligation to deliver cash to holders of the instruments. Such is the case with subordinated notes issued by the group.

1.3.1.4. Foreign currency transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the exchange rates prevailing on the balance sheet date.

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 portfolio at fair value through profit or loss".

Non-monetary financial assets and liabilities

Foreign currency gains or losses arising from such translations are recognized in the income statement under "Net gains/(losses) at fair value through profit or loss" if measured at fair value through profit or loss, or recognized under "Unrealized or deferred capital gains/(losses)" if they are financial assets measured at fair value through other comprehensive income.

1.3.1.5. Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39.

The group has elected to continue to apply the provisions of IAS 39. However, in accordance with IFRS 7 (revised), additional information on the management of risks and the impacts of hedge accounting on the financial statements is provided in the notes or in the management report.

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

Derivatives are financial instruments which have the following three characteristics:

- their value fluctuates with the change in the underlying items (interest rates, exchange rates, share prices, indices, commodities, credit ratings, etc.);
- their initial cost is low or nil;
- their settlement takes place at a future date.

The Crédit Mutuel group deals in simple derivative instruments (swaps and vanilla options), mainly of rates and classified essentially in level 2 of the value hierarchy.

All derivatives are carried at fair value under financial assets or financial liabilities. They are recognized by default as trading instruments unless they can be classified as hedging instruments.

- **Determining the fair value of derivatives**

Most 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, and specific risk premiums intended to offset any additional costs resulting from a dynamic management strategy associated with the model in certain market conditions, as well as the counterparty risk captured by the positive fair value of over-the-counter derivatives. The latter includes the own counterparty risk present in the negative fair value of over-the-counter derivatives.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a 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, meets the definition criteria for a derivative. It has the effect, notably, of changing certain cash flows in the same way as a stand-alone derivative.

The derivative is detached from the host contract and recognized separately as a derivative instrument at fair value through profit or loss only if all of the following conditions are satisfied:

- it meets the definition of a derivative;
- the hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and the associated risks are not considered as being closely related to those of the host contract;
- separate measurement of the embedded derivative is sufficiently reliable to provide relevant information.

For financial instruments under IFRS 9, only those derivatives embedded in financial liabilities may be detached from the host contract for separate recognition.

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

Risks hedged

In its accounts, the group only recognizes interest rate risk through micro-hedging, or on a broader scope through macro-hedging.

Micro-hedging is partial hedging of the risks incurred by an entity on its assets and liabilities. It specifically applies to one or more assets or liabilities for which the entity covers the risk of an unfavorable change in a type of risk, through derivatives.

Macro-hedging aims to cover all of the group's assets and liabilities against any unfavorable changes, particularly in interest rates.

The overall management of the interest rate risk is described in the management report, along with the management of all other risks (foreign exchange, credit, etc.) that may be hedged through the natural backing of assets to liabilities or the recognition of trading derivatives.

Micro-hedging is particularly done through asset swaps, usually in the aim of transforming fixed-rate instruments into variable-rate instruments.

Three types of hedging relationship are possible. The choice of the hedging relationship depends on the nature of the risk being hedged.

- A fair value hedge hedges the exposure to changes in the 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 financial assets or financial liabilities, firm commitments or forward transactions.
- 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 documented formally immediately upon inception of the hedging relationship. This documentation sets outs the risk management objectives determined by management, the nature of the risk hedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge;
- the effectiveness of the edge must be demonstrated upon inception of the hedging relationship, subsequently throughout its life, and at the very least at each balance sheet 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 prospectively.

Fair value hedge 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 debt instrument classified under "Financial assets at fair value through other comprehensive income". Changes in the fair value of the hedging instrument and the hedged risk component offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss. It may be due to:

- the "counterparty risk" component integrated in the value of the derivatives;
- the different value curve between the hedged items and the hedging instruments. Indeed, 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 portion corresponding to the rediscounting of the derivative financial instrument is recognized in the income statement under "Interest income/(expense)". The same treatment is applied to the interest income or expense relating to the hedged item.

If the hedging relationship is interrupted or the effectiveness criteria are not met, hedge accounting is discontinued on a prospective basis. The hedging derivatives are transferred to "Financial assets or financial liabilities at fair value through profit or loss" and are 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 has been derecognized in the balance sheet, due notably to early repayment, the cumulative adjustments are recognized immediately in the income statement.

Macro-hedging derivatives

The group has availed 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 the fair value of the hedged portfolios are recorded in the balance sheet under "Remeasurement adjustment on interest-rate hedged portfolios", the counterpart being an income statement line item.

Cash flow hedges

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

Amounts recognized in equity are reclassified to profit or loss under "Interest income/(expense)" at the same time as the cash flows attributable to the hedged item affect profit or loss.

The hedged items continue to be recognized in accordance with the rules specific to their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. The cumulative amounts recorded in shareholders' equity for the remeasurement of the hedging derivative are maintained in shareholders' equity until such time as the hedged transaction itself impacts profit or loss or until the transaction is no longer expected to occur. At this point, said amounts are transferred to profit or loss.

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 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, such financial guarantees continue to be measured using French accounting standards, i.e. they are treated as off-balance sheet items, until such time as the current standards are revised. Accordingly, they are subject to a provision for liabilities if an outflow of resources is likely.

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

Financing commitments that are not considered as derivatives within the meaning of IFRS 9 are not shown on the balance sheet. However, they give rise to provisions in accordance with the requirements of IFRS 9.

1.3.1.7. Derecognition of financial assets and liabilities

The group partly or fully derecognizes a financial asset (or a group of similar assets) when the contractual rights to the asset's cash flows expire (in the case of commercial renegotiation), or when the group has transferred the contractual rights to the financial asset's cash flows, as well as most of the risks and advantages linked with ownership of the asset.

Upon 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 recognized 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/paid;
- a debt instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under equity are taken to the income statement, as well as any capital gains/losses on disposal;
- an equity instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under other comprehensive income, as well as any capital gains/losses on disposal are recognized in consolidated reserves without going through the income statement.

The group derecognizes a financial liability when the contractual obligation is extinguished, is canceled or expires. A financial liability may also be derecognized in the event of a material 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 IFRS 9 impairment model is based on an "expected loss" approach while that of IAS 39 was based on an "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, financial assets for which no objective evidence of impairment exists on an individual basis are impaired on the basis of observed losses as well as reasonable and justifiable future cash flow forecasts.

The IFRS 9 impairment model thus applies to all debt instruments measured at amortized cost or at fair value through other comprehensive income, as well as to financing commitments and financial guarantees. These are divided into 3 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 receivables: 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.

- **Governance**

The models for compartment allocation, forward-looking scenarios, and parameter calculation methods constitute the methodological basis for impairment calculations. They are validated at the group's top level and are applicable to all entities according to the portfolios involved. The entire methodological base and any subsequent modification in terms of method, weighting of the scenarios, parameter calculation or provision calculation must be validated by the Crédit Mutuel group's governance bodies.

These bodies consist of the Supervisory and Executive Board as defined by Article 10 of the French Decree of November 3, 2014 relative to internal control. Given the specificities of the Crédit Mutuel group's decentralized organizational structure, the supervisory and executive bodies are divided into two levels – the national level and the regional level.

The principle of subsidiarity, applied across the Crédit Mutuel group, governs the breakdown of roles between the national and regional levels, both on a project basis and for the ongoing implementation of the asset impairment calculation methodology.

- At the national level, the Basel 3 Working group approves the national procedures, models and methodologies to be applied by the regional groups.
- At the regional level, regional groups are tasked with the calculation of the IRFS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

- **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. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts; etc.

- ✓ high default portfolios (HDP) for which the default data is sufficient to establish a statistical rating model: mass corporate and retail. These portfolios include products such as home loans, consumer credit, revolving loans, current accounts, etc.

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

- ✓ taking into account all reasonable and justifiable information; and
- ✓ comparing the risk of default on the financial instrument at the reporting date with the risk of default at 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 of 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
- rating grids developed by experts (LDP).

The 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 of the customer's outstanding loans or those of related parties (absence of contagion).

Note that the group immediately puts into Status 1 any performing exposure that no longer meets the criteria for Status 2 classification (both qualitative and quantitative).

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. Thus the riskier the rating of the loan, the less the relative tolerance of the group towards significant deterioration of the risk.

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

To these quantitative criteria the group adds qualitative ones such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, 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 – Calculating expected credit losses**

The expected credit losses are measured by multiplying the outstanding amount of the loan at the contract rate by its probability of default (PD) and by the loss given default (LGD) ratio. The off-balance-sheet exposure is converted into a balance sheet equivalent based on the probability of a drawdown. The one-year probability of default is used for Status 1, while the probability of default at termination (1 to 10 year curve) is used for Status 2.

These parameters are based on the same values as the prudential models and are adapted to meet the IFRS 9 requirements. They are used both for assigning loans to a status and for calculating 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 collection flows observed over a long period of time, discounted at the interest rates of the contracts, segmented according to types of products and types of guarantees;
- for low default portfolios, on fixed ratios (60% for sovereigns and 40% for the rest).

- ✓ Conversion factors

For all products, including revolving loans, they are used to convert off-balance-sheet exposure to a balance sheet equivalent and are mainly based on prudential models.

- ✓ Forward-looking aspect

To calculate expected credit losses, the standard requires taking reasonable and justifiable information into account, including forward-looking information. 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 (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD. 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 dimension over different time horizons other than one year will largely be a function of the one-year dimension.

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 large corporates/bank models, and not into local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

- **Status 3 – Non-performing receivables**

An impairment is recorded when there is objective proof, as a result of an event occurring after a loan or group of loans has been granted, that it is likely to generate a loss. An analysis is done at each closing contract by contract. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the most recent contractual rate that is booked.

- **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 provision allocations/reversals for loan losses”. Reversals of impairment charges and provisions are recorded in “Net provision allocations/reversals 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. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under “Provisions” (see Section “1.3.1.6 Financial guarantees and financing commitments” and Section “1.3.3.2. "Provisions"). For assets at fair value through other comprehensive income, the counter-entry for impairments recognized under “Net provision allocations/reversals for loan losses” is booked to “Unrealized or deferred gains and losses”

Loan losses are written off and the corresponding impairments and provisions are reversed.

1.3.1.9. Determination of fair value of financial instruments

Fair value is the amount for which an asset could 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.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be 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 a stock 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**

Observable market data are used provided they reflect the reality of a transaction at arm's length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (mark-to-model).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and 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.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

- **Fair value hierarchy**

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

- Level 1: price quoted in active markets for identical assets and liabilities. These include debt securities listed 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). Included, in particular, in level 2 are interest rate swaps whose fair value is generally determined with the help of yield curves based on market interest rates observed at the end of the reporting period;
- Level 3: data relating to the asset or liability 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 hierarchical level 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 measured at level 3, the sensitivity of the fair value to a change in parameters would be immaterial.

1.3.2 Insurance business line

The insurance departments falling within the Conglomerate Directive, benefit from the deferred application of IFRS 9 until 2022, as scheduled by the amendment to IFRS 4 adopted by the European Union. As such, their financial instruments remain valued and recognized in accordance with IAS 39. In terms of presentation, the group chose to adopt an "IFRS audit" approach that allows all financial instruments under IAS 39 to be grouped together under the dedicated asset or liability items rather than by applying ANC recommendation 2017-02 strictly speaking, which entails the presentation of instruments under certain items pursuant to IAS 39 and IFRS 9. Thus, all the financial instruments of the insurance departments are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies", also including technical provisions. Investment property is also affected by the reclassification. The impact in the income statement of financial instruments and technical provisions is included under "Net income from insurance activities". Other assets/liabilities and income statement items are included under the "banking insurance" joint entries. Where relevant, the disclosures required by IFRS 7 are given separately for the insurance business lines.

In accordance with the adoption regulation of November 3, 2017, the group ensures there is no transfer of financial instruments with a derecognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

The accounting principles and valuation rules specific to assets and liabilities generated by the issue of insurance policies are drafted in accordance with IFRS 4. This also applies to reinsurance contracts issued or subscribed, and to financial contracts incorporating a discretionary profit-sharing clause.

Except in the cases outlined above, the other assets held and liabilities issued by the insurance companies follow the rules common to all the group's assets and liabilities.

1.3.2.1. Insurance business line - Financial instruments

Under IAS 39, insurers' financial instruments 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 grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies".

The classification in one or other of these categories reflects the management intention and determines the recognition rules for instruments.

The fair value of these instruments follows the general principles outlined in paragraph 1.3.1.9.

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

Classification criteria

The classification of instruments in this category is a result either of a genuine intention to trade, or the use of the fair value option.

a) Instruments held for trading:

Held-for-trading securities consist of securities originally acquired with the intention of reselling them in the near future, 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 accounted for under the fair value on option:

Financial instruments may be classified by choice, from the outset and on an irrevocable basis, at fair value through profit or loss in the following circumstances:

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

b. instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;

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

This option is specifically used in connection with unit-linked contracts for insurance activities, to ensure consistency with the treatment of liabilities.

Basis of valuation and recognition of income and expenses

Assets classified as "*Assets at fair value through profit* or loss" are recognized when they are entered on the balance sheet at their fair value, and at subsequent closing dates, until disposal. Changes in the fair value and the income received or accrued on these assets are recognized on the income statement under "Net income from insurance activities".

- Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets include those financial assets not classified as "loans and receivables", *or* "financial assets held-to-maturity" *or "fair* value through *profit or loss*".

Basis of valuation and recognition of income and expenses

They are recognized on the balance sheet at their fair value at the time of their 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 in shareholders' equity are only recognized on the income statement in the event of disposal or sustainable impairment. On disposal, these unrealized gains or losses previously recognized in shareholders' equity are recognized in the income statement, along with capital gains and losses on disposal.

Income accrued or acquired from fixed-income securities is recognized in profit or loss, using the effective interest rate method. They are presented in "Net income from insurance activities", along with dividends received on variable-income securities.

Credit risk and impairment

a) Sustainable impairment, specific to shares and other capital instruments

Impairment is recognized on variable-income available-for-sale financial assets in the event of a prolonged or significant fall in fair value, compared to cost.

In the case of variable-income securities, the group considers that a fall in the security's value of at least 50% compared to its acquisition cost or over a period of more than 36 consecutive months shall result in an impairment. The analysis is carried out on a line-by-line basis. Judgment is also used when reviewing those securities that do not meet the above criteria, but for which management believes the recoverability of the amount invested may not reasonably be expected in the near future. The loss is recognized in income under "Net income from insurance activities".

Any subsequent fall is also recognized on the income statement.

Long-term impairment losses on shares or other capital instruments posted in income are irreversible as long as the instrument appears on the balance sheet. In the event of subsequent appreciation, this will be recognized in shareholders' equity under "*unrealized or* deferred *gains or* losses".

b) Impairment due to credit risk

Impairment losses on fixed-income available-for-sale financial assets (specifically bonds) are recognized under "Cost *of risk*". In fact, only the existence of credit risk may lead to the impairment of these fixed-income instruments, since impairment in the event of loss due to a simple rate increase is not permitted. In the event of impairment, all combined unrealized losses in shareholders' equity must be recognized in profit or loss. These impairments are reversible; any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*", in case of improvement of the issuer's credit situation.

- Held-to-maturity financial assets

Classification criteria

This category includes determinable or fixed-income securities with a maturity date that the entity intends and is able to hold until maturity.

Any interest-rate hedging operations performed on this category of securities are not eligible for hedge accounting as set out in IAS 39.

Furthermore, the possibilities to dispose of or transfer securities of this portfolio are extremely limited, given the provisions of IAS 39, on pain of downgrading the entire portfolio at group level in the "available-for-sale financial assets" category, and forbidding access to this category for two years.

Basis of valuation and recognition of income and expenses

Securities classified in this category are initially recognized at fair value, then valued at amortized cost according to the effective interest rate method, which incorporates amortization of premiums and discounts, as well as acquisition expenses, if these are material.

Income received on these securities is given in "Net income from insurance activities" on the income statement.

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). An analysis is performed at each closing, on a security-by-security basis. Impairment is assessed by comparing the carrying amount and the present value at the original interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost *of risk*". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*".

- Loans and receivables

Classification criteria

Loans and receivables are determinable or fixed-income financial assets not quoted on an active market and not intended for sale upon acquisition or grant. They are recognized at their fair value when they initially appear on the balance sheet which is generally the net amount disbursed. These outstandings are then valued on subsequent closing dates at amortized cost using the effective interest-rate method (except for those recognized using the fair value option method).

Credit Risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). Impairment is assessed by comparing the carrying amount and the present value at the effective interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "*Cost of risk*". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*".

- Financial liabilities at amortized cost

These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

1.3.2.2. Insurance business line - Non-financial assets

Investment property and fixed assets follow the accounting methods outlined elsewhere.

1.3.2.3. Insurance business line - Non-financial liabilities

Insurance liabilities, representing commitments to subscribers and beneficiaries, are included under "technical provisions of insurance policies". They remain valued, recognized and consolidated according to French standards.

The technical provisions of life insurance policies consist primarily of mathematical provisions, which generally correspond to the redemption values of the contracts. The risks covered are primarily death, disability and incapacity for work (for borrower insurance).

Technical provisions for unit-linked contracts are valued on the reporting date based on the realizable value of the assets used to support these contracts.

Provisions for non-life insurance contracts correspond to unearned premiums (portion of premiums issued relating to subsequent years) and to claims payable.

Those insurance contracts benefiting from a discretionary profit-sharing clause are subject to "shadow accounting". The resulting deferred profit-sharing provision represents the portion of asset capital gains and losses, which accrues to the insured parties. These provisions for deferred profit-sharing appear as liabilities or assets, by legal entity and without offset between entities within the scope of consolidation. On the asset side, they appear as a separate item.

At the reporting date, a liability adequacy test recognized on these contracts (net of other related assets or liabilities, such as deferred acquisition costs and portfolio securities acquired) is conducted: the recognized liability is audited to ensure it is sufficient to hedge the estimated future cash flows on that date. Any shortfall in the technical provisions is recognized in profit or loss for the period (and may subsequently be reversed if necessary).

1.3.3 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. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

- **Finance leases - lessor accounting**

In accordance with IFRS 16, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount.

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 the lease payments received between interest and principal repayment, known as financial amortization;
- the recognition of a net latent 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 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 IFRS 16, fixed assets are recorded on the balance sheet to offset a liability in “Other liabilities”. Lease payments are broken down between interest expense and repayment of principal.

1.3.3.2. Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- ✓ operating risks;
- ✓ social commitments;
- ✓ execution risk on signature commitments;
- ✓ litigation risk and guarantee commitments given;
- ✓ tax risks;
- ✓ risks related to mortgage saving agreements.
- ✓

1.3.3.3. Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under “Provisions”. Any movements in in this provision are recognized in the income statement under “Employee benefits expense” except for the portion resulting from actuarial gains/(losses), which is recognized in unrealized or deferred gains and losses, under equity.

- **Post-employment benefits under a defined benefit plan**

These comprise the pension plans, early pension plans and supplementary pension plans under which the group has a formal or implicit obligation to provide employees with pre-defined benefits.

These obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the rate of increase in wages, assessed according to age group, manager/non-manager position and regional characteristics;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- staff turnover rates, determined by age bracket, using the three-year average for the ratio of resignations and dismissals relative to the year-end number of employees under permanent contracts;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

Differences arising from changes in these assumptions and from differences between previous assumptions and actual experience constitute actuarial gains or losses. When the plan has assets, these are valued at fair value and their expected return impact profit (loss). Differences between actual and expected yields also constitute actuarial gains or losses.

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Supplementary pensions within the pension funds

The AFB transitional agreement dated September 13, 1993, modified the pension plans of banking institutions. Since the 1st of January 1994, banks are affiliated with the national plans, ARRCO and AGIRC. The four pension funds to which the group's banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from the mergers was converted into an IGRS (a French supplementary pension management institution), in 2009. It does not have an asset shortfall.

Other post-employment benefits under a defined benefit plan

Retirement benefits and supplementary pensions, including special schemes, are provisioned. They are assessed on the basis of the rights acquired for all active employees, based in particular on the turnover rate of the staff specific to the consolidated entities and the estimated future salary that the beneficiary will earn upon retirement plus social security contributions, where applicable. The retirement benefits of the group's banks in France are covered by an insurance contract of which at least 60% is held with ACM Vie, a fully-consolidated insurance company of the Crédit Mutuel group.

- **Post-employment benefits under a defined contribution plan**

group entities contribute to various pension plans managed by independent organizations, to which they have no formal or implicit obligation to make supplementary payments in the event, notably, that the fund's assets are insufficient to meet its commitments.

Since such plans do not represent a commitment for the group they are not subject to a provision. Expenses are recognized in the fiscal year in which the contribution must be paid.

- **Long-term benefits**

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long service awards.

The Group's commitment in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments for long service awards are sometimes covered by insurance policies. Only the unhedged portion of this commitment is subject to a provision.

- **Supplemental pension plan for employees**

In addition to the mandatory pension plans, the employees of the entities covered by the group collective agreement also benefit from a supplementary defined contribution pension plan provided by ACM Vie SA.

- **Termination benefits**

These are benefits granted by the group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the group voluntarily in exchange for an indemnity. The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

- **Short-term benefits**

These are benefits, other than termination benefits, payable within the 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

An expense is recognized for these short-term benefits in the fiscal year in which the services granting entitlement to these benefits were rendered to the business.

1.3.3.4. Non-current assets

- **Non-current assets of which the group is owner**

Fixed assets included in the balance sheet include property, plant and equipment and intangible assets, as well as investment properties. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Fixed assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable. They are subsequently measured at amortized historical cost, i.e. their cost less accumulated depreciation and any impairment.

When a non-current asset comprises several components likely to be replaced at regular intervals, with different uses or providing economic benefits over differing lengths of time, each component is recognized separately from the outset and is depreciated or amortized in accordance with its own depreciation schedule. The component approach was retained for operating buildings and investment properties.

The depreciable or amortizable amount of a non-current asset is determined after deducting its residual value, net of disposal costs. As the useful life of non-current assets is generally equal to their expected economic life, no residual value is recognized.

Non-current assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized.

Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

Property, plant and equipment:

- Land and network improvements	: 15-30 years
- Buildings – shell	: 20-80 years (depending on type of building)
- Buildings – equipment	: 10-40 years
- Fixtures and fittings	: 5-15 years
- Office furniture and equipment	: 5-10 years
- Safety equipment	: 3-10 years
- Rolling stock	: 3-5 years
- Computer equipment	: 3-5 years

Intangible assets:

- Software purchased or developed in-house	: 1-10 years
- Business goodwill acquired	: 9-10 years (if customer contract portfolio acquired)

Depreciable and amortizable assets are tested for impairment when evidence exists at the reporting date that the items may be impaired. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.

If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under “Movements in depreciation, amortization and provisions for operating assets” in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under “Expenses on other activities” and “Income from other activities”, respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line “Net gains/(losses) on other assets”.

Gains and losses on the disposal of investment property are recorded on the income statement on the line “Income from other activities” or “Expenses from other activities.”

- **Non-current assets of which the group is lessee**

For a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

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

The group activates mainly its real estate contracts with the exception of those that are automatically renewable (subject to a 6-month notice period). The automotive fleet was only restated where it was locally significant and computer and security equipment were precluded on the grounds of their substitutable nature, in accordance with standards. Only a limited number of IT contracts, deemed to be significant, was deemed to be activated.

Other underlying assets were precluded through short-term or low value exemptions (set at €5,000). The group has no leases that give rise to recognition of intangible assets or investment properties.

Therefore, usage rights are recorded as “Property, plant and equipment”, and lease obligations as “Other liabilities”. On the income statement, interest charges appear in “Interest margin” while depreciation is presented under the heading dedicated to general operating expenses.

For calculating the lease obligation, we use:

- the contractual term. The group follows the ANC position on commercial leases: any new lease of this type will be capitalized for a term of 9 years;
- the discount rate is the marginal rate of indebtedness corresponding to the chosen duration. It is a rate that is depreciable by the group’s refinancing headquarters;
- the lease payment, excluding taxes. The group is marginally affected by variable lease payments.

Future changes in both lease terms and lease length will entail a revaluation of the assets and liabilities.

1.3.3.5 Fees and commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved.

Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

Fee and commissions considered as an additional interest are an integral part of the effective interest rate. These fees and commissions are thus recognized either as interest income or expense.

1.3.3.6 Income tax expense

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

- **Deferred taxes**

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method, applying the income tax rates known at the end of the fiscal year, and applicable in subsequent years.

Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or a charge, except for that relating to unrealized or deferred gains or losses recognized in equity, for which the deferred tax is allocated directly to equity.

Deferred tax assets and liabilities are netted if they arise in the same entity or in the same tax group, are subject to the same tax authority and there is a legal right to do so.

Deferred tax is not discounted.

1.3.3.7 Interest borne by the State for certain loans

Pursuant to measures to support the agricultural and rural sector, as well as the purchase of housing, some group entities grant loans at reduced rates, which are set by the State. Consequently, these entities receive a subsidy from the government equal to the interest rate differential existing between the rate granted to customers and a predefined benchmark rate. As a result, no discounting occurs on loans that benefit from these grants.

The arrangements governing this offset mechanism are periodically reviewed by the State.

The government subsidies received are recognized under “Interest and similar income” and allocated over the life of the corresponding loans, in accordance with IAS 20.

1.3.3.8 Non-current assets held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available for sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are shown separately in the balance sheet, on the lines “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”. They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or 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 "Post-tax gain/(loss) on discontinued operations and assets held for sale".

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

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market, the definition of a forced transaction and the definition of observable data require the exercise of judgment;
- pension plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

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

- **Amendments to IFRS 3 and 11**

These amendments clarify the accounting treatment of the acquisition of an interest in a joint activity. The group is only concerned by joint ventures and not by joint activities.

The amendment to IFRS 3 concerns clarification of the definition of an activity falling under IFRS 3 (vs. asset acquisition, accounted for according to the standard which applies to it, for example, IFRS 9).

1.5 Standards and interpretations not adopted by the European Union

- **IFRS 17 - Insurance Contracts**

This standard will replace IFRS 4, which allows insurance companies to conserve their local accounting principles for their insurance contracts and other contracts within the scope of IFRS 4. This is detrimental to the comparability of financial statements of entities in the sector. The application date, initially scheduled for 2021, is expected to be postponed by one year, following an amendment on which a consultation was initiated at the end of June 2019. It is expected that application of IFRS 9 for insurance entities that opted for the delay will also be deferred to the same date.

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 increasing use of complex models and concepts similar to those of Solvency II. Financial communication will also have to be broadly adapted.

- **Amendment to IAS 1 and IAS 8**

These amendments modify the definition of the term "significance" in order to clarify and align it with the conceptual framework and the IFRS standards. Subject to European adoption, information is of a significant nature (i.e. it is relatively important) if it is reasonable to expect that its omission, inaccuracy, or obfuscation would influence decisions made by primary users based on these financial statements in the general usage of such statements, which contain financial information on a given accounting entity.

NOTE 2 - Breakdown of the income statement by business segment and geographic area

The businesses are as follows:

• Retail banking comprises the banks of the Crédit Mutuel Alliance Fédérale network, the CIC regional banks, Targobank in Germany and Spain, COFIDIS and all specialized businesses whose products are marketed by the network: real estate and equipment leasing, factoring, collective management, employee savings, real estate;

• the insurance business line is composed of Groupe des Assurances du Crédit Mutuel;

• the financing and market activities are composed of:

a) the financing of large companies and institutional customers, specialized financing, international business and foreign branches,

b) capital markets, which are composed of investments in interest rate, currency and equities activities, including stock market brokering;

• private banking brings together companies whose main business occurs in France and abroad;

• private equity consists of proprietary trading and financial engineering services;

• the holding structure brings together those items that cannot be assigned to another business (holding company) as well as the press and logistics structures: intermediary holdings, non-controlling interests, operating real estate hosted in specific entities, press and IT entities.

Consolidated entities are fully allocated to their core business based on their contribution to the consolidated financial statements. Only two entities are an exception, CIC and BFCM because of their presence in several businesses. In this case, the annual financial statements are broken down analytically. The balance sheet is broken down in the same way.

2a - Breakdown of the income statement by business segment

06/30/2019	Bank retail	Insurance	Financing and markets	Bank private	Capital development	Logistics and holding	Inter activity	Total
Net Banking Income	5,265	1,096	383	273	176	779	-433	7,537
General operating expenses	-3,386	-329	-196	-204	-23	-863	433	-4,567
Gross operating income/(loss)	1,879	767	187	68	152	-84	0	2,970
Cost of counterparty risk	-391		-81	11	0	-1		-463
Gains on other assets*	3	15		2		0		21
Profit/(loss) before tax	1,491	783	106	81	152	-84	0	2,528
Income tax	-551	-277	-19	-16	1	-37		-899
Post-tax gains and losses on discontinued assets								0
Net profit/(loss)	**939**	**505**	**87**	**65**	**153**	**-121**	**0**	1,629
Non-controlling interests								169
Net profit/(loss) attributable to the group								**1,460**

** Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill (Notes 16 and 19).*

06/30/2018	Bank retail	Insurance	Financing and markets	Bank private	Capital development	Logistics and holding	Inter activity	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/(loss)	1,853	683	159	71	197	-303	0	2,659
Cost of counterparty risk	-369		31	-5	-1	-5		-349
Gains on other assets*	4	13		8		43		68
Profit/(loss) before tax	1,488	695	190	73	196	-265	0	2,378
Income tax	-524	-235	-69	-16	0	14		-830
Post-tax gains and losses on discontinued assets								0
Net profit/(loss)	**965**	**461**	**121**	**57**	**196**	**-251**	**0**	**1,548**
Non-controlling interests								154
Net profit/(loss) attributable to the group								**1,395**

** Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

2b - Breakdown of the income statement by geographic area

	06/30/2019				06/30/2018			
	France	Europe excluding France	Other Countries*	Total	France	Europe excluding France	Other Countries*	Total
Net Banking Income**	5,917	1,505	115	7,537	5,559	1,420	104	7,083
General operating expenses	-3,638	-883	-47	-4,567	-3,550	-832	-41	-4,424
Gross operating income/(loss)	2,279	622	68	2,970	2,009	588	62	2,659
Cost of counterparty risk	-260	-203	1	-462	-185	-176	12	-349
Gains on other assets***	0	3	18	21	2	11	54	68
Profit/(loss) before tax	2,020	421	87	2,528	1,826	424	128	2,378
Total net profit/(loss)	1,256	296	77	1,629	1,138	294	115	1,548
Net profit/(loss) attributable to the	1,116	272	72	**1,460**	1,017	270	108	1,395

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

*** 22.5% of NBI (excluding the logistics and holding business line) was generated abroad in the first half of 2019.*

**** Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

NOTE 3 Consolidation scope

3a - Composition of the consolidation scope

In line with the opinion of the French Banking Commission, the group's parent company is made up of the companies included within the scope of globalization. The entities that make it up are:

- Fédération du Crédit Mutuel Centre Est Europe (FCMCEE);
- Fédération du Crédit Mutuel du Sud-Est (FCMSE);
- Fédération du Crédit Mutuel d'île-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 île-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);
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Centre Est Europe;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Sud-Est;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel île-de-France;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel de Savoie-Mont Blanc;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Midi-Atlantique;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Loire-Atlantique Centre-Ouest;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Centre;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Dauphiné-Vivarais;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Méditerranée;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Normandie;
- Crédit Mutuel banks that are members of the Fédération du Crédit Mutuel Anjou.

Since December 31, 2018, the changes in the consolidation scope are as follows:

- Entering the scope of consolidation: CM-CIC Leasing Nederland (included in CM-CIC Leasing Benelux until 2018), Ebra Services, EBRA events, Newco1, Newco2;

- Mergers, absorptions: Cofacrédit with Factofrance, C2C with BFCM;

- Change in consolidation method: none;

- Exits from the scope: none.

	Country	06/30/2019			12/31/2018		
		Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
A. Banking network							
Banque Européenne du Crédit Mutuel (BECM)	France	100	98	FC	100	98	FC
BECM Francfort (branch of BECM)	Germany	100	98	FC	100	98	FC
BECM Saint Martin (BECM branch)	Saint Martin	100	98	FC	100	98	FC
Caisse Agricole du Crédit Mutuel	France	100	100	FC	100	100	FC
CIC Est	France	100	98	FC	100	98	FC
CIC Iberbanco	France	100	98	FC	100	98	FC
CIC Lyonnaise de Banque (LB)	France	100	98	FC	100	98	FC
CIC Nord Ouest	France	100	98	FC	100	98	FC
CIC Ouest	France	100	98	FC	100	98	FC
CIC Sud Ouest	France	100	98	FC	100	98	FC
Crédit Industriel et Commercial (CIC)	France	100	98	FC	100	98	FC
CIC Grand Cayman (branch of CIC)**	Cayman Islands	100	98	FC	100	98	FC
CIC Hong-Kong (CIC branch)	Hong-Kong	100	98	FC	100	98	FC
CIC Londres (branch of CIC)	United Kingdom	100	98	FC	100	98	FC
CIC New York (branch of CIC)	United States	100	98	FC	100	98	FC
CIC Singapore (branch of CIC)	Singapore	100	98	FC	100	98	FC
TARGOBANK AG	Germany	100	98	FC	100	98	FC
TARGOBANK Spain	Spain	100	98	FC	100	98	FC
B. Banking network - subsidiaries							
Bancas	France	50	49	EM	50	49	EM
Banque du Groupe Casino	France	50	49	EM	50	49	EM
Banque Européenne du Crédit Mutuel Monaco	Monaco	100	98	FC	100	98	FC
Cartes et Crédits Consommation (C2C)	France			MER	100	98	FC
CM-CIC Asset Management	France	90	92	FC	90	92	FC
CM-CIC Bail	France	100	98	FC	100	98	FC
CM-CIC Bail Espagne (subsidiary of CM-CIC Bail)	Spain	100	98	FC	100	98	FC
CM-CIC Caution Habitat SA	France	100	98	FC	100	98	FC
CM-CIC Epargne Salariale	France	100	98	FC	100	98	FC
CM-CIC Factor	France	95	96	FC	95	96	FC
CM-CIC Gestion	France	100	92	FC	100	92	FC
Crédit Mutuel Home Loan SFH	France	100	98	FC	100	98	FC
CM-CIC Lease	France	100	98	FC	100	98	FC
CM-CIC Leasing Benelux	Belgium	100	98	FC	100	98	FC
Benelux)***	Netherlands	100	98	FC			
CM-CIC Leasing GmbH	Germany	100	98	FC	100	98	FC
CM-CIC Leasing Solutions SAS	France	100	98	FC	100	98	FC
Cofacrédit SA	France			MER	100	98	FC
COFIDIS Belgique	Belgium	100	69	FC	100	69	FC
COFIDIS France	France	100	69	FC	100	69	FC
COFIDIS Espagne (branch of COFIDIS France)	Spain	100	69	FC	100	69	FC
COFIDIS Hongrie (branch of COFIDIS France)	Hungary	100	69	FC	100	69	FC
COFIDIS Portugal (branch of COFIDIS France)	Portugal	100	69	FC	100	69	FC
COFIDIS SA Pologne (branch of COFIDIS France)	Poland	100	69	FC	100	69	FC
COFIDIS SA Slovaquie (branch of COFIDIS France)	Slovakia	100	69	FC	100	69	FC
COFIDIS Italie	Italy	100	69	FC	100	69	FC
COFIDIS République Tchèque	Czech Republic	100	69	FC	100	69	FC
Creatis	France	100	69	FC	100	69	FC
Factofrance	France	100	98	FC	100	98	FC
FCT CM-CIC Home loans	France	100	98	FC	100	98	FC
Gesteurop	France	100	98	FC	100	98	FC
LYF SA	France	44	43	EM	46	45	EM
Monabanq	France	100	69	FC	100	69	FC
SCI La Tréflière	France	100	99	FC	100	99	FC
Targo Factoring GmbH	Germany	100	98	FC	100	98	FC
Targo Finanzberatung GmbH	Germany	100	98	FC	100	98	FC
Targo Leasing GmbH	Germany	100	98	FC	100	98	FC
C. Corporate banking and capital markets							
Banque Fédérative du Crédit Mutuel (BFCM)	France	98	98	FC	98	98	FC
Cigogne Management	Luxembourg	100	98	FC	100	98	FC

	Country	06/30/2019			12/31/2018		
		Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
D. Private banking							
Banque de Luxembourg	Luxembourg	100	98	FC	100	98	FC
Banque de Luxembourg Investments SA (BLI)	Luxembourg	100	98	FC	100	98	FC
Banque Transatlantique (BT)	France	100	98	FC	100	98	FC
Banque Transatlantique Londres (BT branch)	United Kingdom	100	98	FC	100	98	FC
Banque Transatlantique Belgium	Belgium	100	98	FC	100	98	FC
Banque Transatlantique Luxembourg	Luxembourg	100	98	FC	100	98	FC
CIC Suisse	Switzerland	100	98	FC	100	98	FC
Dubly Transatlantique Gestion	France	100	98	FC	100	98	FC
E. Private equity							
CM-CIC Capital	France	100	98	FC	100	98	FC
CM-CIC Conseil	France	100	98	FC	100	98	FC
CM-CIC Innovation	France	100	98	FC	100	98	FC
CM-CIC Investissement	France	100	98	FC	100	98	FC
CM-CIC Investissement SCR	France	100	98	FC	100	98	FC
F. Logistics and holding company services							
Actimut	France	100	100	FC	100	100	FC
Banque de Tunisie	Tunisia	35	35	EM	34	33	EM
Caisse Centrale du Crédit Mutuel	France	50	53	EM	50	53	EM
CIC Participations	France	100	98	FC	100	98	FC
Centre de conseil et de service - CCS	France	100	100	FC	100	100	FC
COFIDIS Participations	France	71	69	FC	71	69	FC
Euro Automatic Cash	Spain	50	40	EM	50	40	EM
Euro-Information	France	80	80	FC	80	80	FC
Euro-Information Développements	France	100	80	FC	100	80	FC
EIP	France	100	100	FC	100	100	FC
EI Télécom	France	95	76	FC	95	76	FC
Euro Protection Surveillance	France	100	84	FC	100	84	FC
Lyf SAS	France	45	36	EM	46	36	EM
Groupe Républicain Lorrain Communication (GRLC)	France	100	98	FC	100	98	FC
L'Est Républicain	France	100	98	FC	100	98	FC
Mutuelles Investissement	France	100	98	FC	100	98	FC
SAP Alsace	France	100	98	FC	100	98	FC
Société d'Investissements Médias (SIM)	France	100	98	FC	100	98	FC
Société de Presse Investissement (SPI)	France	100	98	FC	100	98	FC
Targo Deutschland GmbH	Germany	100	98	FC	100	98	FC
Targo Dienstleistungs GmbH	Germany	100	98	FC	100	98	FC
Targo Technology GmbH	Germany	100	98	FC	100	98	FC
Targo Technology GmbH Singapore (branch of Targo Technology GmbH)	Singapore	100	98	FC	100	98	FC
G. Insurance companies							
ACM GIE	France	100	78	FC	100	78	FC
ACM IARD	France	97	76	FC	97	76	FC
ACM Services	France	100	78	FC	100	78	FC
ACM Vie SA	France	100	78	FC	100	78	FC
ACM Vie, Société d'Assurance Mutuelle	France	100	100	FC	100	100	FC
Adepi	France	100	100	FC	100	100	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	75	FC	95	75	FC
Targopensiones, entidad gestora de fondos de pensiones, S.A.	Spain	100	75	FC	100	75	FC
Agrupació serveis administratius	Spain	100	75	FC	100	75	FC
AMDIF	Spain	100	75	FC	100	75	FC
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100	78	FC	100	78	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	63	FC	80	63	FC
Asistencia Avançada Barcelona	Spain	100	75	FC	100	75	FC
ASTREE Assurances	Tunisia	30	23	EM	30	23	EM
Atlantis Asesores SL	Spain	80	63	FC	80	63	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	47	FC	60	47	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	70	FC	88	70	FC
GACM España	Spain	100	78	FC	100	78	FC
Groupe des Assurances du Crédit Mutuel (GACM)(3)	France	80	78	FC	80	78	FC
ICM Life	Luxembourg	100	78	FC	100	78	FC
Margem-Mediação Seguros, Lda	Portugal	100	69	FC	100	69	FC
MTRL	France	100	100	FC	100	100	FC
NELB (North Europe Life Belgium)	Belgium	100	78	FC	100	78	FC
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	78	FC	100	78	FC
Partners	Belgium	100	78	FC	100	78	FC
Procourtage	France	100	78	FC	100	78	FC

	Country	06/30/2019			12/31/2018		
		Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
Royale Marocaine d'Assurance	Morocco	22	17	EM	22	17	EM
Serenis Assurances	France	100	78	FC	100	78	FC
Targo seguros mediacion	Spain	90	69	FC	90	69	FC
H. Other companies							
Affiches d'Alsace Lorraine	France	100	97	FC	100	97	FC
Alsacienne de Portage DNA	France	100	97	FC	100	97	FC
CM-CIC Immobilier	France	100	98	FC	100	98	FC
EBRA events	France	100	98	FC			
EBRA services	France	100	98	FC			
Est Bourgogne Médias	France	100	98	FC	100	98	FC
Foncière Massena	France	100	78	FC	100	78	FC
France Régie	France	100	97	FC	100	97	FC
GEIE Synergie	France	100	69	FC	100	69	FC
Groupe Dauphiné Media	France	100	98	FC	100	98	FC
Groupe Progrès	France	100	98	FC	100	98	FC
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100	98	FC	100	98	FC
Journal de la Haute Marne	France	50	49	EM	50	49	EM
La Liberté de l'Est	France	97	95	FC	97	95	FC
La Tribune	France	100	98	FC	100	98	FC
Le Dauphiné Libéré	France	100	98	FC	100	98	FC
Le Républicain Lorrain	France	100	98	FC	100	98	FC
Les Dernières Nouvelles d'Alsace	France	99	97	FC	99	97	FC
Lumedia	Luxembourg	50	49	EM	50	49	EM
Médiaportage	France	100	98	FC	100	98	FC
Newco 1	France	100	98	FC			
Newco 2	France	100	98	FC			
Presse Diffusion	France	100	98	FC	100	98	FC
Publiprint Province n°1	France	100	98	FC	100	98	FC
Républicain Lorrain Communication	France	100	98	FC	100	98	FC
Républicain Lorrain - TV news	France	100	98	FC	100	98	FC
SCI ACM	France	100	78	FC	100	78	FC
SCI ACM Cotentin	France	100	78	FC	100	78	FC
SCI Le Progrès Confluence	France	100	98	FC	100	98	FC
SCI Provence Lafayette	France	100	78	FC	100	78	FC
SCI 14 Rue de Londres	France	100	78	FC	100	78	FC
SCI Saint Augustin	France	100	78	FC	100	78	FC
SCI Tombe Issoire	France	100	78	FC	100	78	FC
Société d'Édition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	98	FC	100	98	FC

* Method: FC = Full Consolidation; EM = Equity Method NC = Not Consolidated; MER = MERGED

**Entity included in the accounts of the New York branch, the sole purpose being to refinance the New York branch through borrowing transactions in dollars from money market funds.

*** Entity included in the accounts of CM-CIC Leasing Benelux in 2018.

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

06/30/2019	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net profit/(loss)	Undisclosed reserves	NBI
Euro Information	20%	12	226	-1	1,541	56	0	656
Groupe des Assurances du Crédit Mutuel (GACM)(3)	22%	109	1,920	-405	121,728	489	1,524	1,039
COFIDIS Belgique	31%	2	221	0	874	6	-1	47
COFIDIS France	31%	9	341	0	9,066	31	-7	271

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

12/31/2018	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net profit/(loss)	Undisclosed reserves	NBI
Euro Information	20%	19	211	-1	1,495	112	0	1,279
Groupe des Assurances du Crédit Mutuel (GACM)(3)	22%	182	2,035	-74	116,041	806	938	1,722
COFIDIS Belgique	31%	4	217	0	852	13	0	97
COFIDIS France	31%	19	334	0	8,593	71	-4	546

NOTE 4 - Cash, central banks (asset/liability)

	06/30/2019	12/31/2018
Cash, central banks – asset		
Due to central banks	62,113	55,460
of which mandatory reserves	2,871	2,745
Cash	1,245	1,236
Total	**63,358**	**56,696**
Central banks – liability	**160**	**350**

NOTE 5 - Financial assets and liabilities at fair value through profit or loss

5a - Financial assets at fair value through profit or loss

	06/30/2019				12/31/2018			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
. Securities	**11,764**	**456**	**4,635**	**16,855**	10,455	418	4,413	15,286
- Government securities	1,703	0	0	**1,703**	774	0	0	774
- Bonds and other debt securities	9,196	456	151	**9,803**	9,135	418	149	9,702
. Listed	9,195	88	26	9,309	9,135	82	25	9,242
. Non-listed	1	368	125	494	0	336	124	460
of which UCIs	132		1	**133**	130		7	137
- Shares and other capital instruments	865		3,426	**4,291**	546		3,253	3,799
. Listed	865		1,087	1,952	546		1,068	1,614
. Non-listed	0		2,339	2,339	0		2,185	2,185
- Long-term investments			1,058	**1,058**			1,011	1,011
. Equity investments			351	351			365	365
. Other long-term investments			245	245			180	180
. Investments in associates			433	433			437	437
. Other long-term investments			29	29			29	29
. Derivative instruments	**3,315**			**3,315**	3,302			3,302
. Loans and receivables	**13,777**	**0**	**0**	**13,777**		0	0	0
of which pensions (1)	*13,777*	0		13,777		0		0
TOTAL	**28,856**	**456**	**4,635**	**33,947**	**13,757**	**418**	**4,413**	18,588

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost (10b and 10c).

5b - Financial liabilities at fair value through profit or loss

	06/30/2019	12/31/2018
Financial liabilities held for trading	21,219	4,392
Financial liabilities at fair value through profit or loss on option	0	0
TOTAL	**21,219**	**4,392**

Financial liabilities held for trading

	06/30/2019	12/31/2018
. Short sales of securities	**1,543**	**1,227**
- Government securities	1	3
- Bonds and other debt securities	956	585
- Shares and other capital instruments	586	639
. Debts in respect of securities sold under repurchase agreements (1)	**16,550**	**0**
. Trading derivatives	**3,098**	**3,160**
. Other financial liabilities held for trading	**28**	**5**
TOTAL	**21,219**	**4,392**

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost (11b and 11c).

5c - Analysis of trading derivatives

	06/30/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives				
Interest rate derivatives	2,084	1,836	1,945	1,814
Swaps	1,956	1,646	1,600	1,682
Other firm contracts	6	5	6	4
Options and conditional instruments	122	185	339	128
Foreign exchange derivatives	926	818	980	881
Swaps	30	33	37	44
Other firm contracts	821	710	846	740
Options and conditional instruments	75	75	97	97
Other derivatives	305	444	375	466
Swaps	107	170	93	130
Other firm contracts	11	110	14	90
Options and conditional instruments	187	164	268	246
Total	**3,315**	**3,098**	**3,300**	**3,161**

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 6 - Hedging

6a - Hedging derivatives

	06/30/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives				
Fair Value Hedges	2,746	2,496	2,640	2,350
Swaps	2,749	2,494	2,643	2,349
Other firm contracts	0	0	0	0
Options and conditional instruments	(3)	2	(3)	1
Cash Flow Hedges	0	1	0	0
Swaps	0	1	0	0
Other firm contracts	0	0	0	0
Options and conditional instruments	0	0	0	0
Total	**2,746**	**2,497**	**2,640**	**2,350**

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.

6b - Revaluation adjustment on rate-hedged books

	06/30/2019	12/31/2018
Fair value of portfolio interest rate risk		
. in financial assets	2,581	1,169
. in financial liabilities	32	19

NOTE 7 Financial assets at fair value through other comprehensive income

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

	06/30/2019	12/31/2018
. Government securities	10,384	9,574
. Bonds and other debt securities	18,425	17,081
- Listed	18,053	16,700
- Non-listed	372	381
. Accrued interest	136	156
Debt securities subtotal, gross	**28,945**	**26,811**
Of which impaired debt securities (S3)	2	2
Impairment of performing loans (S1/S2)	-12	-11
Other impairment (S3)	-1	-1
Debt securities subtotal, net	**28,932**	**26,799**
. Shares and other capital instruments	18	22
- Listed	15	19
- Non-listed	3	3
. Long-term investments	399	362
- Equity investments	45	44
- Other long-term investments	285	243
- Investments in associates	69	75
- Loaned securities	0	0
- Non-performing current account advances to non-trading real estate companies (SCI)	0	0
. Accrued interest	1	0
Sub-total, capital instruments	**418**	**384**
TOTAL	**29,350**	**27,183**
Of which unrealized capital gains or losses recognized under equity	53	-54
Of which listed equity investments.	-6	-6

7b - Exposure to sovereign risk

Countries benefiting from a support plan

*Net exposure**	06/30/2019		12/31/2018	
	Portugal	Ireland	Portugal	Ireland
Financial assets at fair value through profit or loss	39	22	22	
Financial assets at fair value through other comprehensive income	100	135		195
Investments in insurance business line	23	43	18	22
TOTAL	**161**	**200**	**39**	**217**

* The amounts of net exposures are after taking into account the share in the profit of insured parties for the insurance part.

Residual contract term	Portugal	Ireland	Portugal	Ireland
<1 year	4	4		89
1 to 3 years	1	36	1	5
3 to 5 years	28			30
5 to 10 years	125	138	19	93
Over 10 years	3	21	19	
TOTAL	**161**	**200**	**39**	**217**

Other sovereign exposures of the banking portfolio

Net exposure	06/30/2019	
	Spain	**Italy**
Financial assets at fair value through profit or loss	102	255
Financial assets at fair value through other comprehensive income	717	250
TOTAL	**819**	**505**

Capital markets activities are shown at market value, and other businesses at nominal value. The exposures are presented net of CDS.

Residual contract term	**Spain**	**Italy**
<1 year	73	443
1 to 3 years	83	33
3 to 5 years	261	18
5 to 10 years	387	0
Over 10 years	15	12
TOTAL	**819**	**505**

NOTE 8 Fair value hierarchy of financial instruments carried at fair value

06/30/2019	Level 1	Level 2	Level 3	Total
Financial assets IFRS 9				
Fair value through other comprehensive income	24,963	2,933	1,454	29,350
- Government and equivalent securities	10,383	67	0	10,450
- Bonds and other debt securities	14,395	2,864	1,231	18,490
- Shares and other capital instruments	15	2	0	17
- Investments and other long-term securities	170	0	162	333
- Investments in subsidiaries and associates	0	0	61	61
Trading / Fair value option / Other	11,219	18,285	4,443	33,947
- Government securities and similar instruments – Trading	1,480	223	0	1,703
- Government securities and similar instruments – Fair value option	0	0	0	0
- Government securities and similar instruments – Other FVPL	0	0	0	0
- Bonds and other debt securities – Trading	7,345	1,697	154	9,196
- Bonds and other debt securities – Fair value option	33	20	402	456
- Bonds and other debt securities – Other FVPL	103	0	49	151
- Shares and other equity instruments – Trading	865	0	0	865
- Shares and other capital instruments – Other FVPL (1)	1,221	0	2,205	3,426
- Investments and other long-term securities – Other FVPL	1	0	605	607
- Investments in subsidiaries and associates – Other FVPL	0	0	446	446
- Loans and receivables due from credit institutions - Transaction	0	5,995	0	5,995
- Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
- Loans and receivables due from customers - Transaction	0	7,781	0	7,781
- Loans and receivables due from customers – Other FVPL	0	0	0	0
- Derivatives and other financial assets – Trading	171	2,567	582	3,320
Hedging derivatives	0	2,743	4	2,747
Total	**36,182**	**23,961**	**5,901**	**66,044**
Financial assets IAS 39 – Investments of the insurance business line				
Fair value through profit or loss	23,075	5,164	0	28,239
- Transaction	0	0	0	0
- Fair value option – debt securities	2,435	2,419	0	4,854
- Fair value option – capital instruments	20,640	2,745	0	23,385
Hedging derivatives	0	0	0	0
Available-for-sale assets	77,782	2,526	534	80,843
Of which SPPI assets	64,162	147	9	64,318
- Government and equivalent securities	18,072	0	0	18,072
- Bonds and other debt securities	46,960	251	0	47,211
- Shares and other capital instruments	11,903	2,276	0	14,179
- Equity investments, shares in subsidiaries and associates and other long-term investments	847	0	534	1,381
Total	**100,857**	**7,690**	**534**	**109,081**

Financial liabilities IFRS 9				
Trading / Fair value option	1,712	18,907	600	21,219
Hedging derivatives	0	2,477	20	2,496
Total	**1,712**	**21,383**	**620**	**23,715**
Financial liabilities related to IAS 39 insurance business policies				
Fair value through profit or loss	0	6,243	0	6,243
- Transaction	0	0	0	0
- Fair value option	0	6,243	0	6,243
Hedging derivatives	0	0	0	0
Total	**0**	**6,243**	**0**	**6,243**

(1) Notably includes the equity investments held by the group’s private equity companies.

12/31/2018	Level 1	Level 2	Level 3	Total
Financial assets IFRS 9				
Fair value through other comprehensive income	23,080	2,726	1,376	27,182
- Government and equivalent securities	9,612	37	0	9,648
- Bonds and other debt securities	13,320	2,687	1,152	17,159
- Shares and other capital instruments	19	2	0	22
- Investments and other long-term securities	129	0	159	288
- Investments in subsidiaries and associates	0	0	65	65
Trading / Fair value option / Other	10,658	3,613	4,318	18,589
- Government securities and similar instruments – Trading	615	159	0	774
- Government securities and similar instruments – Fair value option	0	0	0	0
- Government securities and similar instruments – Other FVPL	0	0	0	0
- Bonds and other debt securities – Trading	7,882	926	327	9,135
- Bonds and other debt securities – Fair value option	35	20	363	418
- Bonds and other debt securities – Other FVPL	102	0	48	149
- Shares and other equity instruments – Trading	546	0	0	546
- Shares and other capital instruments – Other FVPL (1)	1,227	0	2,027	3,254
- Investments and other long-term securities – Other FVPL	4	1	552	556
- Investments in subsidiaries and associates – Other FVPL	0	0	442	442
- Derivatives and other financial assets – Trading	247	2,507	560	3,314
Hedging derivatives	0	2,628	11	2,640
Total	**33,738**	**8,967**	**5,706**	**48,411**
Financial assets IAS 39 – Investments of the insurance business line				
Fair value through profit or loss	22,771	4,752	0	27,523
- Transaction	0	0	0	0
- Fair value option – debt securities	2,275	3,094	0	5,369
- Fair value option – capital instruments	20,496	1,658	0	22,154
Hedging derivatives	0	0	0	0
Available-for-sale assets	72,562	2,234	520	75,316
Of which SPPI assets	61,284	89	9	61,382
- Government and equivalent securities	18,200	104	0	18,303
- Bonds and other debt securities	43,811	81	0	43,893
- Shares and other capital instruments	9,786	2,024	1	11,811
- Equity investments, shares in subsidiaries and associates and other long-term investments	765	25	519	1,309
Total	**95,333**	**6,986**	**520**	**102,839**
Financial liabilities IFRS 9				
Trading / Fair value option	1,443	2,168	781	4,392
Hedging derivatives	0	2,329	21	2,350
Total	**1,443**	**4,497**	**802**	**6,741**
Financial liabilities related to IAS 39 insurance business policies				
Fair value through profit or loss	0	6,007	0	6,007
- Transaction	0	-1	0	-1
- Fair value option	0	6,008	0	6,008
Hedging derivatives	0	0	0	0
Total	**0**	**6,007**	**0**	**6,007**

- level 1: price quoted in an active market.
- level 2: prices quoted in active markets for similar instruments, and measurement method in which all significant inputs are based on observable market information.
- level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.
There are uncertainties surrounding the measurement of all these instruments, which result in value adjustments reflecting the risk premium that a market participant would incorporate when establishing the price.
Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and 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 fair value of over-the-counter derivatives. The methods used may change. The latter include the own counterparty risk present in the fair value of over-the-counter derivatives.
When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

Note 9 - Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on FSB recommendations.
The trading portfolios and the portfolios of securities at fair value through other comprehensive income were valued at market price based on external data sourced from organized markets, leading brokers or, when no price was available, based on comparable securities quoted in the market.

Summary	Carrying amount 06/30/2019	Carrying amount 12/31/2018
RMBS	1,466	1,518
CMBS	417	543
CLO	3,583	3,211
Other ABS	2,018	2,404
Sub-total	7,485	7,677
ABCP program liquidity lines	215	215
TOTAL	7,700	7,892

Unless otherwise indicated, securities are not hedged by CDS.

Exposures at 06/30/2019	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	469	-	27	174	669
Amortized cost	80	-	287	232	600
Fair value - Other	9	-	-	-	9
Fair value through other comprehensive income	909	417	3,269	1,612	6,207
TOTAL	**1,466**	**417**	**3,583**	**2,018**	**7,485**
France	183	-	607	534	1,323
Spain	134	-	-	150	285
United Kingdom	261	-	142	117	520
Europe excluding France, Spain, United Kingdom	442	-	378	1,024	1,844
USA	265	417	697	0	1,379
Other	181	-	1,759	193	2,134
TOTAL	**1,466**	**417**	**3,583**	**2,018**	**7,485**
US Branches	246	-	-	-	246
AAA	956	417	3,400	1,259	6,032
AA	206	-	132	523	861
A	18	-	40	30	88
BBB	8	-	-	200	207
BB	15	-	-	7	22
B or below	17	-	-	-	17
Not rated	-	-	11	-	11
TOTAL	**1,466**	**417**	**3,583**	**2,018**	**7,485**
Origination 2005 and earlier	49	-	-	-	49
Origination 2006-2008	123	-	-	25	148
Origination 2009-2011	74	1	-	-	75
Origination 2012-2018	1,220	416	3,583	1,993	7,212
TOTAL	**1,466**	**417**	**3,583**	**2,018**	**7,485**

Exposures on 12/31/2018	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	472	0	0	253	725
Amortized cost	237	0	260	256	753
Fair value - Other	9				9
Fair value through other comprehensive income	801	543	2,951	1,895	6,190
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
France	251	0	555	644	1,450
Spain	125	0	0	195	320
United Kingdom	344	0	135	211	690
Europe excluding France, Spain, United Kingdom	310	0	363	1,199	1,871
USA	293	543	639	1	1,476
Other	197	0	1,519	155	1,870
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
US Branches	125	0	0	0	125
AAA	1,045	543	3,041	1,634	6,262
AA	141	0	120	508	770
A	20	0	38	57	115
BBB	7	0	0	200	207
BB	18	0	0	7	24
B or below	162	0	0	0	162
Not rated	0	0	11	0	11
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
Origination 2005 and earlier	60	0	0	0	60
Origination 2006-2008	283	0	0	56	338
Origination 2009-2011	31	1	0	0	32
Origination 2012-2018	1,144	542	3,211	2,349	7,247
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**

Note 10 - Financial assets at amortized cost

	06/30/2019	12/31/2018
Loans and receivables to credit institutions	42,376	44,168
Loans and receivables due from customers	378,091	370,886
Securities at amortized cost	2,920	2,990
Total	**423,387**	**418,044**

10a - Securities at amortized cost

	06/30/2019	12/31/2018
. Securities	3,072	3,189
- Government securities	1,825	1,921
- Bonds and other debt securities	1,247	1,268
. Listed	498	489
. Non-listed	749	779
. Accrued interest	16	14
TOTAL GROSS	**3,088**	**3,203**
of which impaired assets (S3)	193	392
Impairment of performing loans (S1/S2)	0	0
Other impairment (S3)	-167	-213
TOTAL NET	**2,920**	**2,990**

10b - Loans and receivables due from credit institutions at amortized cost

	06/30/2019	12/31/2018
. Performing loans (S1/S2)	42,135	43,890
Crédit Mutuel network accounts (1)	26,033	22,503
Other ordinary accounts	2,149	3,385
Loans	4,281	3,898
Other receivables	7,368	6,927
Pensions (2)	2,304	7,177
. Individually-impaired receivables, gross (S3)	0	0
. Accrued interest	243	281
. Impairment of performing loans (S1/S2)	-3	-3
. Other impairment (S3)	0	0
Total	**42,376**	**44,168**

(1) Mainly concerns outstanding CDC repayments (LEP, LDD, Livret bleu, Livret A).

(2) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.

10c - Loans and receivables due from customers at amortized cost

	06/30/2019	12/31/2018
Performing loans (S1/S2)	359,655	353,154
. Commercial loans	15,228	15,357
. Other customer receivables	343,752	337,163
- home loans	185,688	179,338
- other loans and receivables including repurchase agreements	158,064	157,825
. Accrued interest	675	634
Insurance and reinsurance receivables	0	0
Individually-impaired receivables, gross (S3)	11,258	11,150
Receivables, gross	**370,913**	**364,304**
Impairment of performing loans (S1/S2)	-1,750	-1,736
Other impairment (S3)	-6,129	-6,073
SUB TOTAL I	**363,034**	**356,495**
Finance leases (net investment)	14,914	14,263
. Equipment	10,445	9,983
. Real estate	4,469	4,280
Individually-impaired receivables, gross (S3)	437	427
Impairment of performing loans (S1/S2)	-107	-110
Other impairment (S3)	-186	-190
SUB TOTAL II	**15,058**	**14,390**
TOTAL	**378,091**	**370,885**
of which subordinated loans	14	13
of which pensions (1)	3,555	9,205

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.

Finance lease transactions with customers

	12/31/2018	Increase	Decrease	Other	06/30/2019
Gross carrying amount	14,690	1,216	-563	8	15,351
Impairment of non-recoverable lease payments	-300	-73	81	0	-293
Net carrying amount	14,390	1,143	-482	8	15,058

Note 11 - Financial liabilities at amortized cost

11a - Debt securities at amortized cost

	06/30/2019	12/31/2018
Certificates of deposit	139	216
Interbank certificates and negotiable debt instruments	59,891	56,406
Bonds	64,726	62,293
Non-preferred senior securities	1,000	0
Related debt	693	766
TOTAL	**126,449**	**119,681**

11b - Due to credit institutions

	06/30/2019	12/31/2018
Other ordinary accounts	1,953	2,546
Borrowings	17,022	15,934
Other debt	6,078	6,158
Pensions (1)	18,003	28,897
Related debt	103	100
TOTAL	**43,159**	**53,635**

The group participated in TLTRO II (Targeted Long Term Refinancing Operation) proposed by the ECB up to €9,994 million on June 30, 2019.

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.

11c - Amounts due to customers at amortized cost

	06/30/2019	12/31/2018
. Special savings accounts	129,914	126,222
- on demand	89,104	86,016
- in the future	40,810	40,206
. Related liabilities on savings accounts	675	31
Sub-total	**130,589**	**126,253**
. Demand accounts	140,460	133,501
. Term deposits and borrowings	44,591	42,230
. Pensions (1)	615	2,024
. Related debt	252	301
. Other debt	11	11
Sub-total	**185,929**	**178,067**
TOTAL	**316,518**	**304,320**

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.

Note 12 - Gross values and movements in impairment provisions

12a - Gross values subject to impairment

	06/30/2019	12/31/2018
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	42,379	44,171
- 12 month expected losses (S1)	42,378	44,158
- with expected losses at maturity (S2)	1	13
Financial assets at amortized cost – loans and receivables due from customers, subject to	386,263	378,995
- 12 month expected losses (S1)	351,839	346,423
- with expected losses at maturity (S2)	22,728	20,995
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	11,695	11,532
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	45
Financial assets at amortized cost – securities	3,087	3,203
- with 12-month expected losses (S1)	2,894	2,810
- with expected losses at maturity (S2)	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	193	392
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at fair value through other comprehensive income – debt securities	28,945	26,811
- 12 month expected losses (S1)	28,900	26,702
- with expected losses at maturity (S2)	43	107
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	2	2
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Total	**460,674**	**453,180**

12b - Movements in impairment provisions

	12/31/2018	Addition	Reversal	Other	06/30/2019
Loans and receivables due from credit institutions	**-3**	**-2**	**2**	**0**	**-3**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12 month expected losses (S1)	-3	-2	2	0	-3
- expected losses at maturity (S2)	-3	0	0	3	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Customer loans	**-8,109**	**-1,229**	**1,184**	**-18**	**-8,172**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12 month expected losses (S1)	-844	-199	156	2	-885
- expected losses at maturity (S2)	-1,002	-299	329	0	-972
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-6,263	-731	699	-20	-6,315
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – securities	**-213**	**0**	**1**	**45**	**-167**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12 month expected losses (S1)	0	0	0	0	0
- expected losses at maturity (S2)	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-213	0	1	45	-167
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – debt securities	**-12**	**-3**	**2**	**0**	**-13**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12 month expected losses (S1)	-11	-3	2	0	-12
- expected losses at maturity (S2)	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-1	0	0	0	-1
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Total	**-8,337**	**-1,234**	**1,189**	**27**	**-8,355**

Note 13- Investments/assets and liabilities relative to contracts under the insurance business line

13a - Short-term investments in the insurance business line and reinsurers' share of technical provisions

Financial assets	06/30/2019	12/31/2018
Fair value through profit or loss	28,239	27,523
- Transaction	0	0
- Fair value option – debt securities	4,854	5,369
- Fair value option – capital instruments	23,385	22,154
Hedging derivatives	0	0
Available-for-sale (1)	80,843	75,316
- Government and equivalent securities	18,072	18,303
- Bonds and other debt securities	47,211	43,893
- Shares and other capital instruments	14,179	11,811
- Equity investments, shares in subsidiaries and associates and other long-term investments	1,381	1,309
Loans and receivables	3,330	3,033
Held-to-maturity	10,390	11,988
Sub-total financial assets	**122,802**	**117,860**
Investment properties	**3,426**	**3,383**
Shares of reinsurers in the technical provisions and other assets	**733**	**762**
TOTAL	**126,961**	**122,005**

(1) Of which SPPI assets of €64,318 million.

13b - Liabilities relative to contracts of the insurance business line

Technical provisions of insurance policies	06/30/2019	12/31/2018
Life	97,265	92,551
Non-life	3,908	3,764
Account units	13,082	12,129
Other	350	307
Total	**114,605**	**108,751**
Of which deferred profit sharing liabilities	**16,467**	**12,225**
Share of reinsurers in the technical provisions	343	348
Net technical provisions	**114,262**	**108,403**

Financial liabilities		
Fair value through profit or loss	6,243	6,007
- Transaction	0	-1
- Fair value option	6,243	6,008
Due to credit institutions	180	167
Subordinated debt	300	300
Sub-total	**6,723**	**6,474**
Other liabilities	**696**	**339**
Total	**7,419**	**6,813**
Total liabilities related to insurance business policies	**122,024**	**115,564**

NOTE 14 - Income tax

14a - Current tax

	06/30/2019	12/31/2018
Assets (through profit or loss)	1,368	1,852
Liabilities (through profit or loss)	934	648

14b - Deferred tax

	06/30/2019	12/31/2018
Assets (through profit or loss)	1,180	1,291
Assets (through other comprehensive income)	167	182
Liabilities (through profit or loss)	660	650
Liabilities (through other comprehensive income)	603	381

Note 15 - Accruals and other assets and liabilities

15a - Accruals and other assets

	06/30/2019	12/31/2018
Accruals		
Collection accounts	369	291
Currency adjustment accounts	105	268
Accrued income	606	533
Other accruals	3,851	3,735
Sub-total	**4,931**	**4,827**
Other assets		
Securities settlement accounts	169	104
Miscellaneous receivables	4,423	4,077
Inventories and similar	49	44
Other	49	48
Sub-total	**4,690**	**4,273**
Total	**9,621**	**9,100**

15b - Accruals and other liabilities

	06/30/2019	12/31/2018
Accruals		
Accounts unavailable due to recovery procedures	239	26
Currency adjustment accounts	124	85
Accrued expenses	1,435	1,500
Deferred income	1,439	1,463
Other accruals	6,383	6,001
Sub-total	**9,620**	**9,075**
Other liabilities		
Lease obligations - Real estate*	635	0
Lease obligations - Other*	31	0
Securities settlement accounts	555	422
Outstanding amounts payable on securities	52	71
Sundry creditors	1,740	1,722
Sub-total	**3,013**	**2,215**
Total	**12,633**	**11,290**

** Related to the application of IFRS 16 as of January 1, 2019.*

15c - Lease obligations by residual term

06/30/2019	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 6 years	> 6 years ≤ 9 years	>9 years	TOTAL
Lease obligations	**30**	**152**	**211**	**180**	**93**	**666**
- Real estate	30	121	211	180	93	635
- Other	0	31	0	0	0	31

Note 16 - Investments in equity consolidated companies

06/30/2019	Country	Share held	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if quoted)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	15	4	1	35
Banque de Tunisie	Tunisia	35.33%	169	3	5	180
Caisse Centrale du Crédit Mutuel**	France	53.48%	347	3	2	NC*
LYF SA	France	43.75%	7	0	0	NC*
Royale Marocaine d'Assurance	Morocco	22.02%	130	11	0	NC*
Other equity investments			-1	-6		
Total (1)			**667**	**15**	**8**	
Joint venture						
Bancas	France	50.00%	1	0	0	NC*
Euro Automatic Cash	Spain	50.00%	20	1	0	NC*
Banque du Groupe Casino	France	50.00%	71	3	0	NC*
Total (2)			**92**	**4**	**0**	
Total (1)+(2)			**759**	**19**	**8**	

** NC: Not communicated*

*** Caisse Centrale du Crédit Mutuel continued to be equity consolidated due to a notable influence despite the fact that the voting rights held exceeded 50% in the first half of 2019.*

12/31/2018	Country	Share held	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if quoted)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	14	1	1	19
Banque de Tunisie	Tunisia	34.00%	160	16	7	171
Banque Marocaine du Commerce Extérieur (BMCE)**	Morocco	NA	NA	56	19	NA
Caisse Centrale du Crédit Mutuel	France	53.17%	341	7	2	NC*
LYF SA (formerly Fivory)	France	46.00%	8	-1	0	NC*
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	22.02%	130	17	12	NC*
Other equity investments			-9	-12		
Total (1)			**643**	**85**	**40**	
Joint venture						
Bancas	France	50.00%	1	0	0	NC*
Euro Automatic Cash	Spain	50.00%	19	-23	6	NC*
Banque du Groupe Casino	France	50.00%	55	5	0	NC*
Total (2)			**75**	**-19**	**6**	
Total (1)+(2)			**719**	**67**	**46**	

** NC: Not communicated*

*** BMCE exited from the scope in 2018 following the loss of the significant influence.*

Note 17 - Investment property

	12/31/2018	Increase	Decrease	Other	06/30/2019
Historical cost	160	7	-5	0	162
Depreciation and impairment	-74	-2	1	-1	-76
Net amount	**86**	**5**	**-4**	**-1**	**86**

Note 18 - Property, plant and equipment and intangible assets

18a - Property, plant and equipment

	12/31/2018	Increase	Decrease	Other (1)	06/30/2019
Historical cost					
Operating sites	571	10	0	-1	580
Operating buildings	4,973	44	-26	1	4,992
Usage rights - Real estate	0	17	-3	678	692
Usage rights - Other	0	0	0	37	37
Other property, plant and equipment	2,713	186	-124	0	2,775
Total	**8,257**	**257**	**-153**	**715**	**9,076**
Depreciation and impairment					
Operating sites	-9	-1	0	-1	-10
Operating buildings	-3,136	-88	23	-1	-3,202
Usage rights - Real estate	0	-60	1	-2	-61
Usage rights - Other	0	-6	0	0	-6
Other property, plant and equipment	-2,139	-103	58	-1	-2,185
Total	**-5,284**	**-258**	**82**	**-5**	**-5,464**
Net amount	**2,973**	**-1**	**-71**	**710**	**3,612**

(1) Of which a €716 million impact from the first application of IFRS 16.

of which properties rented under finance leases

	12/31/2018	Increase	Decrease	Other	06/30/2019
Operating sites	7				7
Operating buildings	106			-1	105
Total	**113**	**0**	**0**	**-1**	**112**

18b - Intangible assets

	12/31/2018	Increase	Decrease	Other	06/30/2019
Historical cost					
. Internally developed intangible assets	0	0	0	0	0
. Purchased intangible assets	2,030	58	-4	20	2,104
- Software	519	12	0	0	531
- Other	1,511	46	-4	20	1,573
Total	**2,030**	**58**	**-4**	**20**	**2,104**
Depreciation and impairment					
. Internally developed intangible assets	0	0	0	0	0
. Purchased intangible assets	-1,311	-41	2	-19	-1,369
- Software	-474	-9	0	0	-483
- Other	-837	-32	2	-19	-886
Total	**-1,311**	**-41**	**2**	**-19**	**-1,369**
Net amount	**719**	**17**	**-2**	**1**	**735**

NOTE 19 - Goodwill

	12/31/2018	Increase	Decrease	Variation in depreciation	Other	06/30/2019
Gross goodwill	4,613				0	4,613
Write-downs	-495				0	-495
Net goodwill	**4,118**				**0**	**4,118**

Subsidiaries	Value of goodwill on 12/31/2018	Increase	Decrease	Variation in depreciation	Other	Value of goodwill on 06/30/2019
TARGOBANK Allemagne	2,851					2,851
Crédit Industriel et Commercial (CIC)	497					497
COFIDIS Participations	378					378
COFIDIS France	79					79
EI Télécom	78					78
Factofrance SA	68					68
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	53					53
SIIC Foncière Massena	26					26
CM-CIC Investissement SCR	21					21
Banque de Luxembourg	13					13
Agrupació AMCI d'Assegurances i Reassegurances S.A.	12					12
COFIDIS Italy	9					9
Banque Transatlantique	6					6
Dubly Transatlantique Gestion	5					5
Other	22					22
TOTAL	**4,118**	**0**	**0**	**0**	**0**	**4,118**

The group did not identify any indications of impairment in the first half of 2019.

Note 20 - Provisions and contingent liabilities

20a - Provisions

	12/31/2018	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other variations	06/30/2019
Provisions for risks	**410**	**143**	**-9**	**-126**	**-2**	**416**
On guarantee commitments	***205***	***61***	***-1***	***-54***	***0***	***211***
- of which 12-month expected losses (S1)	32	14	0	-12	1	35
- of which expected losses at maturity (S2)	37	17	0	-18	-1	35
On financing commitments	***61***	***50***	***0***	***-42***	***1***	***70***
- of which 12-month expected losses (S1)	50	34	0	-28	0	56
- of which expected losses at maturity (S2)	10	16	0	-13	1	14
Provision for taxes	***25***	***0***	***0***	***-6***	***-2***	***17***
Provisions for claims and litigation	***84***	***24***	***-8***	***-11***	***-1***	***88***
Provision for risk on miscellaneous receivables	***35***	***7***	***0***	***-11***	***-2***	***29***
Other provisions	**1,535**	**174**	**-31**	**-43**	**-149**	**1,486**
- Provisions for mortgage saving agreements	199	8	0	0	0	207
- Provisions for miscellaneous contingencies (2)	925	125	-16	-8	-119	907
- Other provisions (1)	411	41	-15	-35	-30	372
Provisions for retirement commitments	**1,321**	**18**	**-15**	**-3**	**22**	**1,343**
Total	**3,266**	**335**	**-55**	**-172**	**-129**	**3,245**

(1) Other provisions mainly include provisions for French economic interest groups (GIE) totaling €306 million.

(2) In accordance with IAS 1, the group reclassified €120 million from the "Provisions for miscellaneous contingencies" to the "Current tax (liabilities)" (Note 14)

20b - Retirement and other employee benefits

	12/31/2018	**Additions for the year**	**Reversals for the year**	**Other variations**	**06/30/2019**
Defined-benefit pension commitments and related items excluding pension funds:					
Retirement Benefits	942	21	-15	60	1,008
Supplementary pensions	208	3	-3	-45	163
Obligations for long service awards (other long-term benefits)	148	0	0	0	148
Sub-total recognized	**1,298**	**24**	**-18**	**15**	**1,319**
Supplementary defined-benefit pension plans insured by group pension funds:					
Commitments to employees and retirees (2)	23	0	0	1	24
Fair value of assets					
Sub-total recognized	**23**	**0**	**0**	**1**	24
Total amount recognized	**1,321**	**24**	**-18**	**16**	**1,343**

Defined-benefit plans: Main actuarial assumptions	06/30/2019	12/31/2018
Discount rate (3)	1.00%	1.5%
Expected increase in salaries (4)	Minimum 1%	Minimum 1%

(2) The provisions covering shortfalls in pension funds relate to entities located abroad.
(3) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the IBOXX index.
(4) The annual increase in salaries is the estimate of future inflation combined with the increase in salaries; it also depends on the age of the employee.

NOTE 21 - Subordinated debt

	06/30/2019	12/31/2018
Subordinated debt	7,117	6,116
Participating loans	21	21
Perpetual subordinated debt	1,003	1,006
Related debt	83	81
TOTAL	**8,224**	**7,224**

Principal subordinated debt

in € millions	**Type**	**Date Issue**	**Amount Issue**	**Amount balance sheet date (1)**	**Rate**	**Term**
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	10/22/2010	€1,000m	€918m	4.00	10/22/2020
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/21/2014	€1,000m	€1,000m	3.00	05/21/2024
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	09/11/2015	€1,000m	€1,000m	3.00	09/11/2025
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/24/2016	€1,000m	€1,000m	2.375	03/24/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/04/2016	€700m	€700m	1.875	11/04/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/31/2017	€500m	€500m	2.625	03/31/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/15/2017	€500m	€500m	1.625	11/15/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/25/2018	€500m	€500m	2.5	05/25/2028
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	06/18/2019	€1,000m	€1,000m	1.875	06/18/2029
CIC	Participatory	05/28/1985	€137m	€8m	(2)	(3)
Banque Fédérative du Crédit Mutuel	TSS	12/15/2004	€750m	€734m	(4)	TBD
Banque Fédérative du Crédit Mutuel	TSS	02/25/2005	€250m	€250m	(5)	TBD

(1) Net amounts from intra-group.
(2) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
(3) Non-depreciable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.
(4) CMS 10 years ISDA CIC +10 basis points.
(5) CMS 10 years ISDA +10 basis points.

Note 22 - Reserves related to capital and reserves

22a - Shareholders' equity attributable to the group (excluding profit and loss and unrealized gains and losses)

	06/30/2019	12/31/2018
. Capital and reserves related to capital	6,396	6,167
- Capital	6,396	6,167
- Issue premium, contribution, merger, split, conversion	0	0
. Consolidated reserves	33,504	30,926
- of which profit on disposal of capital instruments	-24	6
- of which retained earnings	116	114
Total	**39,900**	**37,093**

The share capital of the Crédit Mutuel banks is composed of:
- A shares, non-transferable;
- B shares, transferable;
- P shares, with priority interests.

B shares may only be subscribed by those members holding at least one A share. The Articles of association of the local banks limit the subscription of B shares by any given member to €50,000 (with the exception of reinvestment of dividends paid in B shares). In accordance with the law of September 10, 1947, the capital cannot be lower, following withdrawal of contributions, than one-quarter of the highest amount achieved by the share capital in the past.
The redemption plan for B shares 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 on January 1 each year. This reimbursement, which is subject to compliance with the provisions governing the reduction of capital, is subject to a minimum notice period of three months;
- shares subscribed on or after January 1, 1989 may be redeemed at the member's request upon five years' notice, except in the event of marriage, death or unemployment. These operations are also subject to compliance with the provisions governing the reduction of capital.
By decision of the Board of Directors and in agreement with the Supervisory Board, the bank may refund all or part of the shares in this class under the same conditions.
P shares with priority interests are issued by the regional banks of Crédit Mutuel de Normandie and Midi-Atlantique, and by Crédit Mutuel's "Cautionnement Mutuel de l'Habitat" bank, a mutual guarantee company that since 1999 has issued members' shares with priority interests whose subscription is reserved for bonded credit distributors excluding Crédit Mutuel Alliance Fédérale.

As of June 30, 2019, the capital of the Crédit Mutuel banks breaks down as follows:
- €199 million for A shares;
- €6,186.3 million for B shares;
- €10.7 million for P shares.

22b - Unrealized or deferred gains and losses

	06/30/2019	12/31/2018
Unrealized or deferred gains or losses* relating to:		
- insurance business investments (assets available-for-sale)	1,293	794
- financial assets at fair value through recyclable shareholders' equity – debt instruments	18	-23
- financial assets at fair value through non-recyclable shareholders' equity – capital instruments	36	-22
- hedging derivatives (CFH)	0	3
- Other	-257	-249
Total	**1,090**	**503**

** Balances net of corporation tax and after shadow accounting treatment.*

22c - Recycling of gains and losses directly recognized in shareholders' equity

	06/30/2019 Operations	12/31/2018 Operations
Translation adjustments		
Reclassification in income	0	0
Other movements	7	42
Sub-total	**7**	**42**
Remeasurement of financial assets at FVOCI – debt instruments		
Reclassification in income	0	0
Other movements	40	-169
Sub-total	**40**	**-169**
Remeasurement of financial assets at FVOCI – capital instruments		
Reclassification in income	29	-1
Other movements	31	56
Sub-total	**60**	**55**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	-3	-2
Sub-total	**-3**	**-2**
Revaluation of insurance business investments		
Reclassification in income	0	0
Other movements	633	-274
Sub-total	**633**	**-274**
Remeasurement of non-current assets	0	0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves	0	0
Actuarial gains and losses on defined benefit plans	-17	33
Share of unrealized or deferred gains and losses of associates	3	-10
Total	**723**	**-326**

22d - Tax related to each category of gains and losses recognized directly in shareholders' equity

	06/30/2019			12/31/2018		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	7	0	7	42	0	42
Remeasurement of financial assets at FVOCI – debt instruments	56	-16	40	-204	34	-170
Remeasurement of financial assets at FVOCI – capital instruments	64	-4	60	55	0	55
Remeasurement of hedging derivatives	-3	1	-2	-3	1	-2
Revaluation of insurance business investments	856	-224	632	-433	158	-275
Remeasurement of non-current assets	0	0	0	0	0	0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	-14	-2	-16	37	-4	33
Share of unrealized or deferred gains and losses of associates	3	0	3	-10	0	-10
Total gains and losses recognized directly to equity	**969**	**-245**	**724**	**-516**	**189**	**-327**

Note 23 - Commitments given and received

Commitments given	06/30/2019	12/31/2018
Funding commitments	**67,448**	**65,447**
Liabilities due to credit institutions	892	1,143
Commitments to customers	66,556	64,304
Guarantee commitments	**21,650**	**21,878**
Credit institution commitments	4,451	4,527
Customer commitments	17,199	17,351
Securities commitments	**3,215**	**3,440**
Other commitments given	3,215	3,440
Commitments pledged from the insurance business line	**2,710**	**2,562**

Commitments received	06/30/2019	12/31/2018
Funding commitments	**12,883**	**13,322**
Commitments received from credit institutions	12,883	13,322
Guarantee commitments	**77,428**	**75,943**
Commitments received from credit institutions	47,527	46,296
Commitments received from customers	29,901	29,647
Securities commitments	**2,634**	**1,598**
Other commitments received	2,634	1,598
Commitments received from the insurance business line	**4,039**	**4,740**

Note 24 - Interest income and expense

	06/30/2019		06/30/2018 restated	
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	224	-314	184	-279
. Customers	6,681	-2,941	6,436	-2,758
- of which finance leasing	2,142	-1,968	1,992	-1,815
- of which lease obligations	0	-4	0	0
. Hedging derivatives	1,227	-1,245	913	-1,015
. Financial instruments at fair value through profit or loss	405	-65	158	-4
. Financial assets at fair value through shareholders' equity/Assets available-for-sale	199	0	179	0
. Securities at amortized cost	52	0	70	0
. Debt securities	0	-938	0	-780
. Subordinated debt	0	-6	0	-6
TOTAL	**8,788**	**-5,509**	**7,940**	**-4,842**
Of which interest income and expense calculated at the effective interest rate:	*7,156*	*-4,199*		

Since the 2018 fiscal year income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). This interest was previously presented in the "Net gains or losses on financial instruments at fair value through profit or loss". This change was made for the sake of consistency with the regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on the interest received and paid. In 2019, in order to better reflect the interest income and expenses of the transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (1) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section.
As a result, for the purposes of comparability with the interest income and expenses as of June 30, 2019 presented using this definition, the figures published on June 30, 2018 and on December 31, 2018 were restated and provided below:

	06/30/2018 published		06/30/2018 restated	
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	184	-279	184	-279
. Customers	6,436	-2,758	6,436	-2,758
- of which finance leases and operating leases	1,992	-1,815	1,992	-1,815
. Hedging derivatives	913	-1,015	913	-1,015
. Financial instruments at fair value through profit or loss	243	-114	158	-4
. Financial assets at fair value through other comprehensive income	179	0	179	0
. Securities at amortized cost	70	0	70	0
. Debt securities	0	-780	0	-780
. Subordinated debt	0	-6	0	-6
TOTAL	**8,025**	**-4,952**	**7,940**	**-4,842**

	12/31/2018 published		12/31/2018 restated	
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	374	-629	374	-629
. Customers	12,997	-5,699	12,997	-5,699
- of which finance leases and operating leases	4,061	-3,711	4,061	-3,711
. Hedging derivatives	3,161	-2,843	3,251	-3,427
. Financial instruments at fair value through profit or loss	4,923	-4,907	532	-22
. Financial assets at fair value through other comprehensive income	385	0	385	0
. Securities at amortized cost	135	0	135	0
. Debt securities	0	-1,676	0	-1,676
. Subordinated debt	0	-12	0	-12
TOTAL	**21,975**	**-15,766**	**17,674**	**-11,465**

Note 25 - Commission income and expense

	06/30/2019		06/30/2018	
	Income	Expenses	Income	Expenses
Credit institutions	4	-4	5	-4
Customers	849	-18	866	-17
Securities	428	-23	385	-25
of which activities managed on behalf of third parties	319	0	274	0
Derivative instruments	3	-5	2	-4
Currency transactions	10	-1	10	-1
Funding and guarantee commitments	31	-1	36	-2
Services provided	961	-477	1,080	-590
TOTAL	**2,286**	**-529**	**2,384**	**-643**

Note 26 - Net gains on financial instruments at fair value through profit or loss

	06/30/2019	06/30/2018 restated
Trading instruments	226	223
Instruments accounted for under the fair value option	12	10
Ineffective portion of hedges	-55	-17
. On fair value hedges (FVH)	-55	-17
. Change in the fair value of hedged items	735	41
. Change in fair value of hedging instruments	-790	-58
Foreign exchange gains/(losses)	63	63
Other financial instruments at fair value through profit or loss (1)	251	28
Total changes in fair value	**497**	**307**

(1) Of which €149 million from the private equity business in the first half of 2019 compared to €195 million in the first half of 2018.

Since the 2018 fiscal year, the interest received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under "Net gains/(losses) on financial instruments at fair value through profit or loss". This change was made for the sake of consistency with the regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on the interest received and paid.
In 2019, the group also refined the presentation of its income and expenses for these instruments (see Note 25).
The published and restated data as of June 30, 2018 is provided below:

	06/30/2018 published	06/30/2018 restated
Trading instruments	248	223
Instruments accounted for under the fair value option	10	10
Ineffective portion of hedges	-17	-17
. On fair value hedges (FVH)	-17	-17
. Change in the fair value of hedged items	41	41
. Change in fair value of hedging instruments	-58	-58
Foreign exchange gains/(losses)	63	63
Other financial instruments at fair value through profit or loss	28	28
Total changes in fair value	**332**	**307**

NOTE 27 - Net gains or losses on financial assets at fair value through shareholders' equity

	06/30/2019	06/30/2018
. Dividends	28	21
. Realized gains and losses on debt instruments	47	55
Total	**75**	**76**

Note 28 - Net income from the insurance business line

	06/30/2019	06/30/2018
Insurance policies		
Premiums earned	6,162	5,947
Service charges	-4,386	-4,678
Change in provisions	-3,106	-1,246
Other technical and non-technical income and expenses	35	34
Net income from investments	2,838	1,331
Net income on insurance policies	**1,543**	**1,388**
. Interest margin/fees	-5	-5
Net income on financial assets	**-5**	**-5**
Other net income	**6**	**-17**
Net income from insurance activities	**1,543**	**1,366**

Note 29 - Income/expenses generated by other activities

	06/30/2019	06/30/2018
Income from other activities		
. Rebilled expenses	18	19
. Other income	891	889
Sub-total	**909**	**908**
Expenses on other activities		
. investment property:	-2	-2
- additions to provisions/depreciation	-2	-2
. Other expenses	-522	-413
Sub-total	**-524**	**-415**
Net total of other income and expenses	**385**	**493**

Note 30 - General operating expenses

	06/30/2019	06/30/2018
Employee benefits expense	-2,617	-2,516
Other expenses	-1,951	-1,906
TOTAL	**-4,568**	**-4,422**

30a - Employee benefits expense

	06/30/2019	06/30/2018
Wages and salaries	-1,692	-1,632
Social security contributions	-572	-584
Short-term employee benefits	-1	-1
Employee profit-sharing and incentive schemes	-159	-114
Payroll-based taxes	-192	-185
Other	-1	0
TOTAL	**-2,617**	**-2,516**

Workforce

Average workforce	06/30/2019	06/30/2018*
Bank technical staff	38,951	38,307
Managers	26,213	25,344
Total	**65,164**	**63,651**
France	52,460	51,651
Rest of the world	12,704	120,400
Total	**65,164**	**63,651**

* After applying the group method to the calculation of Targo Germany group's FTEs.

	06/30/2019	06/30/2018
Registered workforce*	**70,819**	69,618

*The registered workforce corresponds to the total number of employees at end-of-period for entities controlled by the group, which differs from the average full-time equivalent (so-called FTE) workforce, which focuses solely on full consolidation.

30b - Other operating expenses

	06/30/2019	06/30/2018
Taxes and duties	-358	-356
Leases	-154	-207
- short-term asset leases	-88	-189
- low value/substitutable asset leases	-60	-18
- other leases	-6	0
Other external services	-1,084	-1,066
Other miscellaneous expenses	-61	-57
Total	**-1,657**	**-1,686**

30c - Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	06/30/2019	06/30/2018
Depreciation and amortization:	-294	-220
- Property, plant and equipment	-255	-188
- Intangible assets	-39	-32
Write-downs:	0	0
- Property, plant and equipment	0	0
- Intangible assets	0	0
Total	**-294**	**-220**

Note 31 - Cost of counterparty risk

	06/30/2019	06/30/2018
- 12 month expected losses (S1)	-52	-53
- expected losses at maturity (S2)	27	21
- impaired assets (S3)	-437	-319
Total	**-462**	**-349**

06/30/2019	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
12-month expected losses (S1)	**-253**	**201**				**-52**
- Loans and receivables due from credit institutions at amortized cost	-2	2				0
- Customer loans at amortized cost	-199	156				-43
- of which finance leases	-20	23				3
- Financial assets at amortized cost – securities	0	0				0
- Financial assets at fair value through other comprehensive income – debt securities	-3	2				-1
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0				0
- Commitments given	-49	41				-8
expected losses at maturity (S2)	**-332**	**360**				**28**
- Loans and receivables due from credit institutions at amortized cost	0	0				0
- Customer loans at amortized cost	-299	329				30
- of which finance leases	-27	25				-2
- Financial assets at amortized cost – securities	0	0				0
- Financial assets at fair value through other comprehensive income – debt securities	0	0				0
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0				0
- Commitments given	-33	31				-2
Impaired assets (S3)	**-741**	**708**	**-327**	**-147**	**70**	**-437**
- Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
- Customer loans at amortized cost	-703	664	-324	-146	70	-439
- of which finance leases	-8	12	-4	-3	0	-3
- Financial assets at amortized cost – securities	0	0	0	0	0	0
- Financial assets at fair value through other comprehensive income – debt securities	-1	2	0	0	0	1
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0	0	0	0	0
- Commitments given	-37	42	-3	-1	0	1
Total	**-1,326**	**1,268**	**-327**	**-147**	**70**	**-462**

06/30/2018	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
expected losses at maturity (S2)	**-165**	**186**				**21**
- Loans and receivables due from credit institutions at amortized cost	0	2				2
- Customer loans and receivables 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 other comprehensive income – debt securities	0	0				0
- Financial assets at fair value through other comprehensive income – Loans subject to	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
- Customer loans 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 other comprehensive income – debt securities	-133	0	-1	-3	4	-133
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0	0	0	0	0
- Commitments given	-52	182	-4	-2	0	124
Total	**-1,069**	**1,170**	**-318**	**-214**	**80**	**-351**

Note 32 - Net gains/(losses) on disposals of other assets

	06/30/2019	06/30/2018
Tangible and intangible assets	1	9
. Capital losses on disposals	-8	-8
. Capital gains on disposals	9	17
Gains/(losses) on disposals of shares in consolidated entities	1	0
TOTAL	**2**	**9**

Note 33 - Changes in the value of goodwill

	06/30/2019	06/30/2018
Impairment of goodwill	0	0
Negative goodwill stated in profit or loss	0	0
TOTAL	**0**	**0**

Note 34 - Income tax

Breakdown of income tax expense

	06/30/2019	06/30/2018
Current taxes	-865	-765
Deferred tax expense	-116	-55
Adjustments in respect of prior years	82	-10
TOTAL	**-899**	**-830**

Note 35 - Related party transactions

Balance sheet items pertaining to related party transactions

	06/30/2019		12/31/2018	
	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation
Assets				
Financial assets at fair value through profit or loss	46	38	35	42
Financial assets at FVOCI	0	40	0	40
Financial assets at amortized cost	3,284	4,503	3,158	4,673
Investments in insurance business line	0	650	0	609
Other assets	5	5	16	22
TOTAL	**3,335**	**5,235**	**3,209**	**5,387**
Liabilities				
Liabilities at fair value through profit or loss	0	24	0	36
Debt securities	0	23	0	29
Due to credit institutions	1,337	1,211	1,144	1,625
Due to customers	23	1,530	28	1,532
Liabilities related to insurance business policies	0	196	0	196
Subordinated debt	0	0	0	0
Miscellaneous liabilities	0	6	0	0
TOTAL	**1,360**	**2,988**	**1,172**	**3,417**
Financing commitments given	120	0	115	0
Guarantees given	15	124	15	109
Financing commitments received	0	10	0	0
Guarantees received	0	659	0	629

Profit and loss items pertaining to related party transactions

	06/30/2019		06/30/2018	
	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation
Interest income	(2)	64	(1)	17
Interest expense	0	(57)	0	(8)
Commission income	0	4	0	5
Commission expense	0	(1)	0	0
Net gains/(losses) on financial assets at FVOCI and FVPL	7	10	33	4
Net income from insurance activities	(8)	(114)	(6)	(104)
Other income and expenses	12	42	11	46
General operating expenses	1	(9)	1	(7)
TOTAL	**11**	**(61)**	**39**	**(47)**

3. Statutory auditors’ report on the interim financial statements of Crédit Mutuel Alliance Fédérale

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
63, rue de Villiers	Tour First
92208 Neuilly-sur-Seine Cedex	TSA 14444
S.A.R.L. with capital of €86,000	92037 Paris-La Défense Cedex
	S.A.S. with variable capital
	438 476 913 R.C.S. Nanterre
Statutory auditors	Statutory auditors
Member of the Compagnie	Member of the Compagnie
Regionale de Versailles	Regionale de Versailles

Credit Mutuel alliance fédérale

Period from January 1 to June 30, 2019

Statutory auditors’ report on the half-year financial information

Dear Shareholders,

In accordance with the task entrusted us by your Shareholders’ Meetings and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we have undertaken:

- a limited review of the condensed consolidated half-year statements for Crédit Mutuel Alliance Fédérale, pertaining to the period from January 1 to June 30, 2019, attached to this report;
- verification of the information given in the interim business report.

These condensed consolidated half-year financial statements were prepared under the responsibility of your Board of Directors. It is our duty, based on our limited review, to express our conclusion about these statements.

1. Conclusion about the financial statements

We conducted our limited review in accordance with the applicable professional standards in France. A limited review consists essentially of working together with those members of management in charge of accounting and financial matters and implementing analytical procedures. This work is less extensive than that required for an audit conducted according to the professional standards applicable in France. Consequently, the assurance that the financial statements, taken as a whole, do not include any significant anomalies obtained in the context of a limited review is a moderate assurance, lower than that obtained in the context of an audit.

Based on our limited review, we did not note any significant anomalies of a nature that would question the compliance of the condensed consolidated half-year financial statements with IAS 34 – the IFRS standard of reference such as it was adopted by the European Union pertaining to interim financial information.

Without prejudice to the conclusion expressed above, we would draw your attention to Note 1 of the appendix to the financial statements, "Accounting Principals, Methods of Evaluation and Presentation", which describes the conditions for application of IFRS 16, "Leases", beginning as of January 1, 2019, as well as to Notes 24 and 26, which present the change in method concerning the presentation of interest income and expenses of certain financial instruments at fair value through profit or loss.

2. Specific verification

We also undertook to verify the information given in the half-year activity report, commenting on the condensed consolidated half-year financial statements of which we provided a limited review.

We have no comments to make as to the fair presentation and consistency of this information with the condensed consolidated half-year financial statements.

Neuilly-sur-Seine and Paris-La Défense, August 6, 2019

The statutory auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

4. Consolidated financial statements of the BCFM Group at June 30, 2019

Accounts have not been audited, but are subject to a limited review

Balance sheet (assets)

In € millions	06/30/2019	12/31/2018	Notes
Cash, central banks	62,133	55,518	4
Financial assets at fair value through profit or loss	33,772	18,287	5a
Hedging derivatives	3,961	3,063	6a
Financial assets at fair value through other comprehensive income	29,363	27,194	7
Securities at amortized cost	2,887	2,957	10a
Loans and receivables to credit institutions and similar, at amortized cost	54,116	57,322	10b
Loans and receivables due from customers at amortized cost	247,308	244,000	10c
Revaluation adjustment on rate-hedged books	1,188	696	6b
technical provisions	112,430	108,740	13a
Current tax assets	725	1,111	14a
Deferred tax assets	1,029	1,132	14b
Accruals and other assets	8,201	7,867	15a
Non-current assets held for sale	736	0	
Investments in equity consolidated companies	821	782	16
Investment properties	53	53	17
Property, plant and equipment	2,351	1,829	18a
Intangible assets	520	513	18b
Goodwill	4,049	4,049	19
Total assets	**565,644**	**535,112**	

Balance sheet (liabilities)

In € millions	06/30/2019	12/31/2018	Notes
Due to central banks	160	350	4
Financial liabilities at fair value through profit or loss	21,218	4,390	5b
Hedging derivatives	2,495	2,356	6a
Debt securities at amortized cost	126,661	119,755	11a
Due to credit and similar institutions at amortized cost	51,296	62,197	11b
Amounts due to customers at amortized cost	200,687	193,459	11c
Revaluation adjustment on rate-hedged books	32	19	6b
Current tax liabilities	509	373	14a
Deferred tax liabilities	1,156	958	14b
Deferred income, accrued charges and other liabilities	10,325	8,406	15b
Debt related to non-current assets held for sale	734	0	
Liabilities related to insurance business policies	108,204	102,868	13b
Provisions	2,561	2,601	20
Subordinated debt at amortized cost	8,724	7,724	21
Total shareholders' equity	**30,881**	**29,654**	22
Shareholders' equity attributable to the group	**26,794**	**25,290**	22
Capital and related reserves	6,198	6,197	22a
Consolidated reserves	18,584	16,662	22a
Gains and losses recognized directly in equity	835	347	22b
Profit (loss) for the fiscal year	1,177	2,084	
Shareholders' equity – Non-controlling interests	**4,086**	**4,364**	
Total liabilities	**565,644**	**535,112**	

INCOME STATEMENT

In € millions	06/30/2019	06/30/2018 restated	Notes
Interest and similar income	7,510	6,693	**24**
Interest and similar expenses	-4,999	-4,355	**24**
Commissions (income)	1,735	1,820	**25**
Commissions (expenses)	-476	-585	**25**
Net gains on financial instruments at fair value through profit or loss	477	314	**26**
Net gains or losses on financial assets at fair value through shareholders' equity	75	76	**27**
Net income from insurance activities	1,236	1,082	**28**
Income from other activities	345	360	**29**
Expenses on other activities	-284	-183	**29**
Net Banking Income	**5,617**	**5,222**	
General operating expenses	-3,038	-2,993	**30a,30b**
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	-135	-94	**30c**
Gross operating income/(loss)	**2,445**	**2,135**	
Cost of counterparty risk	-460	-314	**31**
Operating income	**1,985**	**1,821**	
Share of net profit/(loss) of equity consolidated companies	37	81	**16**
Net gains/(losses) on disposals of other assets	0	8	**32**
Changes in the value of goodwill	0	0	**33**
Profit/(loss) before tax	**2,023**	**1,910**	
Income tax	-639	-654	**34**
Post-tax gains/(losses) on discontinued operations	**0**	0	
Net profit/(loss)	**1,383**	**1,256**	
Net profit/(loss) – Non-controlling interests	206	188	
Net profit/(loss) attributable to the group	**1,177**	**1,068**	

Statement of net income/(loss) and gains and losses recognized directly in equity

In € millions	06/30/2019	06/30/2018
Net profit/(loss)	**1,383**	**1,256**
Translation adjustments	7	27
Remeasurement of financial assets at fair value through equity – capital instruments	38	-90
Reclassification of financial assets from fair value through shareholders' equity at fair value through profit or loss	0	0
Revaluation of insurance business investments	592	-36
Remeasurement of hedging derivatives	-3	-1
Share of unrealized or deferred gains and losses of associates	4	5
Total recyclable gains and losses recognized directly in equity	**638**	**-96**
Revaluation of financial assets at fair value through equity – capital instruments at closing	31	143
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year	29	0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option	0	0
Remeasurement of non-current assets	0	0
Actuarial gains and losses on defined benefit plans	-4	24
Share of non-recyclable gains and losses of associates	-1	2
Total non-recyclable gains and losses recognized directly in equity	**55**	**169**
Net profit/(loss) and gains and (losses) recognized directly in equity	**2,076**	**1,329**
o/w attributable to the group	1,666	1,071
o/w percentage of non-controlling interests	410	258

The items relating to gains and losses recognized directly in equity are presented for the amount net of tax.

CHANGES IN SHAREHOLDERS' EQUITY

In millions	Capital	Premiums	Reserves (1)	Gains and losses recognized directly in equity				Net profit/(loss) attributable to the group	Shareholders' equity attributable to the group	Non-controlling interests	Gains and (losses) recognized directly in equity
				Translation adjustments	Financial assets at fair value through other comprehensive income	Hedging derivatives	Actuarial gains and losses				
Shareholders' equity as of 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 application of IFRS 9			*-339*		*-411*				*-750*	*-75*	*-825*
Shareholders' equity as of 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
Change in investments in subsidiaries without loss of control			4						4	-75	-71
Subtotal of movements related to relations with shareholders	**0**	**0**	**1,471**	**0**	**0**	**0**	**0**	**-1,549**	**-77**	**-206**	**-283**
Consolidated income for the period								1,068	1,068	188	1,256
Changes in the fair value of assets at fair value through comprehensive income					16	-1			15	-23	-8
of which transferred to reserves (capital instruments)											
Remeasurement adjustment due to own credit risk on financial liabilities under fair value											
Change in actuarial gains and losses							25		25	0	24
Change in conversion rates				31					31	0	31
Sub-total	**0**	**0**	**0**	**31**	**16**	**-1**	**25**	**1,068**	**1,138**	**165**	**1,304**
Effects of acquisitions and disposals on non-controlling interests			210		-67				143	982	1,125
Other variations		0	-38						-38	-1	-39
Shareholders' equity as of June 30, 2018	**1,689**	**4,509**	**16,698**	**- 25**	**861**	**3**	**- 194**	**1,068**	**24,608**	**4,277**	**28,885**
Impact of the first application of IFRS 9 (second half-year adjustment)			*-12*		*2*				*-10*	*-11*	*-21*
Appropriation of earnings from previous year			0					0	0		0
Capital increase	0								0		0
Distribution of dividends			0						0	0	0
Change in investments in subsidiaries without loss of control			0						0	5	5
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5**	**5**
Consolidated income for the period								1,017	1,017	167	1,184
Changes in gains and (losses) recognized directly in equity				14	-324	-1	9		-301	-70	-371
of which transferred to reserves (capital instruments)											
Remeasurement adjustment due to own credit risk on financial liabilities under fair value											
Sub-total	**0**	**0**	**0**	**14**	**-324**	**-1**	**9**	**1,017**	**716**	**97**	**813**
Effects of acquisitions and disposals on non-controlling interests			-35		0				-35	-10	-45
Other variations		0	12						12	5	17
Shareholders' equity as of December 31, 2018	**1,689**	**4,509**	**16,662**	**-11**	**540**	**3**	**-185**	**2,084**	**25,290**	**4,364**	**29,654**
Appropriation of earnings from previous year			2,084					-2,084	0		0
Capital increase	0								0		0
Distribution of dividends			-130						-130	-685	-815
Change in investments in subsidiaries without loss of control			0						0	0	0
Subtotal of movements related to relations with shareholders	**0**	**0**	**1,954**	**0**	**0**	**0**	**0**	**-2,084**	**-130**	**-685**	**-815**
Consolidated income for the period								1,177	1,177	206	1,383
Changes in gains and (losses) recognized directly in equity			-30	9	485	-2	-3		459	204	663
of which transferred to reserves (capital instruments)											
Remeasurement adjustment due to own credit risk on financial liabilities under fair value											
Sub-total	**0**	**0**	**-30**	**9**	**485**	**-2**	**-3**	**1,177**	**1,636**	**410**	**2,046**
Effects of acquisitions and disposals on non-controlling interests			0		0				0	0	0
Other variations		0	-2						-2	-2	-4
Shareholders' equity as of June 30, 2019	**1,689**	**4,509**	**18,584**	**-2**	**1,024**	**1**	**-187**	**1,177**	**26,794**	**4,086**	**30,881**

(1) As of June 30, 2019 reserves are made up of the legal reserve for €0 million, statutory reserves for €0 million and other reserves for €18584 million.

STATEMENT OF NET CASH FLOWS

	06/30/2019	06/30/2018
Net profit/(loss)	1,383	1,256
Tax	639	654
Profit/(loss) before tax	**2,023**	**1,910**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	137	91
- Impairment of goodwill and other fixed assets	1	1
+/- Net provisions	159	-24
+/- Share of income from companies consolidated using the equity method	-37	-81
+/- Net loss/gain from investing activities	27	-19
+/- Other movements	3,872	-1,219
= Total non-monetary items included in net profit/(loss) before tax and other adjustments	**4,159**	**-1,252**
+/- Flows related to transactions with credit institutions	-9,534	5,184
+/- Flows related to client transactions	3,853	-5,879
+/- Flows related to other transactions affecting financial assets or liabilities	1,391	746
+/- Flows related to other transactions affecting non-financial assets or liabilities	1,618	2,118
- Taxes paid	-205	-305
= Net decrease in assets and liabilities from operating activities	**-2,877**	**1,864**
TOTAL NET CASH FLOW GENERATED BY OPERATING ACTIVITY	**3,304**	**2,522**
+/- Flows related to financial assets and investments	229	-463
+/- Flows related to investment property	-2	-632
+/- Flows related to property, plant and equipment and intangible assets	-96	-43
TOTAL NET CASH FLOW RELATED TO INVESTMENT ACTIVITIES	**130**	**-1,138**
+/- Cash flow to or from shareholders	-815	-212
+/- Other net cash flows from financing activities	3,281	2,608
TOTAL NET CASH FLOW RELATED TO FINANCING TRANSACTIONS	**2,466**	**2,396**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**31**	**38**
Net increase of cash and cash equivalents	**5,931**	**3,818**
Net cash flow generated by operating activities	3,304	2,522
Net cash flow related to investment activities	130	-1,138
Net cash flow related to financing transactions	2,466	2,396
Effect of foreign exchange rate changes on cash and cash equivalents	31	38
Cash and cash equivalents at opening	**43,077**	**42,745**
Cash, central banks, CCP	55,169	55,658
Accounts and demand loans/borrowing with credit institutions	-12,092	-12,913
Cash and cash equivalents at closing	**49,008**	**46,564**
Cash, central banks, CCP	61,975	60,751
Accounts and demand loans/borrowing with credit institutions	-12,967	-14,188
CHANGE IN NET CASH POSITION	**5,931**	**3,819**

Notes to the financial statement items

The explanatory notes are presented in millions of euros.

Note 1 : Accounting policies and principles

1.1 Accounting basis

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 have been drawn up in accordance with IFRS as adopted by the European Union on June 30, 2019.

The entire framework is 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 the format advised by *the Autorité des normes comptables* (ANC – French Accounting Standards Authority) in its Recommendation No. 2017-02 relating to IFRS summary statements. They comply with the international accounting standards as adopted by the European Union.

Information relating to risk management is included in the Group's management report.

These half-year financial statements are prepared in accordance with IAS 34 on interim financial reporting which allows for the publication of condensed financial statements. They supplement the financial statements for the year ended December 31, 2018, presented in the 2018 registration document.

Since January 1, 2019, the group has been applying the following standards:

- ✓ IFRS 16

Adopted by the European Union on October 31, 2017, it replaces IAS 17 and the interpretations related to lease accounting.

Under IFRS 16, for a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

From the lessor's point of view, the provisions adopted remain substantially the same as those of the current IAS 17.

In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

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

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

As a first-time application the group has opted for:

- to retain:
  - o the application of the new lease definition to all current leases;
  - o the modified prospective approach, with no impact on equity, and to opt for the related simplification measures. In particular, automatically renewable contracts have been excluded due to the exception of §C10c;
  - o a depreciation sum for user rights equal to the provision of contracts for pecuniary interest in application of IAS 37.
- the exemptions proposed under IFRS 16.C10 in relation to leases where the term is less than 12 months as of the date of first application as well as low-value contracts (set at €5,000).

The group has also opted to exclude the initial direct costs of valuation of the user right at the date of first application.

The group has mainly capitalized its real estate leases using, on first application (for not automatically renewed leases), their remaining life and the corresponding incremental borrowing rate applied to the rent (excluding taxes).

The impacts at January 1, 2019 are as follows (in € millions):

Assets	01.01.2019
Usage rights - Real estate	679
Usage rights - Other	37
Liabilities	01.01.2019
Lease obligations - Real estate	679
Lease obligations - Other	37

✓ IFRIC 23 – Uncertainty over Income Tax Treatments

Published on June 7, 2017, the IFRIC interpretation "IFRIC 23 – Uncertainty over Income Tax Treatments" came into effect on January 1, 2019.

This text induces the presumption that the tax authority:

- will audit all amounts reported;
- has access to all required documentation and knowledge.

The entity must assess the probability that the tax authority will or will not accept the position opted for, and draw the relevant consequences on its taxable income, losses carried forward, unused tax credits and taxation rates. In the event of an uncertain tax position (i.e. it is likely that the tax authority will not accept the position opted for), the amounts payable are appraised on the basis of the most likely amount or the expected amount according to the method that reflects the best estimate of the amount to be paid or received.

The scope of this text is limited to corporate income tax (current / deferred) The group estimates that this will not result in any changes compared to existing practices. At present, a risk is recognized when a tax adjustment is made. Such an adjustment may concern the entity itself, a related entity, or a third entity.

The impacts shown on the balance sheet (reclassification of provision for current tax liabilities) are specified in Note 20.

✓ Other amendments with no impact for the group in 2019

- Amendment to IAS 28

This amendment deals with all financial instruments representing "other interests" in a related company or joint venture to which the equity method is not applied, including long-term financial assets that are part of the net investment in a related company or joint venture (for example, loans granted to these entities). This recognition is done in two steps:

  - o the financial instrument is recognized according to IFRS 9, including the provisions pertaining to the depreciation of the financial assets;
  - o then the provisions of IAS 28 apply, which may lead to reducing the carrying amount by charging the accumulated losses of the equity consolidated company, when the value of the equity value was already reduced to zero.

In the initial application of this amendment, the issuers may recognize the impacts in the opening equity of 2019, without restating comparative information. At the reporting date, the group had not identified any case within the scope of this amendment.

- Amendment to IAS 19

This amendment deals with the consequences of a modification, curtailment or liquidation on the determination of the cost of the services rendered and the net interest. The cost of the services rendered and the net interest for the post-modification, curtailment or liquidation period are necessarily determined by using the valuation assumptions retained for the recognition of these events. At the reporting date, the group was not aware of any cases falling within the scope of this amendment.

- Amendment to IAS 12

This amendment specifies that the tax effects of the distribution of dividends on financial instruments classified as equity must be recognized in net profit/(loss), regardless of their origin, on the date that the dividend liability is recognized. In accounting terms, the dividends are deducted from equity. From a tax standpoint, they are debt instruments whose coupons are deductible. The group recognizes perpetual securities as debt instruments and not as equity. To date, the group is not affected by this amendment.

1.2 Scope and methods of consolidation

Consolidating entity

The parent company of the group is Banque Fédérative du Crédit Mutuel.

Consolidation scope

The general principles governing whether an entity is included in the consolidation scope are defined by IFRS 10, IFRS 11 and IAS28R.

Entities that are controlled or under significant influence that do not have a significant character in relation to the consolidated financial statements are excluded from the consolidation scope. This situation is assumed when the balance sheet total or the profit or loss of a company has no impact greater than 1% on the consolidated or sub-consolidated equivalent (in case of consolidation by level). This quantitative criterion is but relative; an entity may be included within the scope of consolidation regardless of this threshold when its business or its expected development afford it the status of strategic investment.

The consolidation scope comprises:

- *Controlled entities*: Control is deemed to exist when the group has power over the entity, is exposed to or is entitled to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect the returns it obtains. The financial statements of controlled entities are fully consolidated;

- *Entities under joint control:* joint control is the contractually-agreed sharing of control over an entity, which exists only in the case where decisions concerning key activities require the unanimous consent of the parties sharing control. Two or more parties that exercise joint control constitute a partnership, which is either a jointly-controlled operation or a joint venture:

  - a jointly-controlled operation is a partnership in which the parties exercising joint control have rights over the assets and obligations pursuant to liabilities relative to the entity: this involves recognizing the assets, liabilities, income and expenses relative to interests held in the entity,
  - a joint venture is a partnership in which the parties who exercise joint control have rights over the net assets of the entity: the joint venture is accounted for according to the equity method.

All entities under joint control of the group are joint ventures according to the meaning of IFRS 11.

- *Entities over which the group has significant influence*: These are entities that are not controlled by the consolidating entity, which may, however, participate in these entities' financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method.

Investments held by private equity companies and over which joint control or significant influence is exercised are recognized at fair value through profit or loss.

Consolidation methods

The consolidation methods used are the following:

- **Full consolidation**

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling shareholders in equity and net profit. This is the method used for all controlled entities, including those with a different account structure, regardless of whether the business concerned is an extension of that of the consolidating entity.

- **Consolidation using the equity method**

This method involves replacing the value of the shares held with the equity attributable to the group and net profit of the entities concerned. It is applied to all entities under joint control, classified as joint ventures or for all entities under significant influence.

Non-controlling interests

Non-controlling interests correspond to interests that do not confer control as defined by IFRS 10 and include partnership interests that entitle their holders to a share in net assets in the event of liquidation and other capital instruments issued by subsidiaries that are not held by the group.

Reporting date

The reporting date for all of the group’s consolidated companies is December 31.

Elimination of intercompany transactions

Intercompany transactions and balances, as well as profits on intercompany sales that have a material impact on the consolidated financial statements, are eliminated.

Conversion of foreign currency accounts

Concerning the accounts of foreign entities expressed in foreign currencies, the balance sheet is converted based on the official exchange rate at the reporting date. Differences arising from exchange rate fluctuations impacting the share capital, reserves and retained earnings are recorded as a separate component of equity, under “Cumulative translation adjustments”. The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the fiscal year. The resulting translation differences are recorded under “Cumulative 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.

Goodwill

- **Fair value adjustments**

On the date of acquisition of a controlling interest in a new entity, said entity’s assets, liabilities and contingent operating liabilities are measured at fair value as at that date. Fair value adjustments correspond to the difference between the carrying amount and fair value.

- **Goodwill**

In accordance with IFRS 3R, when the CIC 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 as at the acquisition date, with the exception of non-current assets classified as assets held for sale (IFRS 5), which are recognized at the lower of fair value net of selling costs and their net carrying amount. Goodwill corresponds to the amount of the consideration transferred and non-controlling interests less the net amount recognized (generally at fair value) as identifiable assets acquired and liabilities assumed. 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 the goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under “Changes in value of goodwill”.

If the group’s stake in an entity it already controls, increases/decreases, the difference between the share acquisition cost/selling price 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 balance sheet when it relates to fully-consolidated companies, and under the heading “Investments in associates” when it relates to equity consolidated companies.

Goodwill not including direct costs related to acquisitions according to IFRS 3R is recognized in profit/loss.

Goodwill is tested for impairment regularly by the group (at least once a year). The tests are designed to identify whether the goodwill has suffered a decline in value. The goodwill from a business combination is allocated to the cash generating units (CGU) or groups of CGUs likely to benefit from the synergies generated by the business combination. The recoverable amount from a CGU or group of CGUs is the value in use or the fair value less selling costs, whichever is the highest. The value in use is measured in relation to the estimated future cash flows, discounted at the interest rate that reflects the current market evaluation of the time value of money and the specific risks to the asset or to the CGU. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These losses – 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.

When goodwill concerns a related company or a joint venture, it is included in the carrying amount of the value of consolidation using the equity method. In this event, it is not subject to impairment testing apart from the value of consolidation using the equity method. When the recoverable amount of this value (namely the higher of the values between the value in use and the fair value less the selling costs) is less than its carrying amount, a loss in value is recognized and not allocated to a specific asset. Any reversal of this impairment loss is recognized to the extent that the recoverable amount of consolidation using the equity method increases at a later date.

1.3 Accounting policies and principles

1.3.1 Financial instruments under IFRS 9

1.3.1.1. Classification and measurement of financial instruments

Under IFRS 9, the classification and measurement of financial instruments depend on the business model and contractual terms of the financial instruments.

❑ **Loans, receivables and debt securities acquired**

The asset is classified:

- at amortized cost, if it is held in order to collect contractual cash flows and if its characteristics are similar to those of a “basic” contract, see the section below “Characteristics of cash flows” (hold to collect model);
- at fair value through other comprehensive income if the instrument is held with a view to collecting contractual cash flows and selling it when the opportunity arises, yet without holding it for trading, and if its characteristics are similar to those of a basic contract implicitly entailing a high predictability of associated cash flows (“hold to collect and sell” model);
- at fair value through profit or loss:
  - o if it is not eligible for the two aforementioned categories (as it does not meet the “basic” criterion and/or is managed in accordance with the “other” business model, or,

- o if the group initially opts to classify it as such, in an irrevocable way. This option is used to reduce accounting mismatch in relation to another associated instrument.

Cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a “basic” contract.

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

All contractual clauses must be analyzed, in particular those that could alter the timing or amount of contractual cash flows. The option, under the agreement, for the borrower or lender to repay the financial instrument early is compatible with the SPPI (*Solely Payments of Principal and Interest)* criterion of contractual cash flows, provided that the amount repaid essentially represents the outstanding principal and accrued interest, as well as, where applicable, early repayment compensation of a reasonable amount.

The compensation for early repayment[5] is deemed reasonable if, for example:

- it is expressed as a percentage of the principal repaid and is below 10% of the nominal amount repaid; or
- it is determined according to a formula aimed at compensating the difference in the benchmark interest rate between the date on which the loan was granted and its early repayment date.

The analysis of contractual cash flows may also require their comparison with those of a reference instrument when the time value of money included in the interest is likely to change due to the contractual clauses of the instrument. Such is the case, for example, if the interest rate of the financial instrument is revised periodically, but the frequency of such revisions is unrelated to the period for which the interest rate was established (e.g. monthly revision of an annual interest rate), or if the interest rate of the financial instrument is revised periodically based on an average interest rate.

If the difference between the non-discounted contractual cash flows of the financial asset and those of the reference instrument is significant, or may become so, the financial asset cannot be considered as 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 range of reasonably possible scenarios. To this effect, the group has used yield curves going back to the year 2000.

Moreover, a specific analysis is conducted in the case of securitization where there is priority of payment among holders, and credit risk concentrations in the form of tranches. In that case, the analysis requires the examination of the contractual characteristics of the tranches in which the group has invested and of the underlying financial instruments, as well as the credit risk of the tranches in relation to the credit risk of the underlying financial instruments.

Note that:

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

[5] The group has made early application of the amendment to IFRS 9 on the clauses on early repayment specifying negative compensation, adopted by the EU in March 2018.

✓ Business models

The business model represents the way in which the instruments are managed 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 the event of a change in model (exceptional cases).

To determine the business model, it is necessary to consider all available information, including the following:

- how the activity's performance is reported to decision-makers;
- how managers are compensated;
- the frequency, timing and volumes of sales in previous periods;
- the reason for the sales;
- future sales forecasts;
- the way in which risk is assessed.

For the "hold to collect" business model, certain examples of authorized sales are explicitly set out in the standard:

- in response to an increase in credit risk;
- close to maturity and for an amount near the par amount;
- exceptional (e.g. linked to a liquidity stress).

Such "authorized" sales are not included in the analysis of the significant and frequent nature of the sales made out of a portfolio. Frequent and/or significant sales would not be compatible with this business model. 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, for example 2% for an average maturity of 8 years (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 the sale of these assets, as well as a model for other financial assets, in particular financial assets held for trading.

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

Financial assets held for trading consist of securities originally acquired with the intention of reselling them in the near future, 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 comprise cash accounts, deposits, and demand loans and borrowings with central banks and credit institutions;
- other loans to credit institutions and loans 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.

The financial assets classified in this category are initially recognized at their fair value, which is generally 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.

At subsequent reporting dates, the assets are measured 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 estimated life of the financial instrument to obtain the net carrying amount of the financial asset or liability. It takes account of estimated cash flows without taking account of future losses on loans, and includes commissions paid or received when these are treated as interest, as well as directly related transaction costs, and all premiums and discounts.

For securities, the amortized cost takes account of the amortization of premiums and discounts, as well as acquisition costs, if significant. Purchases and sales of securities are recognized at the settlement date.

The income received is booked in the income statement under “Interest and similar income”.

Commissions received or paid, which are directly linked to the arrangement of a loan and are treated as a component of interest, are spread over the term of the loan using the effective interest rate method and are booked to the income statement under interest items.

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

The restructuring of a loan following financial difficulties by the debtor leads to novation of the contract. Following the definition of this concept by the European Banking Authority, the group included it in the information systems in order to harmonize the accounting and prudential definitions.

The fair value of assets at amortized cost is disclosed in the notes to the financial statements at the end of each reporting period. It 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 other comprehensive income

These assets are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see Section “1.3.1.7. Derecognition of financial assets and liabilities"). Changes in fair value are taken to the income statement under “Net gains/(losses) on financial instruments at fair value through profit or loss”.

Since the 2018 fiscal year, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). This interest was previously presented in the “Net gains or losses on financial instruments at fair value through profit or loss”. This change was made for the sake of consistency with the regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on the interest received and paid.

In 2019, in order to better reflect the interest income and expenses of transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the “Income and expenses from hedging derivatives” section. As a result, for the purposes of comparability with the interest income and expenses as of June 30, 2019 presented using this definition, the figures published on June 30, 2018 and on December 31, 2018 have been restated in Note 25.

Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

✓ Financial assets at fair value through profit or loss

These assets are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see Section “1.3.1.7. Derecognition of financial assets and liabilities"). Changes in fair value are taken to the income statement under “Net gains/(losses) on financial instruments at fair value through profit or loss”.

As from January 1, 2018, income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under “Net gains/(losses) on financial instruments at fair value through profit or loss”. This change was made for the sake of consistency with the regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on the interest received and paid.

Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

❑ **Equity instruments acquired**

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

- at fair value through profit or loss; or
- optionally, at fair value through other non-recyclable comprehensive income at the initial recognition and in an irrevocable manner when they are not held for trading.

✓ Financial assets at fair value through other comprehensive income

Shares and other equity instruments are recognized in the balance sheet at their fair value at the time of their 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 or deferred gains and losses booked to equity are never recognized in the income statement, even when they are sold (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 other comprehensive income”.

Purchases and sales of securities 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 classified in one of the following two categories:

✓ financial liabilities measured at fair value through profit or loss

- those incurred for trading purposes including, by default, derivatives with a negative fair value which do not qualify as hedging instruments; and
- non-derivative financial liabilities that the group originally classified as measured at fair value through profit or loss (fair value option). These include:
    - o financial instruments containing one or more separable embedded derivatives;
    - o instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;
    - o instruments belonging to a pool of financial instruments measured and managed at fair value.

The recognition of changes in fair value resulting from own credit risk concerning debts optionally designated at fair value through profit or loss is recognized in unrealized or deferred profit or loss in non-reclassifiable equity. The group is marginally concerned by the problem of own credit risk.

- ✓ financial liabilities at amortized cost.

These consist of other non-derivative financial liabilities. These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

Subordinated debt is separated from other debt securities since, in the event of liquidation of the debtor's assets, it is repaid only after claims by other creditors have been extinguished. Debt securities include the non-preferred senior debt instruments created by the Sapin 2 Act.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

Regulated savings contracts

Amongst the liabilities at amortized cost are the comptes épargne logement (CEL – mortgage saving accounts) and plans épargne logement (PEL – mortgage saving plans), which are regulated French products accessible to customers (natural persons). In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as variable-rate interest);
- an obligation to grant loans to customers under predetermined terms (both PEL and CEL).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is made as a liability on the balance sheet to cover future expenses relating to the potentially unfavorable conditions of these products, compared to the interest rates offered to individual customers for similar products, but which are not regulated in terms of compensation. This approach is implemented through the creation of PEL and CEL savings products that are similar in terms of their regulated conditions. The impacts on profit/(loss) are recorded as interest paid to customers.

1.3.1.3. Debt-equity distinction

According to the IFRIC 2 interpretation, members' shares are shareholders' equity if the entity has an unconditional right to refuse redemption or if there are legal or statutory provisions prohibiting or significantly limiting redemption. Due to the existing statutory and legal provisions, the members' shares issued by structures composing the Crédit Mutuel group's consolidating entity are recognized in shareholders' equity.

Other financial instruments issued by the group are classified as debt instruments in the group's accounts when the group has a contractual obligation to deliver cash to holders of the instruments. Such is the case with subordinated notes issued by the group.

1.3.1.4. Foreign currency transactions

Assets and liabilities denominated in a currency other than the local currency are translated at the exchange rates prevailing on the balance sheet date.

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 portfolio at fair value through profit or loss".

Non-monetary financial assets and liabilities

Foreign currency gains or losses arising from such translations are recognized in the income statement under “Net gains/(losses) at fair value through profit or loss” if measured at fair value through profit or loss, or recognized under “Unrealized or deferred capital gains/(losses)” if they are financial assets measured at fair value through other comprehensive income.

1.3.1.5. Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39.

The group has elected to continue to apply the provisions of IAS 39. However, in accordance with IFRS 7 (revised), additional information on the management of risks and the impacts of hedge accounting on the financial statements is provided in the notes or in the management report.

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

Derivatives are financial instruments which have the following three characteristics:

- their value fluctuates with the change in the underlying items (interest rates, exchange rates, share prices, indices, commodities, credit ratings, etc.);
- their initial cost is low or nil;
- their settlement takes place at a future date.

The Crédit Mutuel group deals in simple derivative instruments (swaps and vanilla options), mainly of rates and classified essentially in level 2 of the value hierarchy.

All derivatives are carried at fair value under financial assets or financial liabilities. They are recognized by default as trading instruments unless they can be classified as hedging instruments.

- **Determining the fair value of derivatives**

Most 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, and specific risk premiums intended to offset any additional costs resulting from a dynamic management strategy associated with the model in certain market conditions, as well as the counterparty risk captured by the positive fair value of over-the-counter derivatives. The latter includes the own counterparty risk present in the negative fair value of over-the-counter derivatives.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a 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, meets the definition criteria for a derivative. It has the effect, notably, of changing certain cash flows in the same way as a stand-alone derivative.

The derivative is detached from the host contract and recognized separately as a derivative instrument at fair value through profit or loss only if all of the following conditions are satisfied:

- it meets the definition of a derivative;
- the hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and the associated risks are not considered as being closely related to those of the host contract;
- separate measurement of the embedded derivative is sufficiently reliable to provide relevant information.

For financial instruments under IFRS 9, only those derivatives embedded in financial liabilities may be detached from the host contract for separate recognition.

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

Risks hedged

In its accounts, the group only recognizes interest rate risk through micro-hedging, or on a broader scope through macro-hedging.

Micro-hedging is partial hedging of the risks incurred by an entity on its assets and liabilities. It specifically applies to one or more assets or liabilities for which the entity covers the risk of an unfavorable change in a type of risk, through derivatives.

Macro-hedging aims to cover all of the group's assets and liabilities against any unfavorable changes, particularly in interest rates.

The overall management of the interest rate risk is described in the management report, along with the management of all other risks (foreign exchange, credit, etc.) that may be hedged through the natural backing of assets to liabilities or the recognition of trading derivatives.

Micro-hedging is particularly done through asset swaps, usually in the aim of transforming fixed-rate instruments into variable-rate instruments.

Three types of hedging relationship are possible. The choice of the hedging relationship depends on the nature of the risk being hedged:

- a fair value hedge hedges the exposure to changes in the 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 financial assets or financial liabilities, firm commitments or forward transactions;
- 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 documented formally immediately upon inception of the hedging relationship. This documentation sets outs the risk management objectives determined by management, the nature of the risk hedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge;

- the effectiveness of the edge must be demonstrated upon inception of the hedging relationship, subsequently throughout its life, and at the very least at each balance sheet 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 prospectively.

Fair value hedge 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 debt instrument classified under “Financial assets at fair value through other comprehensive income”. Changes in the fair value of the hedging instrument and the hedged risk component offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss. It may be due to:

- the “counterparty risk” component integrated in the value of the derivatives;
- the different value curve between the hedged items and hedging instruments. Indeed, 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 portion corresponding to the rediscounting of the derivative financial instrument is recognized in the income statement under “Interest income/(expense)”. The same treatment is applied to the interest income or expense relating to the hedged item.

If the hedging relationship is interrupted or the effectiveness criteria are not met, hedge accounting is discontinued on a prospective basis. The hedging derivatives are transferred to “Financial assets or financial liabilities at fair value through profit or loss” and are 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 has been derecognized in the balance sheet, due notably to early repayment, the cumulative adjustments are recognized immediately in the income statement.

Macro-hedging derivatives

The group has availed 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 the fair value of the hedged portfolios are recorded in the balance sheet under “Remeasurement adjustment on interest-rate hedged portfolios”, the counterpart being an income statement line item.

Cash flow hedges

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

Amounts recognized in equity are reclassified to profit or loss under “Interest income/(expense)” at the same time as the cash flows attributable to the hedged item affect profit or loss.

The hedged items continue to be recognized in accordance with the rules specific to their accounting category. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. The cumulative amounts recorded in shareholders’ equity for the remeasurement of the hedging derivative are maintained in shareholders’ equity until such time as the hedged transaction itself impacts profit or loss or until the transaction is no longer expected to occur. At this point, said amounts are transferred to profit or loss.

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 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, such financial guarantees continue to be measured using French accounting standards, i.e. they are treated as off-balance sheet items, until such time as the current standards are revised. Accordingly, they are subject to a provision for liabilities if an outflow of resources is likely.

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

Financing commitments that are not considered as derivatives within the meaning of IFRS 9 are not shown on the balance sheet. However, they give rise to provisions in accordance with the requirements of IFRS 9.

1.3.1.7. Derecognition of financial assets and liabilities

The group partly or fully derecognizes a financial asset (or a group of similar assets) when the contractual rights to the asset’s cash flows expire (in the case of commercial renegotiation), or when the group has transferred the contractual rights to the financial asset’s cash flows, as well as most of the risks and advantages linked with ownership of the asset.

Upon 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 recognized 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/paid;
- a debt instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under equity are taken to the income statement, as well as any capital gains/losses on disposal;
- an equity instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under other comprehensive income, as well as any capital gains/losses on disposal are recognized in consolidated reserves without going through the income statement.

The group derecognizes a financial liability when the contractual obligation is extinguished, is canceled or expires. A financial liability may also be derecognized in the event of a material 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 IFRS 9 impairment model is based on an “expected loss” approach while that of IAS 39 was based on an “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, financial assets for which no objective evidence of impairment exists on an individual basis are impaired on the basis of observed losses as well as reasonable and justifiable future cash flow forecasts.

The IFRS 9 impairment model thus applies to all debt instruments measured at amortized cost or at fair value through other comprehensive income, as well as to financing commitments and financial guarantees. These are divided into 3 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 receivables: 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.

- ❑ **Governance**

The models for compartment allocation, forward-looking scenarios, and parameter calculation methods constitute the methodological basis for impairment calculations. They are validated at the group’s top level and are applicable to all entities according to the portfolios involved. The entire methodological base and any subsequent modification in terms of method, weighting of the scenarios, parameter calculation or provision calculation must be validated by the Crédit Mutuel group’s governance bodies.

These bodies consist of the Supervisory and Executive Board as defined by Article 10 of the French Decree of November 3, 2014 relative to internal control. Given the specificities of the Crédit Mutuel group’s decentralized organizational structure, the supervisory and executive bodies are divided into two levels – the national level and the regional level.

The principle of subsidiarity, applied across the Crédit Mutuel group, governs the breakdown of roles between the national and regional levels, both on a project basis and for the ongoing implementation of the asset impairment calculation methodology.

- At the national level, the Basel 3 Working group approves the national procedures, models and methodologies to be applied by the regional groups.
- At the regional level, regional groups are tasked with the calculation of the IRFS 9 provisions within their entities, under the responsibility and control of their respective executive and supervisory bodies.

- ❑ **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. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts; etc.

- ✓ high default portfolios (HDP) for which the default data is sufficient to establish a statistical rating model: mass corporate and retail. These portfolios include products such as home loans, consumer credit, revolving loans, current accounts, etc.

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

- ✓ taking into account all reasonable and justifiable information; and
- ✓ comparing the risk of default on the financial instrument at the reporting date with the risk of default at 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 of 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
- rating grids developed by experts (LDP).

The 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 of the customer's outstanding loans or those of related parties (absence of contagion).

Note that the group immediately puts into Status 1 any performing exposure that no longer meets the criteria for Status 2 classification (both qualitative and quantitative).

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. Thus, the riskier the rating of the loan, the less the relative tolerance of the group towards significant deterioration of the risk.

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

To these qualitative criteria the group adds qualitative ones such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, 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 – Calculating expected credit losses**

Expected credit losses are measured by multiplying the outstanding amount of the loan at the contract rate by its probability of default (PD) and by the loss given default (LGD). The off-balance-sheet exposure is converted into a balance sheet equivalent based on the probability of a drawdown. The one-year probability of default is used for Status 1, while the probability of default at termination (1 to 10 year curve) is used for Status 2.

These parameters are based on the same values as the prudential models and are adapted to meet the IFRS 9 requirements. They are used both for assigning loans to a status and for calculating 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 collection flows observed over a long period of time, discounted at the interest rates of the contracts, segmented according to types of products and types of guarantees;
- for low default portfolios, on fixed ratios (60% for sovereigns and 40% for the rest).

✓ Conversion factors

For all products, including revolving loans, they are used to convert off-balance-sheet exposure to a balance sheet equivalent and are mainly based on prudential models.

✓ Forward-looking aspect

To calculate expected credit losses, the standard requires taking reasonable and justifiable information into account, including forward-looking information. 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 (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD. 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 dimension over different time horizons other than one year will largely be a function of the one-year dimension.

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 large corporates/bank models, and not into local governments, sovereigns and specialized financing models. The approach is similar to that used for high default portfolios.

❑ **Status 3 – Non-performing receivables**

An impairment is recorded when there is objective proof, as a result of an event occurring after a loan or group of loans has been granted, that it is likely to generate a loss. An analysis is done at each closing contract by contract. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the most recent contractual rate that is booked.

❑ **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 provision allocations/reversals for loan losses”. Reversals of impairment charges and provisions are recorded in “Net provision allocations/reversals 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. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under “Provisions” (see Section “1.3.1.6 Financial guarantees and financing commitments” and Section “1.3.3.2."Provisions"). For assets at fair value through other comprehensive income, the counter-entry for impairments recognized under “Net provision allocations/reversals for loan losses” is booked to “Unrealized or deferred gains and losses”

Loan losses are written off and the corresponding impairments and provisions are reversed.

1.3.1.9. Determination of fair value of financial instruments

Fair value is the amount for which an asset could 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.

The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be 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 a stock 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

Observable market data are used provided they reflect the reality of a transaction at arm’s length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (mark-to-model).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and 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.

When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

In all cases, adjustments are made by the group in a reasonable and appropriate manner, based on judgment.

- **Fair value hierarchy**

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

- Level 1: price quoted in active markets for identical assets and liabilities. These include debt securities listed 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). Included, in particular, in level 2 are interest rate swaps whose fair value is generally determined with the help of yield curves based on market interest rates observed at the end of the reporting period;
- Level 3: data relating to the asset or liability 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 hierarchical level 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 measured at level 3, the sensitivity of the fair value to a change in parameters would be immaterial.

1.3.2 Insurance business line

The insurance departments falling within the Conglomerate Directive, benefit from the deferred application of IFRS 9 until 2022, as scheduled by the amendment to IFRS 4 adopted by the European Union. As such, their financial instruments remain valued and recognized in accordance with IAS 39. In terms of presentation, the group chose to adopt an "IFRS audit" approach that allows all financial instruments under IAS 39 to be grouped together under the dedicated asset or liability items rather than by applying ANC recommendation 2017-02 strictly speaking, which entails the presentation of instruments under certain items pursuant to IAS 39 and IFRS 9. Thus, all the financial instruments of the insurance departments are grouped in assets under "Investments in insurance business and shares of reinsurers in technical provisions", and in liabilities under "Liabilities related to insurance business policies", also including technical provisions. Investment property is also affected by the reclassification. The impact in the income statement of financial instruments and technical provisions is included under "Net income from insurance activities". Other assets/liabilities and income statement items are included under the "banking insurance" joint entries. Where relevant, the disclosures required by IFRS 7 are given separately for the insurance business lines.

In accordance with the adoption regulation of November 3, 2017, the group ensures there is no transfer of financial instruments with a derecognition effect, between the insurance and other sectors of the conglomerate, other than those recognized at fair value through profit or loss in both sectors.

The accounting principles and valuation rules specific to assets and liabilities generated by the issue of insurance policies are drafted in accordance with IFRS 4. This also applies to reinsurance contracts issued or subscribed, and to financial contracts incorporating a discretionary profit-sharing clause.

Except in the cases outlined above, the other assets held and liabilities issued by the insurance companies follow the rules common to all the group's assets and liabilities.

1.3.2.1. Insurance business line - Financial instruments

Under IAS 39, insurers' financial instruments 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 grouped in assets under “Investments in insurance business and shares of reinsurers in technical provisions”, and in liabilities under “Liabilities related to insurance business policies”.

The classification in one or other of these categories reflects the management intention and determines the recognition rules for instruments.

The fair value of these instruments follows the general principles outlined in Section 1.3.1.9.

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

Classification criteria

The classification of instruments in this category is a result either of a genuine intention to trade, or the use of the fair value option.

a) Instruments held for trading:

Held-for-trading securities consist of securities originally acquired with the intention of reselling them in the near future, 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 accounted for under the fair value on option:

Financial instruments may be classified by choice, from the outset and on an irrevocable basis, at fair value through profit or loss in the following circumstances:

- ✓ financial instruments containing one or more separable embedded derivatives;
- ✓ instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied;
- ✓ instruments belonging to a pool of financial assets measured and managed at fair value.

This option is specifically used in connection with unit-linked contracts for insurance activities, to ensure consistency with the treatment of liabilities.

Basis of valuation and recognition of income and expenses

Assets classified as “*Assets at fair value through profit* or loss” are recognized when they are entered on the balance sheet at their fair value, and at subsequent closing dates, until disposal. Changes in fair value and the income received or accrued on these assets are recognized on the income statement under “Net income from insurance activities”.

- Available-for-sale financial assets

Classification criteria

Available-for-sale financial assets include those financial assets not classified as “*loans and receivables*”, or “*financial assets held-to-maturity*” or “*fair value through profit or loss*”.

Basis of valuation and recognition of income and expenses

They are recognized on the balance sheet at their fair value at the time of their 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 in shareholders’ equity are only recognized on the income statement in the event of disposal or sustainable impairment. On disposal, these unrealized gains or losses previously recognized in shareholders’ equity are recognized in the income statement, along with capital gains and losses on disposal.

Income accrued or acquired from fixed-income securities is recognized in profit or loss, using the effective interest rate method. They are presented in “Net income from insurance activities”, along with dividends received on variable-income securities.

Credit risk and impairment

a) Sustainable impairment, specific to shares and other capital instruments

Impairment is recognized on variable-income available-for-sale financial assets in the event of a prolonged or significant fall in fair value, compared to cost.

In the case of variable-income securities, the group considers that a fall in the security's value of at least 50% compared to its acquisition cost or over a period of more than 36 consecutive months shall result in an impairment. The analysis is carried out on a line-by-line basis. Judgment is also used when reviewing those securities that do not meet the above criteria, but for which management believes the recoverability of the amount invested may not reasonably be expected in the near future. The loss is recognized in income under "Net income from insurance activities".

Any subsequent fall is also recognized on the income statement.

Long-term impairment losses on shares or other capital instruments posted in income are irreversible as long as the instrument appears on the balance sheet. In the event of subsequent appreciation, this will be recognized in shareholders' equity under "*unrealized or deferred gains or losses*".

b) Impairment due to credit risk

Impairment losses on fixed-income available-for-sale financial assets (specifically bonds) are recognized under "*Cost of risk*". In fact, only the existence of credit risk may lead to the impairment of these fixed-income instruments, since impairment in the event of loss due to a simple rate increase is not permitted. In the event of impairment, all combined unrealized losses in shareholders' equity must be recognized in profit or loss. These impairments are reversible; any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*", in case of improvement of the issuer's credit situation.

- ❑ Held-to-maturity financial assets

Classification criteria

This category includes determinable or fixed-income securities with a maturity date that the entity intends and is able to hold until maturity.

Any interest-rate hedging operations performed on this category of securities are not eligible for hedge accounting as set out in IAS 39.

Furthermore, the possibilities to dispose of or transfer securities of this portfolio are extremely limited, given the provisions of IAS 39, on pain of downgrading the entire portfolio at group level in the "available-for-sale financial assets" category, and forbidding access to this category for two years.

Basis of valuation and recognition of income and expenses

Securities classified in this category are initially recognized at fair value, then valued at amortized cost according to the effective interest rate method, which incorporates amortization of premiums and discounts, as well as acquisition expenses, if these are material.

Income received on these securities is given in "Net income from insurance activities" on the income statement.

Credit risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). An analysis is performed at each closing, on a security-by-security basis. Impairment is assessed by comparing the carrying amount and the present value at the original interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "Cost *of risk*". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*".

- ❑ Loans and receivables

Classification criteria

Loans and receivables are determinable or fixed-income financial assets not quoted on an active market and not intended for sale upon acquisition or grant. They are recognized at their fair value when they initially appear on the balance sheet which is generally the net amount disbursed. These outstandings are then valued on subsequent closing dates at amortized cost using the effective interest-rate method (except for those recognized using the fair value option method).

Credit Risk

Impairment is recognized when there is objective proof of impairment of the asset, as a result of one or more events occurring after initial recognition that it is likely to generate a loss (proven credit risk). Impairment is assessed by comparing the carrying amount and the present value at the effective interest rate of future cash flows incorporating guarantees. It is recognized in the income statement under "*Cost of risk*". Any subsequent assessment, related to an event occurring after the recognition of the impairment, is also recorded in the income statement, under "*Cost of risk*".

- Financial liabilities at amortized cost

These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.

These liabilities are initially recognized at fair value in the balance sheet. At subsequent reporting dates, they are measured at amortized cost using the effective interest rate method. The initial fair value of issued securities is their issue price less transaction costs, where applicable.

1.3.2.2. Insurance business line - Non-financial assets

Investment property and fixed assets follow the accounting methods outlined elsewhere.

1.3.2.3. Insurance business line - Non-financial liabilities

Insurance liabilities, representing commitments to subscribers and beneficiaries, are included under "technical provisions of insurance policies". They remain valued, recognized and consolidated according to French standards.

The technical provisions of life insurance policies consist primarily of mathematical provisions, which generally correspond to the redemption values of the contracts. The risks covered are primarily death, disability and incapacity for work (for borrower insurance).

Technical provisions for unit-linked contracts are valued on the reporting date based on the realizable value of the assets used to support these contracts.

Provisions for non-life insurance contracts correspond to unearned premiums (portion of premiums issued relating to subsequent years) and to claims payable.

Those insurance contracts benefiting from a discretionary profit-sharing clause are subject to "shadow accounting". The resulting deferred profit-sharing provision represents the portion of asset capital gains and losses, which accrues to the insured parties. These provisions for deferred profit-sharing appear as liabilities or assets, by legal entity and without offset between entities within the scope of consolidation. On the asset side, they appear as a separate item.

At the reporting date, a liability adequacy test recognized on these contracts (net of other related assets or liabilities, such as deferred acquisition costs and portfolio securities acquired) is conducted: the recognized liability is audited to ensure it is sufficient to hedge the estimated future cash flows on that date. Any shortfall in the technical provisions is recognized in profit or loss for the period (and may subsequently be reversed if necessary).

1.3.3 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. Ownership may or may not eventually be transferred.

An operating lease is any lease that is not a finance lease.

- ❑ **Finance leases - lessor accounting**

In accordance with IFRS 16, finance lease transactions with non-group companies are reported in the consolidated balance sheet at their financial accounting amount.

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 the lease payments received between interest and principal repayment, known as financial amortization;
- the recognition of a net latent reserve, equal to the difference between:
    - o 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,
    - o the net carrying amount of the leased assets,
    - o 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 IFRS 16, fixed assets are recorded on the balance sheet to offset a liability in "Other liabilities". Lease payments are broken down between interest expense and repayment of principal.

1.3.3.2 Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.

A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- ✓ operating risks;
- ✓ social commitments;
- ✓ execution risk on signature commitments;
- ✓ litigation risk and guarantee commitments given;
- ✓ tax risks;
- ✓ risks related to mortgage saving agreements.

1.3.3.3 Employee benefits

Where applicable, provisions in respect of employee obligations are recognized under "Provisions". Any movements in in this provision are recognized in the income statement under "Employee benefits expense" except for the portion resulting from actuarial gains/(losses), which is recognized in unrealized or deferred gains and losses, under equity.

- **Post-employment benefits under a defined benefit plan**

These comprise the pension plans, early pension plans, and supplementary pension plans under which the group has a formal or implicit obligation to provide employees with predefined benefits.

These obligations are calculated using the projected unit credit method, which involves allocating entitlement to benefits to periods of service by applying the contractual formula for calculating plan benefits. Such entitlements are then discounted using demographic and financial assumptions such as:

- a discount rate, determined by reference to the long-term rate on private-sector borrowings consistent with the term of the commitments;
- the rate of increase in wages, assessed according to age group, manager/non-manager position and regional characteristics;
- inflation rates, estimated by comparing French treasury bond rates and inflation-linked French treasury bond rates at different maturities;
- staff turnover rates, determined by age bracket, using the three-year average for the ratio of resignations and dismissals relative to the year-end number of employees under permanent contracts;
- retirement age: estimated on a case-by-case basis using the actual or estimated date of commencement of full-time employment and the assumptions set out in the law reforming pensions, with a ceiling set at 67 years of age;
- mortality according to the INSEE TH/TF 00-02 table.

Differences arising from changes in these assumptions and from differences between previous assumptions and actual experience constitute actuarial gains or losses. When the plan has assets, these are valued at fair value and their expected return impact profit (loss). Differences between actual and expected yields also constitute actuarial gains or losses.

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Curtailments and settlements of the plan produce a change in the commitment, which is recognized in the profit (loss) for the period.

Supplementary pensions within the pension funds

The AFB transitional agreement dated September 13, 1993, modified the pension plans of banking institutions. Since the 1st of January 1994, banks are affiliated with the national plans, ARRCO and AGIRC. The four pension funds to which the group's banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from the mergers was converted into an IGRS (a French supplementary pension management institution), in 2009. It does not have an asset shortfall.

Other post-employment benefits under a defined benefit plan

Retirement benefits and supplementary pensions, including special schemes, are provisioned. They are assessed on the basis of the rights acquired for all active employees, based in particular on the turnover rate of the staff specific to the consolidated entities and the estimated future salary that the beneficiary will earn upon retirement plus social security contributions, where applicable. The retirement benefits of the group's banks in France are covered by an insurance contract of which at least 60% is held with ACM Vie, a fully-consolidated insurance company of the Crédit Mutuel group.

- **Post-employment benefits under a defined contribution plan**

group entities contribute to various pension plans managed by independent organizations, to which they have no formal or implicit obligation to make supplementary payments in the event, notably, that the fund's assets are insufficient to meet its commitments.

Since such plans do not represent a commitment for the group they are not subject to a provision. Expenses are recognized in the fiscal year in which the contribution must be paid.

- **Long-term benefits**

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long service awards.

The Group's commitment in respect of other long-term benefits is quantified using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.

Commitments for long service awards are sometimes covered by insurance policies. Only the unhedged portion of this commitment is subject to a provision.

- **Supplemental pension plan for employees**

In addition to the mandatory pension plans, the employees of the entities covered by the group collective agreement also benefit from a supplementary defined contribution pension plan provided by ACM Vie SA.

- **Termination benefits**

These are benefits granted by the group when an employment contract is terminated before the usual retirement age or following the employee's decision to leave the group voluntarily in exchange for an indemnity. The related provisions are discounted if payment is expected to take place more than 12 months after the reporting date.

- **Short-term benefits**

These are benefits, other than termination benefits, payable within the 12 months following the reporting date. They include salaries, social security contributions and certain bonuses.

An expense is recognized for these short-term benefits in the fiscal year in which the services granting entitlement to these benefits were rendered to the business.

1.3.3.4 Non-current assets

- **Non-current assets of which the group is owner**

Fixed assets included in the balance sheet include property, plant and equipment and intangible assets, as well as investment properties. Operating assets are used for the production of services or for administrative purposes. Investment property consists of real estate assets held to generate rental income and/or capital gains. The historical cost method is used to recognize both operating and investment properties.

Fixed assets are initially recognized at acquisition cost plus any directly attributable costs necessary to make them operational and usable. They are subsequently measured at amortized historical cost, i.e. their cost less accumulated depreciation and any impairment.

When a non-current asset comprises several components likely to be replaced at regular intervals, with different uses or providing economic benefits over differing lengths of time, each component is recognized separately from the outset and is depreciated or amortized in accordance with its own depreciation schedule. The component approach was retained for operating buildings and investment properties.

The depreciable or amortizable amount of a non-current asset is determined after deducting its residual value, net of disposal costs. As the useful life of non-current assets is generally equal to their expected economic life, no residual value is recognized.

Non-current assets are depreciated or amortized over their estimated useful life at rates reflecting the estimated consumption of the assets' economic benefits by the entity. Intangible assets with an indefinite useful life are not amortized.

Depreciation and amortization charges on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Depreciation charges on investment property are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:

Property, plant and equipment:

- Land and network improvements : 15-30 years
- Buildings – shell : 20-80 years (depending on type of building)
- Buildings – equipment : 10-40 years
- Fixtures and fittings : 5-15 years
- Office furniture and equipment : 5-10 years
- Safety equipment : 3-10 years
- Rolling stock : 3-5 years
- Computer equipment : 3-5 years

Intangible assets:

- Software purchased or developed in-house : 1-10 years
- Business goodwill acquired : 9-10 years (if customer contract portfolio acquired)

Depreciable and amortizable assets are tested for impairment when evidence exists at the reporting date that the items may be impaired. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.

If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.

Impairment charges and reversals on operating assets are recognized under "Movements in depreciation, amortization and provisions for operating assets" in the income statement.

Impairment charges and reversals on investment property are recognized in the income statement under "Expenses on other activities" and "Income from other activities", respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line "Net gains/(losses) on other assets".

Gains and losses on the disposal of investment property are recorded on the income statement on the line "Income from other activities" or "Expenses from other activities."

- **Non-current assets of which the group is lessee**

For a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

- an asset representing the right to use the leased property during the lease term;

- offset by a liability in respect of the lease payment obligation;
- straight-line depreciation of the asset and an interest expense in the income statement using the diminishing balance method.

The group activates mainly its real estate contracts with the exception of those that are automatically renewable (subject to a 6-month notice period). The automotive fleet was only restated where it was locally significant and computer and security equipment were precluded on the grounds of their substitutable nature, in accordance with standards. Only a limited number of IT contracts, deemed to be significant, was deemed to be activated.

Other underlying assets were precluded through short-term or low value exemptions (set at €5,000). The group has no leases that give rise to recognition of intangible assets or investment properties.

Therefore, usage rights are recorded as “Property, plant and equipment”, and lease obligations as “Other liabilities”. On the income statement, interest charges appear in “Interest margin” while depreciation is presented under the heading dedicated to general operating expenses.

For calculating the lease obligation, we use:

- the contractual term. The group follows the ANC position on commercial leases: any new lease of this type will be capitalized for a term of 9 years;
- the discount rate is the marginal rate of indebtedness corresponding to the chosen duration. It is a rate that is depreciable by the group’s refinancing headquarters;
- the lease payment, excluding taxes. The group is marginally affected by variable lease payments.

Future changes in both lease terms and lease length will entail a revaluation of the assets and liabilities.

1.3.3.5 Fees and commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved.

Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.

Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.

Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

Fee and commissions considered as an additional interest are an integral part of the effective interest rate. These fees and commissions are thus recognized either as interest income or expense.

1.3.3.6 Income tax expense

The income tax expense includes all tax, both current and deferred, payable in respect of the income for the period under review.

The income tax payable is determined in accordance with applicable tax regulations.

- **Deferred taxes**

As required by IAS 12, deferred taxes are recognized in respect of temporary differences between the carrying amount of an asset or liability on the consolidated balance sheet and its taxable value, with the exception of goodwill.

Deferred taxes are calculated using the liability method, applying the income tax rates known at the end of the fiscal year, and applicable in subsequent years.

Deferred tax assets net of deferred tax liabilities are recognized only when there is a high probability that they will be utilized. Current or deferred tax is recognized as income or a charge, except for that relating to unrealized or deferred gains or losses recognized in equity, for which the deferred tax is allocated directly to equity.

Deferred tax assets and liabilities are netted if they arise in the same entity or in the same tax group, are subject to the same tax authority and there is a legal right to do so.

Deferred tax is not discounted.

1.3.3.7 Interest borne by the State for certain loans

Pursuant to measures to support the agricultural and rural sector, as well as the purchase of housing, some group entities grant loans at reduced rates, which are set by the State. Consequently, these entities receive a subsidy from the government equal to the interest rate differential existing between the rate granted to customers and a predefined benchmark rate. As a result, no discounting occurs on loans that benefit from these grants.

The arrangements governing this offset mechanism are periodically reviewed by the State.

The government subsidies received are recognized under “Interest and similar income” and allocated over the life of the corresponding loans, in accordance with IAS 20.

1.3.3.8 Non-current assets held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available for sale and there is a high probability that their sale will take place within the next 12 months.

The related assets and liabilities are shown separately in the balance sheet, on the lines “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”. They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

Any impairment loss on such assets and liabilities is recognized in the income statement.

Discontinued operations consist of businesses held for sale or which have been discontinued, or 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 “Post-tax gain/(loss) on discontinued operations and assets held for sale”.

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

Preparation of the group’s financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future.

The future outcome of such assumptions may be influenced by several factors, in particular:

- the activities of national and international markets;
- fluctuations in interest rates and foreign exchange rates;
- economic and political conditions in certain business sectors or countries;
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are mainly used for the measurement of the following:

- the fair value of financial instruments not quoted on an active market, the definition of a forced transaction and the definition of observable data require the exercise of judgment;

- pension plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions;
- impairment of intangible assets and goodwill;
- deferred tax assets.

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

- **Amendments to IFRS 3 and 11**

These amendments clarify the accounting treatment of the acquisition of an interest in a joint activity. The group is only concerned by joint ventures and not by joint activities.

The amendment to IFRS 3 concerns clarification of the definition of an activity falling under IFRS 3 (vs. asset acquisition, accounted for according to the standard which applies to it, for example, IFRS 9).

1.5 Standards and interpretations not adopted by the European Union

- **IFRS 17 - Insurance Contracts**

This standard will replace IFRS 4, which allows insurance companies to conserve their local accounting principles for their insurance contracts and other contracts within the scope of IFRS 4. This is detrimental to the comparability of financial statements of entities in the sector. The application date, initially scheduled for 2021, is expected to be postponed by one year, following an amendment on which a consultation was initiated at the end of June 2019. It is expected that application of IFRS 9 for insurance entities that opted for the delay will also be deferred to the same date.

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 increasing use of complex models and concepts similar to those of Solvency II. Financial communication will also have to be broadly adapted.

- **Amendment to IAS 1 and IAS 8**

These amendments modify the definition of the term "significance" in order to clarify and align it with the conceptual framework and the IFRS standards. Subject to European adoption, information is of a significant nature (i.e. it is relatively important) if it is reasonable to expect that its omission, inaccuracy, or obfuscation would influence decisions made by primary users based on these financial statements in the general usage of such statements, which contain financial information on a given accounting entity.

NOTE 2 - Breakdown of the income statement by business segment and geographic area

The businesses are as follows:

• retail banking comprises the CIC regional banks, Targobank in Germany and Spain, COFIDIS and all specialized businesses whose products are marketed by the network: real estate and equipment leasing, factoring, collective management, employee savings, real estate;

• the insurance business line is composed of Groupe des Assurances du Crédit Mutuel;

• the financing and market activities are composed of:

a) the financing of large companies and institutional customers, specialized financing, international business and foreign branches,

b) capital markets, which are composed of investments in interest rate, currency and equities activities, including stock market brokering;

• private banking brings together companies whose main business occurs in France and abroad;

• private equity consists of proprietary trading and financial engineering services;

• the holding structure brings together those items that cannot be assigned to another business (holding company) as well as the press and logistics structures: intermediary holdings, non-controlling interests, operating real estate hosted in specific entities, press and IT entities.

Consolidated entities are fully allocated to their core business based on their contribution to the consolidated financial statements. Only two entities are an exception, CIC and BFCM because of their presence in several businesses. In this case, the annual financial statements are broken down analytically. The balance sheet is broken down in the same way.

2a - Breakdown of the income statement by business segment

06/30/2019	Bank retail	Insurance	Financing and markets	Bank private	Capital development	Logistics and holding	Inter activity	Total
Net Banking Income	3,713	1,037	383	273	176	70	-34	5,617
General operating expenses	-2,226	-312	-196	-204	-23	-245	34	-3,173
Gross operating income/(loss)	1,487	726	187	68	152	-175	0	2,445
Cost of counterparty risk	-390		-81	11	0	1		-459
Gains on other assets*	3	15		2		17		37
Profit/(loss) before tax	1,100	741	106	81	152	-157		2,023
Income tax	-376	-254	-19	-16	1	25		
Post-tax gains and losses on discontinued assets	0							0
Net profit/(loss)	**724**	**487**	**87**	**65**	**153**	**-132**		**1,384**
Non-controlling interests								206
Net profit/(loss) attributable to the group								**1,177**

** Includes net profit/(loss) of entities accounted for using the equity method and impairment losses on goodwill (Notes 16 and 19).*

06/30/2018	Bank retail	Insurance	Financing and markets	Bank private	Capital development	Logistics and holding	Inter activity	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/(loss)	1,446	649	159	71	197	-386	0	2,135
Cost of counterparty risk	-338		31	-5	-1	-1		-314
Gains on other assets*	3	13		8		65		89
Profit/(loss) before tax	1,111	661	190	73	196	-322	0	1,910
Income tax	-389	-223	-69	-16	0	43		-654
Post-tax gains and losses on discontinued assets	0							0
Net profit/(loss)	**723**	**438**	**121**	**57**	**196**	**-279**	**0**	**1,256**
Non-controlling interests								188
Net profit/(loss) attributable to the group								**1,068**

** Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

2b - Breakdown of the income statement by geographic area

	06/30/2019				06/30/2018			
	France	Europe excluding France	Other Countries*	Total	France	Europe excluding France	Other Countries*	Total
Net Banking Income**	3,998	1,505	115	5,618	3,698	1,420	104	5,222
General operating expenses	-2,243	-883	-47	-3,173	-2,214	-832	-41	-3,087
Gross operating income/(loss)	1,755	622	68	2,445	1,485	588	62	2,135
Cost of counterparty risk	-257	-203	1	-460	-150	-176	12	-314
Gains on other assets***	17	2	18	37	27	8	54	89
Profit/(loss) before tax	1,516	420	87	2,023	1,361	420	128	1,910
Total net profit/(loss)	1,011	295	77	1,383	851	292	113	1,256
Net profit/(loss) attributable to the	832	274	71	1,177	691	268	108	**1,068**

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

*** 29% of NBI (excluding the logistics and holding business line) was generated abroad in the first half of 2019.*

**** Including net profit/(loss) from associates (companies accounted for using the equity method) and impairment losses on goodwill.*

NOTE 3 - Consolidation scope

3a - Composition of the consolidation scope

The parent company of the group is Banque Fédérative du Crédit Mutuel.

Since December 31, 2018, the changes in the consolidation scope are as follows:

- Entering the scope of consolidation: CM-CIC Leasing Nederland (included in CM-CIC Leasing Benelux until 2018), Ebra Services, EBRA events, Newco1, Newco2.

- Mergers, absorptions: Cofacrédit with Factofrance, C2C with BFCM

- Change in consolidation method: none

- Exits from the scope: none

	Country	06/30/2019			12/31/2018		
		Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
A. Banking network							
Banque Européenne du Crédit Mutuel (BECM)	France	96	96	FC	96	96	FC
BECM Francfort (branch of BECM)	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 Londres (branch of CIC)	United Kingdom	100	99	FC	100	99	FC
CIC New York (branch of CIC)	United States	100	99	FC	100	99	FC
CIC Singapore (branch of CIC)	Singapore	100	99	FC	100	99	FC
CIC Grand Cayman (branch of CIC)**	Cayman Islands	100	99	FC	100	98	FC
TARGOBANK AG	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 Consommation (C2C)	France			MER	100	100	FC
CM-CIC Asset Management	France	74	74	FC	74	74	FC
CM-CIC Bail	France	100	99	FC	100	99	FC
CM-CIC Bail Espagne (subsidiary 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	95	95	FC
CM-CIC Gestion	France	100	74	FC	100	74	FC
Crédit Mutuel 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 Nederland (a subsidiary of CM-CIC Leasing Benelux)***	Belgium	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
Cofacrédit SA	France			MER	100	100	FC
COFIDIS Belgique	Belgium	100	71	FC	100	71	FC
COFIDIS France	France	100	71	FC	100	71	FC
COFIDIS Espagne (branch of COFIDIS France)	Spain	100	71	FC	100	71	FC
COFIDIS Hongrie (branch of COFIDIS France)	Hungary	100	71	FC	100	71	FC
COFIDIS Portugal (branch of COFIDIS France)	Portugal	100	71	FC	100	71	FC
COFIDIS SA Pologne (branch of COFIDIS France)	Poland	100	71	FC	100	71	FC
COFIDIS SA Slovaquie (branch of COFIDIS France)	Slovakia	100	71	FC	100	71	FC
COFIDIS Italie	Italy	100	71	FC	100	71	FC
COFIDIS République Tchèque	Czech Republic	100	71	FC	100	71	FC
Creatis	France	100	71	FC	100	71	FC
Factofrance SA	France	100	100	FC	100	100	FC
FCT CM-CIC Home loans	France	100	100	FC	100	100	FC
Gesteurop	France	100	99	FC	100	99	FC
LYF SA (formerly Fivory)	France	44	44	EM	46	46	EM
Monabanq	France	100	71	FC	100	71	FC
SCI La Tréflière	France	46	46	EM	46	46	EM
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 de Luxembourg Investments SA (BLI)	Luxembourg	100	99	FC	100	99	FC
Banque Transatlantique (BT)	France	100	99	FC	100	99	FC
Banque Transatlantique Londres (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 Suisse	Switzerland	100	99	FC	100	99	FC
Dubly Transatlantique Gestion	France	100	99	FC	100	99	FC

	Country	06/30/2019			12/31/2018		
		Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
E. Private equity							
CM-CIC Capital	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							
Banque de Tunisie	Tunisia	35	35	EM	34	34	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
Groupe Républicain Lorrain Communication (GRLC)	France	100	100	FC	100	100	FC
L'Est Républicain	France	100	100	FC	100	100	FC
Mutuelles Investissement	France	90	90	FC	90	90	FC
SAP Alsace	France	100	100	FC	100	100	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 Technology GmbH	Germany	100	100	FC	100	100	FC
Targo Technology GmbH Singapore (branch of Targo Technology GmbH)	Singapore	100	100	FC	100	100	FC
G. Insurance companies							
ACM GIE	France	100	66	FC	100	66	FC
ACM IARD	France	96	64	FC	96	64	FC
ACM Services	France	100	66	FC	100	66	FC
ACM Vie SA	France	100	66	FC	100	66	FC
Adepi	France	100	99	FC	100	99	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	63	FC	95	63	FC
Targopensiones, entidad gestora de fondos de pensiones, S.A. (ex Agrupación pensiones)	Spain	100	63	FC	100	63	FC
Agrupació serveis administratius	Spain	100	63	FC	100	63	FC
AMDIF	Spain	100	63	FC	100	63	FC
SA	Spain	100	66	FC	100	66	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	53	FC	80	53	FC
Asistencia Avançada Barcelona	Spain	100	63	FC	100	63	FC
ASTREE Assurances	Tunisia	30	20	EM	30	20	EM
Atlantis Asesores SL	Spain	80	53	FC	80	53	FC
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	40	FC	60	40	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	59	FC	88	59	FC
GACM España	Spain	100	66	FC	100	66	FC
Groupe des Assurances du Crédit Mutuel (GACM)(3)	France	66	66	FC	66	66	FC
ICM Life	Luxembourg	100	66	FC	100	66	FC
Margem-Mediação Seguros, Lda	Portugal	100	71	FC	100	71	FC
NELB (North Europe Life Belgium)	Belgium	100	66	FC	100	66	FC
Nord Europe Life Luxembourg (NELL)	Luxembourg	100	66	FC	100	66	FC
Partners	Belgium	100	66	FC	100	66	FC
Procourtage	France	100	66	FC	100	66	FC
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	22	15	EM	22	15	EM
Serenis Assurances	France	100	66	FC	100	66	FC
Targo seguros mediacion (formerly Voy Mediación)	Spain	90	58	FC	90	58	FC
H. Other companies							
Affiches d'Alsace Lorraine	France	100	99	FC	100	99	FC
Alsacienne de Portage DNA	France	100	99	FC	100	99	FC
CM-CIC Immobilier	France	100	100	FC	100	100	FC
EBRA events	France	100	100	FC	100	100	FC
EBRA services	France	100	100	FC	100	100	FC
Est Bourgogne Médias	France	100	100	FC	100	100	FC
Foncière Massena	France	100	66	FC	100	66	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	50	EM	50	50	EM
La Liberté de l'Est	France	97	97	FC	97	97	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
Médiaportage	France	100	100	FC	100	100	FC
Newco 1	France	100	100	FC	100	100	FC
Newco 2	France	100	100	FC	100	100	FC

	Country	06/30/2019			12/31/2018		
		Percentage Control	Percentage Interest	Method*	Percentage Control	Percentage Interest	Method*
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	51	FC
SCI Le Progrès Confluence	France	100	100	FC	100	100	FC
SCI Provence Lafayette	France	90	59	FC	90	59	FC
SCI 14 Rue de Londres	France	90	59	FC	90	59	FC
SCI Saint Augustin	France	88	58	FC	88	58	FC
SCI Tombe Issoire	France	100	66	FC	100	66	FC
Société d'Édition de l'Hebdomadaire du Louhannais et du Jura (:	France	100	100	FC	100	100	FC

* Method: FC = Full Consolidation; EM = consolidation using the equity method NC = not consolidated MER = Merged

**Entity included in the accounts of the New York branch, the sole purpose being to refinance the New York branch through borrowing transactions in dollars from money market funds.

*** Entity included in the accounts of CM-CIC Leasing Benelux in 2018.

3b- Entités intégrées globalement ayant des minoritaires significatifs

06/30/2019	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net profit/(loss)	Undisclosed reserves	NBI
Groupe des Assurances du Crédit Mutuel (GACM)	34%	171	3,295	-663	121,787	489	1,524	1,037
Cofidis Belgique	29%	2	211	0	874	6	-1	47
Cofidis France	29%	9	326	0	9,066	31	-7	271

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

12/31/2018	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities*			
	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	Net profit/(loss)	Undisclosed reserves	NBI
Groupe des Assurances du Crédit Mutuel (GACM)	34%	284	3,472	-128	116,088	806	938	1,720
Cofidis Belgique	29%	4	207	0	852	13	0	97
Cofidis France	29%	19	320	0	8,593	71	-4	546

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

NOTE 4 - Cash, central banks (asset/liability)

	06/30/2019	12/31/2018
Cash, central banks – asset		
Due to central banks	61,308	54,659
of which mandatory reserves	2,065	1,980
Cash	826	859
Total	**62,134**	**55,518**
Central banks – liability	**160**	**350**

NOTE 5 - Financial assets and liabilities at fair value through profit or loss

5a - Financial assets at fair value through profit or loss

	06/30/2019				12/31/2018			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
. Securities	**11,764**	**456**	**4,235**	**16,455**	**10,455**	**418**	**4,014**	**14,887**
- Government securities	1,703	0	0	1,703	774	0	0	774
- Bonds and other debt securities	9,196	456	151	**9,803**	9,135	418	149	**9,702**
. Listed	9,195	88	26	9,309	9,135	82	25	9,242
. Non-listed	1	368	125	494	0	336	124	460
of which UCIs	132		1	133	130		7	137
- Shares and other capital instruments	865		3,329	**4,194**	546		3,158	**3,704**
. Listed	865		1,026	1,891	546		1,007	1,553
. Non-listed	0		2,303	2,303	0		2,151	2,151
- Long-term investments			755	**755**			707	**707**
. Equity investments			190	190			202	202
. Other long-term investments			245	245			180	180
. Investments in associates			319	319			324	324
. Other long-term investments			1	1			1	1
. Derivative instruments	**3,510**			**3,510**	**3,398**			**3,398**
. Loans and receivables	**13,807**	0	0	**13,807**		0	0	0
of which pensions (1)	*13,807*	0		13,807		0		0
TOTAL	**29,081**	**456**	**4,235**	**33,772**	**13,853**	**418**	**4,014**	**18,285**

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost (10b and 10c).

5b - Financial liabilities at fair value through profit or loss

	06/30/2019	12/31/2018
Financial liabilities held for trading	21,218	4,390
Financial liabilities at fair value through profit or loss on option	0	0
TOTAL	**21,217**	**4,390**

Financial liabilities held for trading

	06/30/2019	12.31.2018
. Short sales of securities	**1,543**	**1,227**
- Government securities	1	3
- Bonds and other debt securities	956	585
- Shares and other capital instruments	586	639
. Debts in respect of securities sold under repurchase agreements (1)	**16,550**	**0**
. Trading derivatives	**3,097**	**3,159**
. Other financial liabilities held for trading	**28**	**4**
TOTAL	**21,218**	**4,390**

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost (10b and 10c).

5c - Analysis of trading derivatives

	06/30/2019		**06/30/2019**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Trading derivatives				
Interest rate derivatives	2,280	1,835	2,042	1,812
Swaps	2,152	1,645	1,697	1,680
Other firm contracts	6	5	6	4
Options and conditional instruments	122	185	339	128
Foreign exchange derivatives	926	818	980	881
Swaps	30	33	37	44
Other firm contracts	821	710	846	740
Options and conditional instruments	75	75	97	97
Other derivatives	305	444	375	466
Swaps	107	170	93	130
Other firm contracts	11	110	14	90
Options and conditional instruments	187	164	268	246
Total	**3,511**	**3,097**	**3,397**	**3,159**

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 6 - Hedging

6a - Hedging derivatives

	06/30/2019		06/30/2019	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives				
Fair Value Hedges	3,960	2,495	3,064	2,357
Swaps	3,963	2,494	3,067	2,356
Other firm contracts	0	0	0	0
Options and conditional instruments	(3)	1	(3)	1
Cash Flow Hedges	0	1	0	0
Swaps	0	1	0	0
Other firm contracts	0	0	0	0
Options and conditional instruments	0	0	0	0
Total	**3,960**	**2,496**	**3,064**	**2,357**

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.

6b - Revaluation adjustment on rate-hedged books

	06/30/2019	12/31/2018
Fair value of portfolio interest rate risk		
. in financial assets	1,188	696
. in financial liabilities	32	19

La présentation des écarts de réévaluation a été modifiée à compter du 1er janvier 2018 en enregistrant à l'actif ou au passif le net des écarts de réévaluation des actifs et des passifs couverts.

NOTE 7 Financial assets at fair value through other comprehensive income

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

	06/30/2019	12/31/2018
. Government securities	10,384	9,574
. Bonds and other debt securities	18,422	17,078
- Listed	18,050	16,697
- Non-listed	372	381
. Accrued interest	136	156
Debt securities subtotal, gross	**28,942**	**26,808**
Of which impaired debt securities (S3)	2	2
Impairment of performing loans (S1/S2)	-12	-11
Other impairment (S3)	-1	-1
Debt securities subtotal, net	**28,929**	**26,796**
. Shares and other capital instruments	11	16
- Listed	8	13
- Non-listed	3	3
. Long-term investments	422	383
- Equity investments	61	60
- Other long-term investments	228	185
- Investments in associates	133	138
Sub-total, capital instruments	**433**	**399**
TOTAL	**29,363**	**27,195**
Of which unrealized capital gains or losses recognized under equity	8	-97
Of which listed equity investments.	-1	-1

7b - Exposure to sovereign risk

Countries benefiting from a support plan

*Net exposure**	06/30/2019		12/31/2018	
	Portugal	Ireland	Portugal	Ireland
Financial assets at fair value through profit or loss	39	22	22	
Financial assets at fair value through other comprehensive income	100	135		195
Investments in insurance business line	22	41	17	21
TOTAL	**161**	**198**	**38**	**216**

** The amounts of net exposures are after taking into account the share in the profit of insured parties for the insurance part.*

Residual contract term	Portugal	Ireland	Portugal	Ireland
<1 year	4	4		88
1 to 3 years	1	36	1	5
3 to 5 years	28			30
5 to 10 years	124	138	19	93
Over 10 years	3	20	18	
TOTAL	**161**	**198**	**38**	**216**

Other sovereign exposures of the banking portfolio

Net exposure	06/30/2019		12/31/2018	
	Spain	Italy	Spain	Italy
Financial assets at fair value through profit or loss	102	255	65	93
Financial assets at fair value through other comprehensive income	717	250	504	290
TOTAL	**819**	**505**	**569**	**383**

Capital markets activities are shown at market value, and other businesses at nominal value. The exposures are presented net of CDS.

Residual contract term	Spain	Italy	Spain	Italy
<1 year	73	443		283
1 to 3 years	83	33	14	51
3 to 5 years	261	18	41	40
5 to 10 years	387	0	124	5
Over 10 years	15	12	390	4
TOTAL	**819**	**505**	**569**	**383**

NOTE 8 Fair value hierarchy of financial instruments carried at fair value

06/30/2019	Level 1	Level 2	Level 3	Total
Financial assets IFRS 9				
Fair value through other comprehensive income	24,933	2,933	1,496	29,363
- Government and equivalent securities	10,383	67	0	10,450
- Bonds and other debt securities	14,365	2,864	1,231	18,460
- Shares and other capital instruments	15	2	0	17
- Investments and other long-term securities	170	0	104	275
- Investments in subsidiaries and associates	0	0	161	161
Trading / Fair value option / Other	11,183	18,531	4,058	33,771
- Government securities and similar instruments – Trading	1,480	223	0	1,703
- Government securities and similar instruments – Fair value option	0	0	0	0
- Government securities and similar instruments – Other FVPL	0	0	0	0
- Bonds and other debt securities – Trading	7,345	1,697	154	9,196
- Bonds and other debt securities – Fair value option	33	20	402	456
- Bonds and other debt securities – Other FVPL	103	0	49	151
- Shares and other equity instruments – Trading	865	0	0	865
- Shares and other capital instruments – Other FVPL (1)	1,185	0	2,205	3,390
- Investments and other long-term securities – Other FVPL	1	0	444	445
- Investments in subsidiaries and associates – Other FVPL	0	0	222	223
- Loans and receivables due from credit institutions - Transaction	0	5,995	0	5,995
- Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
- Loans and receivables due from customers - Transaction	0	7,811	0	7,811
- Loans and receivables due from customers – Other FVPL	0	0	0	0
- Derivatives and other financial assets – Trading	171	2,783	582	3,536
Hedging derivatives	0	3,958	3	3,961
Total	**36,116**	**25,422**	**5,557**	**67,095**
Financial assets IAS 39 – Investments of the insurance business line				
Fair value through profit or loss	21,253	5,051	0	26,303
- Transaction	0	0	0	0
- Fair value option – debt securities	2,347	2,417	0	4,765
- Fair value option – capital instruments	18,905	2,633	0	21,538
Hedging derivatives	0	0	0	0
Available-for-sale assets	67,559	2,271	534	70,364
Of which SPPI assets	*64,162*	*147*	*9*	*64,318*
- Government and equivalent securities	15,988	0	0	15,988
- Bonds and other debt securities	40,364	237	0	40,601
- Shares and other capital instruments	10,343	2,034	0	12,378
- Equity investments, shares in subsidiaries and associates and other long-term investments	863	0	534	1,397
Total	**88,812**	**7,322**	**534**	**96,667**

Financial liabilities IFRS 9				
Trading / Fair value option	1,712	18,907	599	21,218
Hedging derivatives	0	2,477	19	2,495
Total	**1,712**	**21,383**	**618**	**23,713**
Financial liabilities related to IAS 39 insurance business policies				
Fair value through profit or loss	0	5,415	0	5,415
- Transaction	0	0	0	0
- Fair value option	0	5,415	0	5,415
Hedging derivatives	0	0	0	0
Total	**0**	**5,415**	**0**	**5,415**

(1) Notably includes the equity investments held by the group's private equity companies.

12/31/2018	Level 1	Level 2	Level 3	Total
Financial assets IFRS 9				
Fair value through other comprehensive income	23,053	2,726	1,415	27,193
- Government and equivalent securities	9,612	37	0	9,648
- Bonds and other debt securities	13,293	2,687	1,152	17,147
- Shares and other capital instruments	19	2	0	15
- Investments and other long-term securities	129	0	101	245
- Investments in subsidiaries and associates	0	0	161	138
Trading / Fair value option / Other	10,623	3,734	3,930	18,286
- Government securities and similar instruments – Trading	615	159	0	774
- Government securities and similar instruments – Fair value option	0	0	0	0
- Government securities and similar instruments – Other FVPL	0	0	0	0
- Bonds and other debt securities – Trading	7,882	926	327	9,135
- Bonds and other debt securities – Fair value option	35	20	363	418
- Bonds and other debt securities – Other FVPL	102	0	48	149
- Shares and other equity instruments – Trading	546	0	0	546
- Shares and other capital instruments – Other FVPL (1)	1,193	0	2,026	3,158
- Investments and other long-term securities – Other FVPL	3	0	389	383
- Investments in subsidiaries and associates – Other FVPL	0	0	217	325
- Derivatives and other financial assets – Trading	247	2,629	560	3,398
Hedging derivatives	0	3,052	11	3,063
Total	**33,676**	**9,512**	**5,356**	**48,542**

Financial assets IAS 39 – Investments of the insurance business line				
Fair value through profit or loss	21,348	4,751	0	26,099
- Transaction	0	0	0	0
- Fair value option – debt securities	2,167	3,093	0	5,260
- Fair value option – capital instruments	19,181	1,658	0	20,839
Hedging derivatives	0	0	0	0
Available-for-sale assets	63,048	1,911	520	65,479
Of which SPPI assets	61284	89	9	61382
- Government and equivalent securities	16,066	0	0	16,066
- Bonds and other debt securities	37,742	81	0	37,824
- Shares and other capital instruments	8,458	1,809	1	10,267
- Equity investments, shares in subsidiaries and associates and other long-term investments	782	21	519	1,322
Total	**84,396**	**6,662**	**520**	**91,579**

Financial liabilities IFRS 9				
Trading / Fair value option	1,443	2,168	779	4,390
Derivatives and other financial liabilities – Trading	1,443	2,168	779	4,390
Hedging derivatives	0	2,336	21	2,356
Total	**1,443**	**4,503**	**800**	**6,746**
Financial liabilities related to IAS 39 insurance business policies				
Fair value through profit or loss	0	5,315	0	5,315
- Transaction	0	-1	0	-1
- Fair value option	0	5,316	0	5,316
Hedging derivatives	0	0	0	0
Total	**0**	**5,315**	**0**	**5,315**

(1) Notably includes the equity investments held by the group's private equity companies.

- level 1: price quoted in an active market.
- level 2: prices quoted in active markets for similar instruments, and measurement method in which all significant inputs are based on observable market information;
- level 3: measurement based on internal models containing significant unobservable inputs.

Instruments in the trading portfolio classified under levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.
There are uncertainties surrounding the measurement of all these instruments, which result in value adjustments reflecting the risk premium that a market participant would incorporate when establishing the price.
Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and 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 fair value of over-the-counter derivatives. The methods used may change. The latter include the own counterparty risk present in the fair value of over-the-counter derivatives.
When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

Note 9 - Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on FSB recommendations.
The trading portfolios and the portfolios of securities at fair value through other comprehensive income were valued at market price based on external data sourced from organized markets, leading brokers or, when no price was available, based on comparable securities quoted in the market.

Summary	Carrying amount 06/30/2019	Carrying amount 12/31/2018
RMBS	1,466	1,518
CMBS	417	543
CLO	3,583	3,211
Other ABS	2,018	2,404
Sub-total	**7,485**	**7,677**
ABCP program liquidity lines	215	215
TOTAL	**7,700**	**7,892**

Unless otherwise indicated, securities are not hedged by CDS.

Exposures at 06/30/2019	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	469	-	27	174	669
Amortized cost	80	-	287	232	600
Fair value - Other	9	-	-	-	9
Fair value through other comprehensive income	909	417	3,269	1,612	6,207
TOTAL	**1,466**	**417**	**3,583**	**2,018**	**7,485**
France	183	-	607	534	1,323
Spain	134	-	-	150	285
United Kingdom	261	-	142	117	520
Europe excluding France, Spain, United Kingdom	442	-	378	1,024	1,844
USA	265	417	697	0	1,379
Other	181	-	1,759	193	2,134
TOTAL	**1,466**	**417**	**3,583**	**2,018**	**7,485**
US Branches	246	-	-	-	246
AAA	956	417	3,400	1,259	6,032
AA	206	-	132	523	861
A	18	-	40	30	88
BBB	8	-	-	200	207
BB	15	-	-	7	22
B or below	17	-	-	-	17
Not rated	-	-	11	-	11
TOTAL	**1,466**	**417**	**3,583**	**2,018**	**7,485**
Origination 2005 and earlier	49	-	-	-	49
Origination 2006-2008	123	-	-	25	148
Origination 2009-2011	74	1	-	-	75
Origination 2012-2018	1,220	416	3,583	1,993	7,212
TOTAL	**1,466**	**417**	**3,583**	**2,018**	**7,485**

Exposures on 12/31/2018	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	472	0	0	253	725
Amortized cost	237	0	260	256	753
Fair value - Other	9				9
Fair value through other comprehensive income	801	543	2951	1,895	6,190
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
France	251	0	555	644	1,450
Spain	125	0	0	195	320
United Kingdom	344	0	135	211	690
Europe excluding France, Spain, United Kingdom	310	0	363	1,199	1,871
USA	293	543	639	1	1,476
Other	197	0	1519	155	1,870
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
US Branches	125	0	0	0	125
AAA	1,045	543	3041	1,634	6,262
AA	141	0	120	508	770
A	20	0	38	57	115
BBB	7	0	0	200	207
BB	18	0	0	7	24
B or below	162	0	0	0	162
Not rated	0	0	11	0	11
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**
Origination 2005 and earlier	60	0	0	0	60
Origination 2006-2008	283	0	0	56	338
Origination 2009-2011	31	1	0	0	32
Origination 2012-2017	1144	542	3211	2,349	7,247
TOTAL	**1,518**	**543**	**3,211**	**2,404**	**7,677**

Note 10 Financial assets at amortized cost

	06/30/2019	12/31/2018
Loans and receivables to credit institutions	54,116	57,322
Loans and receivables due from customers	247,308	243,999
Securities at amortized cost	2,887	2,957
Total	**304,311**	**304,278**

10a - Securities at amortized cost

	06/30/2019	12/31/2018
. Securities	3,040	3,156
- Government securities	1,825	1,921
- Bonds and other debt securities	1,215	1,235
. Listed	498	489
. Non-listed	717	746
. Accrued interest	16	14
TOTAL GROSS	**3,054**	**3,170**
of which impaired assets (S3)	193	392
Impairment of performing loans (S1/S2)	0	0
Other impairment (S3)	-167	-213
TOTAL NET	**2,887**	**2,957**

10b - Loans and receivables due from credit institutions at amortized cost

	06/30/2019	12/31/2018
. Performing loans (S1/S2)	53,867	57,076
Crédit Mutuel network accounts (1)	7,018	5,757
Other ordinary accounts	2,123	3,365
Loans	36,925	35,832
Other receivables	5,498	4,945
Pensions (2)	2,304	7,177
. Individually-impaired receivables, gross (S3)	0	0
. Accrued interest	252	249
. Impairment of performing loans (S1/S2)	-3	-3
. Other impairment (S3)	0	0
Total	**54,116**	**57,322**

(1) Mainly concerns outstanding CDC repayments (LEP, LDD, Livret bleu, Livret A).

(2) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.

10c - Loans and receivables due from customers at amortized cost

	06/30/2019	12/31/2018
Performing loans (S1/S2)	229,682	227,075
. Commercial loans	15,179	15,323
. Other customer receivables	214,030	211,317
- home loans	85,110	82,037
- other loans and receivables including repurchase agreements	128,920	129,280
. Accrued interest	474	436
Insurance and reinsurance receivables	0	0
Individually-impaired receivables, gross (S3)	9,215	9,064
Receivables, gross	**238,897**	**236,139**
Impairment of performing loans (S1/S2)	-1,448	-1,419
Other impairment (S3)	-5,208	-5,120
SUB TOTAL I	**232,241**	**229,600**
Finance leases (net investment)	14,922	14,273
. Equipment	10,445	9,983
. Real estate	4,477	4,290
Individually-impaired receivables, gross (S3)	437	427
Impairment of performing loans (S1/S2)	-107	-110
Other impairment (S3)	-185	-190
SUB TOTAL II	**15,067**	**14,400**
TOTAL	**247,308**	**244,000**
of which subordinated loans	14	13
of which pensions (1)	3,645	9,350

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.

Finance lease transactions with customers

	12/31/2018	Increase	Decrease	Other	06/30/2019
Gross carrying amount	14,700	1,216	-566	9	15,359
Impairment of non-recoverable lease payments	-300	-73	81	0	-292
Net carrying amount	14,400	1,143	-485	9	15,067

Note 11 - Financial liabilities at amortized cost

11a - Debt securities at amortized cost

	06/30/2019	12/31/2018
Certificates of deposit	30	38
Interbank certificates and negotiable debt instruments	59,891	56,406
Bonds	65,042	62,544
Non-preferred senior securities	1,000	0
Related debt	697	767
TOTAL	**126,660**	**119,755**

11b - Due to credit institutions

	06/30/2019	12/31/2018
Other ordinary accounts	12,317	13,920
Borrowings	16,274	15,182
Other debt	4,696	4,193
Pensions (1)	17,916	28,807
Related debt	94	95
TOTAL	**51,297**	**62,197**

The group participated in TLTRO II (Targeted Long Term Refinancing Operation) proposed by the ECB up to €9,994 million on June 30, 2019.

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.

11c - Amounts due to customers at amortized cost

	06/30/2019	12/31/2018
. Special savings accounts	57,254	55,208
- on demand	42,033	40,349
- in the future	15,221	14,859
. Related liabilities on savings accounts	234	1
Sub-total	***57,487***	***55,209***
. Demand accounts	105,752	101,845
. Term deposits and borrowings	36,708	34,227
. Pensions (1)	615	2,024
. Related debt	115	144
. Other debt	10	10
Sub-total	***143,200***	***138,250***
TOTAL	**200,687**	**193,459**

(1) The change in the management model of part of the pensions led the group to classify transactions initiated as of January 1, 2019 in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. The banking book transactions remain in the portfolio at amortized cost.

Note 12 - Gross values and movements in impairment provisions

12a - Gross values subject to impairment

	06/30/2019	12/31/2018
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	**54,119**	**57,325**
- 12 month expected losses (S1)	54,118	57,312
- with expected losses at maturity (S2)	1	13
Financial assets at amortized cost – loans and receivables due from customers, subject to	**254,256**	**250,840**
- 12 month expected losses (S1)	228,618	220,047
- with expected losses at maturity (S2)	15,986	21,302
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	9,652	9,447
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	44
Financial assets at amortized cost – securities	**3,054**	**3,170**
- with 12-month expected losses (S1)	2,861	2,778
- with expected losses at maturity (S2)	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	193	392
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at fair value through other comprehensive income – debt securities	**28,942**	**26,808**
- 12 month expected losses (S1)	28,897	26,699
- with expected losses at maturity (S2)	43	107
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	2	2
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Total	**340,371**	**338,143**

12b - Movements in impairment provisions

	12/31/2018	Addition	Reversal	Other	06/30/2019
Financial assets at amortized cost – loans and receivables due from credit institutions	**-6**	**-2**	**2**	**3**	**-3**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12 month expected losses (S1)	-6	-2	2	3	-3
- expected losses at maturity (S2)	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – loans and receivables due from customers	**-6,839**	**-1,010**	**920**	**-19**	**-6,948**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12 month expected losses (S1)	-755	-160	118	0	-797
- expected losses at maturity (S2)	-774	-203	218	1	-758
of which customer receivables coming under IFRS 15	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-5,311	-647	584	-19	-5,393
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at amortized cost – securities	**-213**	**0**	**1**	**45**	**-167**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12 month expected losses (S1)	0	0	0	0	0
- expected losses at maturity (S2)	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-213	0	1	45	-167
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – debt securities	**-12**	**-3**	**2**	**0**	**-13**
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12 month expected losses (S1)	-11	-3	2	0	-12
- expected losses at maturity (S2)	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognition	-1	0	0	0	-1
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Total	**-7,070**	**-1,015**	**925**	**29**	**-7,131**

Note 13- Investments/assets and liabilities relative to contracts under the insurance business line

13a - Short-term investments in the insurance business line and reinsurers' share of technical provisions

Financial assets	06/30/2019	12/31/2018
Fair value through profit or loss	26,303	26,099
- Transaction	0	0
- Fair value option – debt securities	4,765	5,260
- Fair value option – capital instruments	21,538	20,839
Hedging derivatives	0	0
Available-for-sale (1)	70,364	65,479
- Government and equivalent securities	15,988	16,066
- Bonds and other debt securities	40,601	37,824
- Shares and other capital instruments	12,378	10,267
- Equity investments, shares in subsidiaries and associates and other long-term investments	1,397	1,322
Loans and receivables	2,764	2,624
Held-to-maturity	9,007	10,559
Sub-total financial assets	**108,438**	**104,761**
Investment properties	**3,269**	**3,228**
Shares of reinsurers in the technical provisions and other assets	**723**	**751**
Total	**112,430**	**108,740**

(1) Of which SPPI assets of €64,318 million.

13b - Liabilities relative to contracts of the insurance business line

Technical provisions of insurance policies	06/30/2019	12/31/2018
Life	84,841	80,963
Non-life	3,907	3,763
Account units	12,561	11,716
Other	350	307
Total	**101,659**	**96,749**
Of which deferred profit sharing liabilities	13,951	10,302
Share of reinsurers in the technical provisions	343	348
Net technical provisions	**101,316**	**96,401**

Financial liabilities	06/30/2019	12/31/2018
Fair value through profit or loss	5,415	5,315
- Transaction	0	-1
- Fair value option	5,415	5,316
Hedging derivatives	0	0
Due to credit institutions	180	167
Debt securities	0	0
Subordinated debt	300	300
Sub-total	**5,895**	**5,782**
Other liabilities	**651**	**337**
Total	**6,546**	**6,119**
Total liabilities related to insurance business policies	**108,205**	**102,868**

NOTE 14 - Income tax

14a - Current tax

	06/30/2019	12/31/2018
Assets (through profit or loss)	725	1,111
Liabilities (through profit or loss)	509	373

14b - Deferred tax

	06/30/2019	12/31/2018
Assets (through profit or loss)	867	950
Assets (through other comprehensive income)	163	182
Liabilities (through profit or loss)	625	614
Liabilities (through other comprehensive income)	532	344

Note 15 - Accruals and other assets and liabilities

15a - Accruals and other assets

	06/30/2019	12/31/2018
Accruals		
Collection accounts	66	158
Currency adjustment accounts	105	267
Accrued income	495	483
Other accruals	3,521	3,194
Sub-total	**4,187**	**4,102**
Other assets		
Securities settlement accounts	168	103
Miscellaneous receivables	3,786	3,604
Inventories and similar	26	25
Other	34	32
Sub-total	**4,014**	**3,764**
Total	**8,201**	**7,866**

15b - Accruals and other liabilities

	06/30/2019	12/31/2018
Accruals		
Accounts unavailable due to recovery procedures	238	25
Currency adjustment accounts	124	85
Accrued expenses	896	891
Deferred income	642	664
Other accruals	5,940	5,002
Sub-total	**7,840**	**6,667**
Other liabilities		
Lease obligations - Real estate*	541	0
Lease obligations - Other*	1	0
Securities settlement accounts	553	422
Outstanding amounts payable on securities	52	71
Sundry creditors	1,338	1,245
Sub-total	**2,485**	**1,738**
Total	**10,325**	**8,405**

* Related to the application of IFRS 16 as of January 1, 2019.

15c - Lease obligations by residual term

06/30/2019	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 6 years	> 6 years ≤ 9 years	>9 years	TOTAL
Lease obligations	**29**	**107**	**174**	**146**	**86**	**542**
- Real estate	29	106	174	146	86	541
- Other	0	1	0	0	0	1

Note 16 - Investments in equity consolidated companies

06/30/2019	Country	Share held	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if quoted)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	15	4	1	35
Banque de Tunisie	Tunisia	35.33%	169	3	5	180
Euro-Information	France	26.36%	378	13	1	NC*
Euro Protection Surveillance	France	25.00%	38	3	0	NC*
LYF SA (formerly Fivory)	France	43.75%	7	0	0	NC*
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	22.02%	130	11	0	NC*
SCI La Tréflière	France	46.09%	10	0	0	NC*
Other equity investments			1	0		NC*
Total (1)			**749**	**34**	**7**	
Joint venture						
Bancas	France	50.00%	1	0	0	NC*
Banque du groupe Casino	France	50.00%	71	3	0	NC*
Total (2)			**72**	**3**	**0**	
Total (1)+(2)			**821**	**37**	**7**	

** NC: Not communicated*

12/31/2018	Country	Share held	Value under equity consolidation method	Share of net profit/(loss)	Dividends received	Fair value of the investment (if quoted)
Entities under significant influence						
ASTREE Assurances	Tunisia	30.00%	14	1	1	19
Banque de Tunisie	Tunisia	34.00%	160	16	7	171
Banque Marocaine du Commerce Extérieur (BMCE)**	Morocco	NA	NA	56	19	NA
Euro-Information	France	26.36%	367	28	0	NC*
Euro Protection Surveillance	France	25.00%	35	6	0	NC*
LYF SA (formerly Fivory)	France	46.00%	8	-1	0	NC*
Royale Marocaine d'Assurance (ex RMA Watanya)	Morocco	22.02%	130	17	12	NC*
SCI La Tréflière	France	46.09%	10	0	0	NC*
Other equity investments			2	0		NC*
Total (1)			**726**	**125**	**39**	
Joint venture						
Bancas	France	50.00%	1	**0**	0	NC*
Banque du groupe Casino	France	50.00%	55	5	0	NC*
Total (2)			**56**	**5**	**0**	
Total (1)+(2)			**782**	**130**	**39**	

** NC: Not communicated*

*** BMCE exited from the scope in 2018 following the loss of the significant influence.*

Note 17 - Investment property

	12/31/2018	Increase	Decrease	Other	06/30/2019
Historical cost	91	6	-4	0	93
Depreciation and impairment	-39	-1	1	-1	-40
Net amount	**52**	**5**	**-3**	**-1**	**53**

Note 18 - Property, plant and equipment and intangible assets

18a - Property, plant and equipment

	12/31/2018	Increase	Decrease	Other (1)	06/30/2019
Historical cost					
Operating sites	489	8	0	1	498
Operating buildings	3,071	22	-17	1	3,077
Usage rights - Real estate	0	16	-3	573	586
Usage rights - Other	0	0	0	1	1
Other property, plant and equipment	1,153	57	-46	0	1,164
Total	**4,713**	**103**	**-66**	**576**	**5,326**
Depreciation and impairment					
Operating sites	-9	-1	0	0	-10
Operating buildings	-1,978	-47	15	-1	-2,011
Usage rights - Real estate	0	-49	1	-3	-51
Usage rights - Other	0	0	0	0	0
Other property, plant and equipment	-898	-27	22	0	-903
Total	**-2,885**	**-124**	**38**	**-4**	**-2,975**
Net amount	**1,828**	**-21**	**-28**	**572**	**2,351**

(1) Of which a €575 million impact from the first application of IFRS 16.

18b - Intangible assets

	12/31/2018	Increase	Decrease	Other	06/30/2019
Historical cost					
. Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	1,427	22	-3	0	1,446
Software	519	12	0	0	531
- Other	908	10	-3	0	915
Total	**1,427**	**22**	**-3**	**0**	**1,446**
Depreciation and impairment					
. Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	-914	-14	2	0	-926
Software	-474	-9	0	0	-483
- Other	-440	-5	2	0	-443
Total	**-914**	**-14**	**2**	**0**	**-926**
Net amount	**513**	**8**	**-1**	**0**	**520**

NOTE 19 - Goodwill

	12/31/2018	Increase	Decrease	Variation in depreciation	Other	06/30/2019
Gross goodwill	4,544				0	4,544
Write-downs	-495				0	-495
Net goodwill	**4,049**				**0**	**4,049**

Subsidiaries	Value of goodwill on 12/31/2018	Increase	Decrease	Variation in depreciation	Other	Value of goodwill on 06/30/2019
TARGOBANK Allemagne	2,851					2,851
Crédit Industriel et Commercial (CIC)	506					506
COFIDIS Participations	378					378
COFIDIS France	79					79
Factofrance SA	68					68
Heller Gmbh and Targo Leasing GmbH	0					0
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	53					53
SIIC Foncière Massena	26					26
CM-CIC Investissement SCR	21					21
Banque de Luxembourg	13					13
Agrupació AMCI d'Assegurances i Reassegurances S.A.	12					12
COFIDIS Italy	9					9
Banque Transatlantique	6					6
Dubly Transatlantique Gestion	5					5
Other	22					22
TOTAL	**4,049**	**0**	**0**	**0**	**0**	**4,049**

The group did not identify any indications of impairment in the first half of 2019.

Note 20 - Provisions and contingent liabilities

20a - Provisions

	12/31/2018	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other variations	06/30/2019
Provisions for risks	**377**	**131**	**-7**	**-111**	**-5**	**385**
On guarantee commitments	***187***	***55***	***0***	***-49***	***1***	***194***
- of which 12-month expected losses (S1)	31	14	0	-12	1	34
- of which expected losses at maturity (S2)	33	16	0	-17	0	32
On financing commitments	***53***	***45***	***0***	***-36***	***1***	***63***
- of which 12-month expected losses (S1)	45	30	0	-25	1	51
- of which expected losses at maturity (S2)	8	15	0	-11	0	12
On country risks	***0***	***0***	***0***	***0***	***0***	***0***
Provision for taxes	***26***	***0***	***0***	***-6***	***-2***	***18***
Provisions for claims and litigation	***76***	***24***	***-7***	***-10***	***-2***	***81***
Provision for risk on miscellaneous receivables	***33***	***7***	***0***	***-11***	***0***	***29***
Other provisions	**1,355**	**166**	**-26**	**-43**	**-149**	**1,303**
- Provisions for mortgage saving agreements	64	4	0	0	0	68
- Provisions for miscellaneous contingencies (2)	880	121	-10	-8	-120	863
- Other provisions (1)	411	41	-15	-35	-30	372
Provisions for retirement commitments	**869**	**18**	**-15**	**-3**	**4**	**873**
TOTAL	**2,601**	**315**	**-48**	**-157**	**-150**	**2,561**

(1) Other provisions mainly include provisions for French economic interest groups (GIE) totaling €306 million.

(2) In accordance with IAS 1, the group reclassified €120 million from the "Provisions for miscellaneous contingencies" to the "Current tax (liabilities)" (Note 14)

20b - Retirement and other employee benefits

	12/31/2018	Additions for the year	Reversals for the year	Other variations	06/30/2019
Defined-benefit pension commitments and related items excluding pension funds:					
Retirement Benefits	640	14	-15	49	688
Supplementary pensions	136	3	-3	-46	90
Obligations for long service awards (other long-term benefits)	71	0	0	0	71
Sub-total recognized	**847**	**17**	**-18**	**3**	**849**
Supplementary defined-benefit pension plans insured by group pension funds:					
Commitments to employees and retirees (2)	23	0	0	1	24
Fair value of assets					
Sub-total recognized	**23**	**0**	**0**	**1**	**24**
Total amount recognized	**870**	**17**	**-18**	**4**	**873**

Defined-benefit plans: Main actuarial assumptions	06/30/2019	12/31/2018
Discount rate (3)	1.0%	1.5%
Expected increase in salaries (4)	Minimum 1%	Minimum 1%

(2) The provisions covering shortfalls in pension funds relate to entities located abroad.

(3) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the IBOXX index.

(4) The annual increase in salaries is the estimate of future inflation combined with the increase in salaries; it also depends on the age of the employee.

NOTE 21 - Subordinated debt

	06/30/2019	12/31/2018
Subordinated debt	7,118	6,116
Participating loans	21	21
Perpetual subordinated debt	1,503	1,506
Other debt	0	0
Related debt	83	81
TOTAL	**8,725**	**7,724**

Principal subordinated debt

In €M	Type	Date Issue	Amount Issue	Amount balance sheet date (1)	Rate	Term
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	10/22/2010	€1,000m	€918m	4.00	10/22/2020
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/21/2014	€1,000m	€1,000m	3.00	05/21/2024
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	09/11/2015	€1,000m	€1,000m	3.00	09/11/2025
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/24/2016	€1,000m	€1,000m	2.375	03/24/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/04/2016	€700m	€700m	1.875	11/04/2026
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	03/31/2017	€500m	€500m	2.625	03/31/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	11/15/2017	€500m	€500m	1.625	11/15/2027
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	05/25/2018	€500m	€500m	2.500	05/25/2028
Banque Fédérative du Crédit Mutuel	redeemable subordinated notes	06/18/2019	€1,000m	€1,000m	1.875	06/18/2029
CIC	Participatory	05/28/1985	€137m	€8m	(2)	(3)
Banque Fédérative du Crédit Mutuel	TSS	12/15/2004	€750m	€730 M	(4)	TBD
Banque Federative du Credit Mutuel	TSS	02/25/2005	€250m	€250m	(5)	TBD

(1) Net amounts from intra-group.
(2) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
(3) Non-depreciable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.
(4) CMS 10 years ISDA CIC +10 basis points.
(5) CMS 10 years ISDA +10 basis points.

Note 22 - Reserves related to capital and reserves

22a - Shareholders' equity attributable to the group (excluding profit and loss and unrealized gains and losses)

	06/30/2019	12/31/2018
. Capital and reserves related to capital	6,198	6,198
- Capital	1,689	1,689
- Issue premium, contribution, merger, split, conversion	4,509	4,509
. Consolidated reserves	18,585	16,662
Regulated reserves	9	9
Other reserves (including effects related to initial application)	18,575	16,653
- of which profit on disposal of capital instruments	-24	6
- of which retained earnings	1	0
Total	**24,783**	**22,860**

22b - Unrealized or deferred gains and losses

	06/30/2019	12/31/2018
Unrealized or deferred gains or losses* relating to:		
- insurance business investments (assets available-for-sale)	1,008	621
- financial assets at fair value through recyclable shareholders' equity – debt instruments	9	-30
- financial assets at fair value through non-recyclable shareholders' equity – capital instruments	7	-51
- hedging derivatives (CFH)	1	3
- Other	-188	-195
Total	**837**	**348**

** Balances net of corporation tax and after shadow accounting treatment.*

22c - Recycling of gains and losses directly recognized in shareholders' equity

	06/30/2019	12/31/2018
	Operations	Operations
Translation adjustments		
Reclassification in income	0	0
Other movements	7	42
Sub-total	**7**	**42**
Remeasurement of financial assets at FVOCI – debt instruments		
Reclassification in income	0	0
Other movements	38	-177
Sub-total	**38**	**-177**
Remeasurement of financial assets at FVOCI – capital instruments		
Reclassification in income	29	-1
Other movements	31	56
Sub-total	**60**	**55**
Revaluation of insurance business investments		
Reclassification in income	0	0
Other movements	592	-241
Sub-total	**592**	**-241**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	-3	-2
Sub-total	**-3**	**-2**
Remeasurement of non-current assets	0	0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves	0	0
Actuarial gains and losses on defined benefit plans	-4	34
Share of unrealized or deferred gains and losses of associates	2	-9
Total	**693**	**-299**

22d - Tax related to each category of gains and losses recognized directly in shareholders' equity

	06/30/2019			12/31/2018		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	7	0	7	42	0	42
Remeasurement of financial assets at FVOCI – debt instruments	53	-16	37	-211	34	-177
Remeasurement of financial assets at FVOCI – capital instruments	64	-4	60	55	0	55
Revaluation of insurance business investments	783	-190	592	-382	140	-241
Remeasurement of hedging derivatives	-3	1	-2	-3	1	-2
Remeasurement of non-current assets	0	0	0	0	0	0
Remeasurement adjustment due to own credit risk on financial liabilities under fair value option transferred to reserves	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	-1	-3	-4	42	-8	34
Share of unrealized or deferred gains and losses of associates	2	0	2	-9	0	-9
Total gains and losses recognized directly to equity	**905**	**-212**	**692**	**-466**	**167**	**-298**

Note 23 - Commitments given and received

Commitments given	06/30/2019	12/31/2018
Funding commitments	**50,952**	**49,605**
Liabilities due to credit institutions	892	1,143
Commitments to customers	50,060	48,462
Guarantee commitments	**23,060**	**21,525**
Credit institution commitments	4,435	4,512
Customer commitments	18,625	17,013
Securities commitments	**3,206**	**3,425**
Other commitments given	3,206	3,425
Commitments pledged from the insurance business line	**2,432**	**2,314**

Commitments received	06/30/2019	12/31/2018
Funding commitments	**12,883**	**13,322**
Commitments received from credit institutions	12,883	13,322
Commitments received from customers	0	0
Guarantee commitments	**67,368**	**65,882**
Commitments received from credit institutions	45,760	44,320
Commitments received from customers	21,608	21,562
Securities commitments	**2,625**	**1,583**
Other commitments received	2,625	1,583
Commitments received from the insurance business line	**3,489**	**4,340**

Note 24 - Interest income and expense

	06/30/2019		06/30/2018 restated	
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	244	-323	229	-290
. Customers	5,296	-2,413	5,019	-2,247
- of which finance leasing	2,143	-1,968	1,992	-1,815
- of which lease obligations	0	-3	0	0
. Hedging derivatives	1,314	-1,251	1,038	-1,020
. Financial instruments at fair value through profit or loss	405	-65	158	-4
. Financial assets at fair value through shareholders' equity/Assets available-for-sale	199	0	179	0
. Securities at amortized cost	52	0	70	0
. Debt securities	0	-941	0	-781
. Subordinated debt	0	-6	0	-13
TOTAL	**7,510**	**-4,999**	**6,693**	**-4,355**
Of which interest income and expense calculated at the effective interest rate:	*5,791*	*-3,683*		

Since the 2018 fiscal year income received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). This interest was previously presented in the "Net gains or losses on financial instruments at fair value through profit or loss". This change was made for the sake of consistency with the regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on the interest received and paid. In 2019, in order to better reflect the interest income and expenses of the transaction instruments, the group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (1) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) reclassification of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section. As a result, for the purposes of comparability with the interest income and expenses as of June 30, 2019 presented using this definition, the figures published on June 30, 2018 and on December 31, 2018 were restated and provided below:

	06/30/2018 published		06/30/2018 restated	
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	229	-290	229	-290
. Customers	5,019	-2,247	5,019	-2,247
- of which finance leases and operating leases	1,992	-1,815	1,992	-1,815
- of which lease obligations	0	0	0	0
. Hedging derivatives	1,038	-1,020	1,038	-1,020
. Financial instruments at fair value through profit or loss	243	-114	158	-4
. Financial assets at fair value through shareholders' equity/Assets available-for-sale	179	0	179	0
. Securities at amortized cost	70	0	70	0
. Debt securities	0	-781	0	-781
. Subordinated debt	0	-13	0	-13
TOTAL	**6,778**	**-4,465**	**6,693**	**-4,355**

	12/31/2018 published		12/31/2018 restated	
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	446	-609	446	-609
. Customers	10,191	-4,612	10,191	-4,612
- of which finance leases and operating leases	4,062	-3,711	4,062	-3,711
. Hedging derivatives	3,278	-2,845	3,481	-3,442
. Financial instruments at fair value through profit or loss	5,038	-4,920	534	-22
. Financial assets at fair value through shareholders' equity/Assets available-for-sale	385	0	385	0
. Securities at amortized cost	135	0	135	0
. Debt securities	0	-1,679	0	-1,679
. Subordinated debt	0	-25	0	-25
TOTAL	**19,473**	**-14,690**	**15,172**	**-10,389**

Note 25 - Commission income and expense

	06/30/2019		06/30/2018	
	Income	Expenses	Income	Expenses
Credit institutions	1	-3	1	-3
Customers	579	-9	584	-8
Securities	404	-31	360	-34
of which activities managed on behalf of third parties	306	0	260	0
Derivative instruments	3	-5	2	-4
Currency transactions	9	-1	9	-1
Funding and guarantee commitments	20	-1	23	-2
Services provided	718	-426	840	-533
TOTAL	**1,735**	**-476**	**1,819**	**-585**

Note 26 - Net gains on financial instruments at fair value through profit or loss

	06/30/2019	06/30/2018 restated
Trading instruments	225	224
Instruments accounted for under the fair value option (1)	12	10
Ineffective portion of hedges	-52	-16
On cash flow hedges (CFH)	0	0
On fair value hedges (FVH)	-52	-16
. Change in the fair value of hedged items	-184	-7
. Change in fair value of hedging instruments	132	-9
Foreign exchange gains/(losses)	56	56
Other financial instruments at fair value through profit or loss (1)	236	40
Total changes in fair value	**477**	**314**

(1) Of which €149 million from the private equity business in the first half of 2019 compared to €195 million in the first half of 2018.

Since the 2018 fiscal year, the interest received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under "Net gains/(losses) on financial instruments at fair value through profit or loss". This change was made for the sake of consistency with the regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on the interest received and paid.
In 2019, the group also refined the presentation of its income and expenses for these instruments (see Note 25).

	06/30/2018 published	06/30/2018 restated
Trading instruments	249	224
Instruments accounted for under the fair value option	10	10
Ineffective portion of hedges	-16	-16
On cash flow hedges (CFH)	0	0
On fair value hedges (FVH)	-16	-16
. Change in the fair value of hedged items	-7	-7
. Change in fair value of hedging instruments	-9	-9
Foreign exchange gains/(losses)	56	56
Other financial instruments at fair value through profit or loss	40	40
Total changes in fair value	**339**	**314**

NOTE 27 - Net gains or losses on financial assets at fair value through shareholders' equity

	06/30/2019	06/30/2018
. Dividends	28	21
of which resulting from instruments derecognized over the period		
. Realized gains and losses on debt instruments	47	55
Total	**75**	**76**

Note 28 - Net income from the insurance business line

	06/30/2019	06/30/2018
Insurance policies		
Premiums earned	5,645	5,641
Service charges	-4,096	-4,361
Change in provisions	-2,675	-1,096
Other technical and non-technical income and expenses	36	34
Net income from investments	2,326	885
Net income on insurance policies	**1,236**	**1,103**
. Interest margin/fees	-5	-5
Net income on financial assets	**-5**	**-5**
Other net income	**6**	**-16**
Net income from insurance activities	**1,237**	**1,082**

Note 29 - Income/expenses generated by other activities

	06/30/2019	06/30/2018
Income from other activities		
. Rebilled expenses	14	14
. Other income	331	346
Sub-total	**345**	**360**
Expenses on other activities		
. investment property:	-1	-1
additions to provisions/depreciation	-1	-1
- capital losses on sale	0	0
Other expenses	-283	-182
Sub-total	**-284**	**-183**
Net total of other income and expenses	**61**	**177**

Note 30 - General operating expenses

	06/30/2019	06/30/2018
Employee benefits expense	-1,673	-1,618
Other expenses	-1,500	-1,470
TOTAL	**-3,173**	**-3,088**

30a - Employee benefits expense

	06/30/2019	06/30/2018
Wages and salaries	-1,118	-1,083
Social security contributions	-369	-374
Short-term employee benefits	-1	-1
Employee profit-sharing and incentive schemes	-81	-60
Payroll-based taxes	-103	-100
Other	-1	0
TOTAL	**-1,673**	**-1,618**

Average workforce

	06/30/2019	06/30/2018*
Bank technical staff	25,083	24,471
Managers	16,577	16,122
Total	**41,660**	**40,593**
France	28,956	28,593
Rest of the world	12,704	12,000
Total	**41,660**	**40,593**

* After applying the group method to the calculation of Targo Germany group’s FTEs.

Registered workforce*	**46,756**	**46,085**

*The registered workforce corresponds to the total number of employees at end-of-period for entities controlled by the group, which differs from the average full-time equivalent (so-called FTE) workforce, which focuses solely on full consolidation.

30b - Other operating expenses

	06/30/2019	06/30/2018
Taxes and duties	-272	-274
Leases	-110	
- short-term asset leases	-65	
- low value/substitutable asset leases	-40	
- other leases	-5	
Other external services	-993	-1,122
Other miscellaneous expenses	9	20
Total	**-1,366**	**-1,376**

30c - Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	06/30/2019	06/30/2018
Depreciation and amortization:	-134	-94
- Property, plant and equipment	-121	-75
- Intangible assets	-13	-19
Total	**-134**	**-94**

Note 31 - Cost of counterparty risk

	06/30/2019	06/30/2018
- 12 month expected losses (S1)	-50	-45
- expected losses at maturity (S2)	13	19
- impaired assets (S3)	-421	-288
Total	**-458**	**-314**

06/30/2019	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
12-month expected losses (S1)	**-209**	**159**				**-50**
- Loans and receivables due from credit institutions at amortized cost	-2	2				0
- Customer loans at amortized cost	-160	118				-42
- of which finance leases	-20	23				3
- Financial assets at amortized cost – securities	0	0				0
- Financial assets at fair value through other comprehensive income – debt securities	-3	2				-1
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0				0
- Commitments given	-44	37				-7
expected losses at maturity (S2)	**-233**	**246**				**13**
- Loans and receivables due from credit institutions at amortized cost	0	0				0
- Customer loans at amortized cost	-203	218				15
- of which finance leases	-27	25				-2
- Financial assets at amortized cost – securities	0	0				0
- Financial assets at fair value through other comprehensive income – debt securities	0	0				0
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0				0
- Commitments given	-30	28				-2
Impaired assets (S3)	**-654**	**589**	**-282**	**-141**	**67**	**-421**
- Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
- Customer loans at amortized cost	-622	554	-282	-140	67	-423
- of which finance leases	-8	12	-4	-3	0	-3
- Financial assets at amortized cost – securities	0	0	0	0	0	0
- Financial assets at fair value through other comprehensive income – debt securities	0	0	0	0	0	0
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0	0	0	0	0
- Commitments given	-32	35	0	-1	0	2
Total	**-1,096**	**992**	**-282**	**-141**	**67**	**-460**

06/30/2018	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
12-month expected losses (S1)	**-172**	**127**				**-45**
- Loans and receivables due from credit institutions at amortized cost	-1	0				-1
- Customer loans at amortized cost	-158	114				-43
- of which finance leases	-3	1				-2
- Financial assets at amortized cost – securities	0	0				0
- Financial assets at fair value through other comprehensive income – debt securities	-1	0				-1
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0				0
- Commitments given	-12	11				-1
expected losses at maturity (S2)	**-142**	**162**				**19**
- Loans and receivables due from credit institutions at amortized cost	0	2				2
- Customer loans 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 other comprehensive income – debt securities	0	0				0
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0				0
- Commitments given	-9	19				10
Impaired assets (S3)	**-631**	**748**	**-277**	**-207**	**79**	**-288**
- Loans and receivables due from credit institutions at amortized cost	0	0	0	0	0	0
- Customer loans 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 other comprehensive income – debt securities	-132	0	-1	-3	4	-131
- Financial assets at fair value through other comprehensive income – Loans subject to	0	0	0	0	0	0
- Commitments given	-48	176	-1	-2	0	125
Total	**-945**	**1,037**	**-277**	**-207**	**79**	**-314**

Note 32 - Net gains/(losses) on disposals of other assets

	06/30/2019	06/30/2018
Tangible and intangible assets	0	8
. Capital losses on disposals	-4	-4
. Capital gains on disposals	4	12
Gains/(losses) on disposals of shares in consolidated entities	0	0
TOTAL	**0**	**8**

Note 33 - Changes in the value of goodwill

	06/30/2019	06/30/2018
Impairment of goodwill	0	0
Negative goodwill stated in profit or loss	0	0
TOTAL	**0**	**0**

Note 34 - Income tax

Breakdown of income tax expense

	06/30/2019	06/30/2018
Current taxes	-631	-613
Deferred tax expense	-88	-31
Adjustments in respect of prior years	80	-10
TOTAL	**-639**	**-654**

NOTE 35 Profit (loss) per share

	06/30/2019	06/30/2018
Net income attributable to the group	1,177	1,068
Number of shares at beginning of year	33,770,590	33,770,590
Number of shares 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	34.85	31.63
Weighted average number of shares that may be issued	0	0
Diluted earnings per share	34.85	31.63

Note 36 - Related party transactions

Balance sheet items pertaining to related party transactions

	06/30/2019			12/31/2018		
	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation	Crédit Mutuel Alliance Fédérale parent companies	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation	Crédit Mutuel Alliance Fédérale parent companies
Assets						
Financial assets at fair value through profit or loss	20	64	196	20	57	97
Hedging derivatives	0	0	1,215	0	0	424
Financial assets at FVOCI	0	40	0	0	40	0
Financial assets at amortized cost	1,034	2,581	32,827	1,047	2,621	32,129
Investments in insurance business line	0	560	0	0	519	0
Other assets	0	0	0	1	11	7
TOTAL	**1,055**	**3,244**	**34,237**	**1,068**	**3,248**	**32,657**
Liabilities						
Liabilities at fair value through profit or loss	0	24	0	0	36	0
Debt securities	0	23	0	0	29	0
Due to credit institutions	52	566	11,133	37	561	11,727
Due to customers	513	1,530	25	467	1,532	25
Liabilities related to insurance business policies	0	196	0	0	196	0
Subordinated debt	0	0	500	0	0	500
Miscellaneous liabilities	53	6	0	67	0	0
TOTAL	**619**	**2,344**	**11,658**	**571**	**2,354**	**12,252**
Financing commitments given	120	0	0	115	0	0
Guarantees given	0	13	1,988	0	0	210
Financing commitments received	0	10	0	0	0	0
Guarantees received	0	659	2,060	0	629	1,986

Profit and loss items pertaining to related party transactions

	06/30/2019			06/30/2018		
	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation	Crédit Mutuel Alliance Fédérale parent companies	Associates (companies accounted for using the equity method)	Other establishments belonging to the French Confederation	Crédit Mutuel Alliance Fédérale parent companies
Interest income	7	56	197	7	7	253
Interest expense	0	(57)	(23)	0	(8)	(24)
Commission income	7	0	1	6	0	2
Commission expense	(19)	(1)	(17)	(12)	0	(18)
Net gains/(losses) on financial assets at FVOCI and FVPL	6	10	(0)	26	1	1
Net income from insurance activities	(8)	(114)	(245)	(6)	(104)	(230)
Other income and expenses	(5)	0	0	(3)	0	0
General operating expenses	(301)	0	(25)	(278)	0	(23)
TOTAL	**(313)**	**(107)**	**(112)**	**(259)**	**(105)**	**(40)**

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

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
63, rue de Villiers	Tour First
92208 Neuilly-sur-Seine Cedex	TSA 14444
S.A.R.L. with capital of €86,000	92037 Paris-La Défense Cedex
	S.A.S. with variable capital
	438 476 913 R.C.S. Nanterre
Statutory auditors	Statutory auditors
Member of the Compagnie	Member of the Compagnie
Regionale de Versailles	Regionale de Versailles

Banque Fédérative du Crédit Mutuel
BFCM

Period from January 1 to June 30, 2019

Statutory auditors' report on the half-year financial information

Dear Shareholders,

In accordance with the task entrusted us by your Shareholders' Meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we have undertaken:

- a limited review of the condensed consolidated half-year financial statements for BFCM, pertaining to the period from January 1 to June 30, 2019, attached to this report;
- verification of the information given in the half-year activity report.

These condensed consolidated half-year financial statements were prepared under the responsibility of your Board of Directors. It is our duty, based on our limited review, to express our conclusion about these statements.

1. Conclusion about the financial statements

We conducted our limited review in accordance with the applicable professional standards in France. A limited review consists essentially of working together with those members of management in charge of accounting and financial matters and implementing analytical procedures. This work is less extensive than that required for an audit conducted according to the professional standards applicable in France. Consequently, the assurance that the financial statements, taken as a whole, do not include any significant anomalies obtained in the context of a limited review is a moderate assurance, lower than that obtained in the context of an audit.

Based on our limited review, we did not note any significant anomalies of a nature that would question the compliance of the condensed consolidated half-year financial statements with IAS 34 – the IFRS standard of reference such as it was adopted by the European Union pertaining to interim financial information.

Without prejudice to the conclusion expressed above, we would draw your attention to Note 1 of the appendices, “Accounting Principals, Methods of Evaluation and Presentation”, which describes the conditions for application of IFRS 16, “Leases”, beginning as of January 1, 2019, as well as to Notes 24 and 26, which present the change in method concerning the presentation of interest income and expenses of certain financial instruments at fair value through profit or loss.

2. Specific verification

We also undertook to verify the information given in the half-year activity report, commenting on the condensed consolidated half-year financial statements of which we provided a limited review.

We have no comments to make as to the fair presentation and consistency of this information with the condensed consolidated half-year financial statements.

Neuilly-sur-Seine and Paris-La Défense, August 6, 2019

The statutory auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

6. Governance

6.1 BFCM – corporate governance report

<u>Composition of the executive bodies as of June 30, 2019</u>

Board of Directors	Non-voting directors
Nicolas Théry, Chairman	Michel Andrzjewski
Michel Vieux, Vice Chairman	Jean-Louis Bazille
Gérard Bontoux	Yves Blanc
CFCM Maine-Anjou — Basse-Normandie, represented by Jean-Marc Busnel	Pascal David
Gérard Cormorèche	Jean-Claude Lordelot
Claude Courtois	Christian Muller
Philippe Galienne	Jacques Simon
Albert Mayer	Alain Tessier
Gislhaine Ravanel	Philippe Tuffreau
René Schwartz	
Francis Singler	
Alain Têtedoie	
Dominique Trinquet	

Executive Management

Daniel Baal, Chief Executive Officer and Effective Manager,

Alexandre Saada, deputy chief executive officer and effective manager

Statutory auditors

ERNST & YOUNG et Autres

PricewaterhouseCoopers France

Conditions of preparation and organization of the Board

The provisions of Article L 225-37 of the French Commercial Code state that the Board of Directors shall present a corporate governance report alongside the management report referred to in Article L.225-27-4 to the Shareholders' Meeting mentioned in the same article. However, the corresponding information may be presented within a specific section of the management report.

As Banque Fédérative du Crédit Mutuel is not a company whose shares are admitted to trading on a regulated market, it does not adhere to the Afep-Medef Corporate Governance Code.

Banque Fédérative du Crédit Mutuel complies with the corporate governance regulations applicable to credit institutions. For that reason, it should be noted that the European Banking Authority issued internal governance guidelines on September 26, 2017 (EBA/GL/2017/11), with which the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) intends to comply fully. The European Banking Authority and the European Securities and Markets Authority also issued guidelines for the assessment of the fitness of members of the management body and holders of key positions on September 26, 2017 (EBA/GL/2017/12), with which the ACPR intends to comply partially, as stated in the notice published on June 4, 2018, an excerpt of which is reproduced below:

"Without prejudice to the powers of the European Central Bank, the ACPR intends to comply partially with the fitness assessment guidelines of September 26, 2017. The ACPR intends to comply with the guidelines, with the exception of provisions for assessment by the supervisory authority of the fitness of holders of key positions at each appointment or renewal. The declaration of non-compliance applies to paragraphs 162 and 176 (transmission of results to the competent authority and documentation relating to internal assessment) and paragraphs 171 and 172 (assessment of the fitness of persons responsible for internal control functions and of the Chief Financial Officer by the competent authority). This statement does not call into question the procedures already in place, which will continue to apply for the assessment of persons responsible for internal control at approval and in the event of a change of control.

In addition, the ACPR intends to apply the guidelines relating to attendance and the definition of independent members in the supervisory bodies with two reservations of interpretation:

- *formal independence is not an obligatory test of fitness under the regulations, which would be enforceable in the context of a review of an individual application. In French law, the implementation of the guidelines cannot therefore result in the rejection on this sole basis of an individual application for "fit and proper" reasons;*
- *mere non-compliance with one or more of the criteria listed in the guidelines (paragraph 91) does not disqualify a member from being defined as independent. These assumptions alone do not define independence and analysis of this attribute must also take into account other criteria, especially ones that might be developed by French companies pursuant to the French Commercial Code that could make it possible to achieve the same goal.*

Pursuant to paragraph 89) b) of the fitness assessment guidelines, the ACPR also intends not to require the attendance of independent members in CRD institutions wholly owned by a CRD institution and in CRD institutions that are of insignificant importance that are investment firms."

This corporate governance report explains how Banque Fédérative du Crédit Mutuel has implemented these guidelines.

Preparation and organization of the work of the Board

Composition of the Board

Rules of operation of the Board of Directors

The workings of the Board of Directors are governed by Articles 14 to 18 of the Articles of Association.

Composition of the Board of Directors

The company is administered by a board of directors composed of no fewer than three and no more than 18 members elected for renewable three-year terms who may be natural persons or legal entities.

The Board of Directors may appoint non-voting directors for three-year terms. They participate in the deliberations of the Board of Directors in an advisory capacity. They may, by a decision of the majority of non-voting directors present or represented, request a second deliberation by the Board.

Age limit

The individual age limit is set at seventy for directors and seventy-five for non-voting directors. When those ages are reached, terms of office shall end at the Shareholders' Meeting following the date of the birthday.

Cumulative validity with an employment contract

No director shall have an employment contract with the company and its controlled subsidiaries.

Director skills and training

Banque Fédérative du Crédit Mutuel attaches great importance to the skills of its directors. To hold the position of director or non-voting director on Banque Fédérative du Crédit Mutuel's board of directors, each candidate must have experience as an elected member and as Chairman or Vice Chairman of the board of directors or supervisory board of a Crédit Mutuel local bank, participate in the bodies and work of his Crédit Mutuel district or federation, and take part in the training courses for elected members.

A special module for the training of directors has been put in place under the impetus of the Interfederal Committee for the Training of Elected Officials to consolidate the knowledge and skills of Banque Fédérative du Crédit Mutuel voting and non-voting directors with regard to the regulatory skills required since the transposition into French law of the CRD 4 Directive.

Conflicts of interest concerning the administrative, management and supervisory bodies

To date, there has been no mention of potential conflicts of interest for the members of the board of directors and the chief executive officer with respect to Banque Fédérative du Crédit Mutuel. The code of conduct applicable to Banque Fédérative du Crédit Mutuel aims to prevent and if necessary, manage conflict of interest situations.

Work of the board during the first half-year of 2019

The board of directors meets at least three times a year according to a pre-established schedule.

Each item on the agenda has its own separate file or presentation, depending on its size, to more fully inform the members of the Board. The minutes give a detailed record of deliberations, decisions and votes.

As of June 30, 2019, the Board of Directors had met twice. The board meeting attendance rate was 87%.

Meeting of February 20, 2019

The board meeting of February 20, 2019 was mainly devoted to the review and closing of the accounts. The board reviewed the financial statements for fiscal year 2018, after having heard the report from the Group's auditing and accounting committee from February 18, 2019, listened to the observations of the statutory auditors and reviewed control and oversight activities. It also reviewed the treasury activity and holding company activity. The board took note of the report by the Group risk monitoring committee and approved the body of rules for 2019 and the Group's cash management for 2019 and approved sectoral policies. At this meeting, the Board of Directors adopted a charter governing the exercise of offices and agreed that the offices of the Chairman of the Board of Directors and of the Chief Executive Officer would no longer be remunerated from June 1, 2019. The board reviewed and authorized the continuation of the regulated agreements previously authorized and decided to introduce the obligation to secure its prior agreement for any investment in excess of €100 million.

Meeting of April 4, 2019

At its meeting on April 4, 2019, the Banque Fédérative du Crédit Mutuel board approved the transfer of Banque Fédérative du Crédit Mutuel shares to banks that are members of the Fédération du Crédit Mutuel Antilles-Guyane by the Caisse Fédérale du Crédit Mutuel Antilles-Guyane. The board approved the allocation of the benefits budget under the charter governing the exercise of offices subject to the adoption of this budget at the Shareholders' Meeting and also approved the payment of some of the budget allocated by the Shareholders' Meeting to non-voting directors. The board ratified the co-optation of Mr. Francis Singler, Mr. René Schwartz and Mr. Albert Mayer and the renewal of Mr. Gérard Cormorèche's term of office. Moreover, the board appointed Mr. Philippe Gallienne, Mr. Dominique Trinquet, Mr. Claude Courtois and Mrs. Ravanel. During this meeting, the board prepared and convened the ordinary shareholders' meeting which was held on May 10.

Executive Management

Composition and prerogatives

In accordance with Article L.511-13 para. 2 of the French Monetary and Financial Code, banking regulations require the separation of the functions of Chairman of the supervisory body and Effective Manager of the institution. The effective management of the institution is assumed by at least two people. The effective management enjoys all powers attached to it by banking and financial laws and regulations, both internally and with respect to third parties.

Composition of Executive Management

The Executive Management of Banque Fédérative du Crédit Mutuel is composed of:

Daniel Baal, chief executive officer and effective manager;

Alexandre Saada, deputy chief executive officer and effective manager.

Prerogatives of Executive Management

The board meetings of April 6, 2017 and February 21, 2018 did not limit the powers of the two effective managers as defined by law and our articles of association and internal rules.

Membership in the regulatory committees of Crédit Mutuel Alliance Fédérale

For the sake of consistency throughout Crédit Mutuel Alliance Fédérale, on November 17, 2017, the board of directors of Caisse Fédérale de Crédit Mutuel unanimously approved the amendment of the internal rules of the Appointments and remuneration committee and the extension of the scope of these “umbrella” committees to all Crédit Mutuel Alliance Fédérale subsidiaries in France and abroad, regardless of their activities and the regulations applicable to them.

All of the boards of directors of those Group subsidiaries delegate their appointment and remuneration powers to the “umbrella” committees of Caisse Fédérale de Crédit Mutuel. The delegations of the Board of Directors took effect starting January 1, 2018.

The Board of Directors of Caisse Fédérale de Crédit Mutuel also set up a Group risk monitoring committee and a Group auditing and accounting committee. All of these committees form the regulatory committees of Caisse Fédérale de Crédit Mutuel, which must make proposals to the boards of directors or supervisory boards of these institutions in their areas of expertise.

The “parent” committees report on their work:

- for the group risk monitoring committee and a group auditing and accounting committee, to the boards of directors of Caisse Fédérale and the Crédit Mutuel Alliance Fédérale federations;
- for the appointments committees and the compensation committees, and for the information that concerns them, to the board of directors of Caisse Fédérale, the board of directors of the federations or the board of directors of the subsidiaries.

As a result, on November 17, 2017, the board of Banque Fédérative du Crédit Mutuel approved the membership of Caisse Fédérale de Crédit Mutuel and, more generally all regulatory committees of Crédit Mutuel Alliance Fédérale on the appointments committee and the remuneration committee.

The information relating to Crédit Mutuel Alliance Fédérale's regulatory committees is provided in the Caisse Fédérale de Crédit Mutuel corporate governance report.

Ethics

Crédit Mutuel Alliance Fédérale's code of conduct was approved in June 2018.

This registration document, which includes all regulatory and legal requirements relating to conduct, reiterates the principles that must be obeyed by each entity and employee of the Group in the exercise of their activities. It is part of the group's overall objectives in terms of quality of customer service, integrity and rigor in the processing of transactions and compliance with regulations. It applies to all Group entities in France and abroad, in accordance with local regulations.

Compliance with rules of ethics applies not only to employees in the context of their duties, but also to the entity to which they belong. That entity must apply the principles set forth above, which refer to values subscribed to by all of Crédit Mutuel Alliance Fédérale.

In particular, the code of conduct contains provisions on preventing conflicts of interests, combating corruption and rules applicable to persons in possession of inside information.

This code of conduct is accompanied by a charter on preventing and fighting harassment and violence.

The code of conduct is provided to all employees and must be consulted by all on the intranet of each Group entity.

Principles and rules of remuneration of identified individuals (Articles L.511-71 *et seq*. of the French Monetary and Financial Code)

Banque Fédérative du Crédit Mutuel applies the principles and rules of remuneration of identified individuals decided by Caisse Fédérale de Crédit Mutuel, which are presented in its report on corporate governance.

Principles for determining the compensation granted to corporate officers

Non-executive corporate officers, i.e., all directors other than the Chairman of the board of directors, including the non-voting directors, receive no remuneration. Starting in 2019, they are subject to the provisions of the charter governing the exercise of office of members of the board of Caisse Fédérale de Crédit Mutuel.

The officers concerned are the Chairman of the Board and the Chief Executive Officer.

Chairman of the board of directors

The employment contract between the Chairman of the Board of Directors and Banque Fédérative du Crédit Mutuel has been suspended since November 14, 2014 and contract between it and the Chief Executive Officer has been suspended since June 1, 2017.

On December 11, 2014, the CIC board of directors decided moreover specifies, on a proposal from the remuneration committee, to award Nicolas Théry an annual indemnity of €250,000 as compensation for his term of office as Chairman of the board of directors. It also decided to create for Nicolas Théry severance pay equivalent to one year of corporate officer compensation for his term of office as Chairman of the board of directors. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office.

This agreement, which concerns the termination indemnity, was submitted to the approval of CIC's Shareholders' Meeting of May 27, 2015, following a special report by the statutory auditors.

On February 26, 2015, the board of directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the remuneration committee, to maintain the current amount of compensation of Nicolas Théry at Banque Fédérative de Crédit Mutuel (gross annual indemnity of €450,000), but effective December 1, 2014, compensate the corporate office of Chairman of the board of directors. It also decided to set up an unemployment insurance policy specific to corporate officers with effect from December 1, 2014.

In addition, the board of directors set a one-year indemnity for corporate officers calculated on the basis of the average of the last twelve months preceding the end of their term of office, and such termination benefits shall be paid to Nicolas Théry. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. To that end, it should be noted that Nicolas Théry has been an employee of the group since September 1, 2009 and that his employment contract was suspended with effect from November 14, 2014. Nicolas Théry is, in his capacity as an employee, subject to the supplementary pension regulations of January 1, 2008. Consequently, the remuneration committee has proposed that these pension regulations be applied for compensation to Nicolas Théry in his capacity as Chairman of the board, under the same conditions as for all group employees. As part of the reform of the CM11 *Retraite* supplementary pension plan, and pursuant to the amendment to the pension agreement, €25,509.78 in gross salary remuneration has been allocated to Nicolas Théry since January 1, 2017.

This agreement concerning severance pay and retirement benefits was submitted to the approval of the Banque Fédérative du Crédit Mutuel Shareholders' Meeting of May 13, 2015, following the special report of the statutory auditor.

On February 20, 2019, the board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the gross annual fixed remuneration of Nicolas Théry at €880,000, as Chairman of the board of directors from June 1, 2019. The board based its decision on the fact that Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties and coordinates the group's main subsidiaries with Banque Fédérative du Crédit Mutuel and CIC, and is supervised directly by the European Central Bank. The board also based its decision on the fact that the other terms and duties of the Chairman of the board of directors within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

The same board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination benefits, is subject to the approval of Caisse Fédérale du Crédit Mutuel shareholders' meeting in 2020, following a special report by the statutory auditors.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

The decision of the board of directors takes into account that Nicolas Théry is Chairman of the board of directors of Caisse Fédérale de Crédit Mutuel and that his employment contract with Banque Fédérative du Crédit Mutuel is suspended during this term of office. All of Nicolas Théry's other terms and duties are performed on a voluntary basis: the commitments made to CIC and Banque Fédérative du Crédit Mutuel shall end on June 1, 2019.

The chief executive officer

In addition, on April 6, 2017, the board of directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the remuneration committee, to set the gross annual fixed compensation of Daniel Baal at €700,000, in addition to compensation under Article 39 relating to the supplementary pension of €9,505.68 annually, pension plan contributions of €4,474.80 annually, health expenses of €3,595.80 annually and benefits in kind (company car) of €3,880.56 annually. It also decided to create for Daniel Baal a termination indemnity equal to one year's gross salary, calculated on the basis of the average of the last twelve months preceding the end of his term of office. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination indemnity, was submitted to the approval of the Banque Fédérative du Crédit Mutuel Shareholders' Meeting of May 3, 2017, following a special report by the statutory auditors.

On February 20, 2019, the board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the gross annual fixed remuneration of Daniel Baal at €880,000, as chief executive officer from June 1, 2019. The board based its decision on the fact that Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties and coordinates the group's main subsidiaries with Banque Fédérative du Crédit Mutuel and CIC, and is supervised directly by the European Central Bank. The board also based its decision on the fact that the other terms and duties of the chief executive officer within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

The same board of directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination benefits, is subject to the approval of Caisse Fédérale du Crédit Mutuel shareholders' meeting in 2020, following a special report by the statutory auditors.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

The decision of the board of directors takes into account that Daniel Baal is chief executive officer of Caisse Fédérale de Crédit Mutuel and that his employment contract with Banque Fédérative du Crédit Mutuel is suspended during this term of office. All of Daniel Baal's other terms and duties are performed on a voluntary basis: the commitments made to Banque Fédérative du Crédit Mutuel shall end on June 1, 2019.

List of terms of office held and functions exercised by corporate officers at June 30, 2019 pursuant to Article L.225-37-4 of the French Commercial Code

Nicolas Théry

Born December 22, 1965

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Chairman of the Board of Directors**	2014	2020
Other offices			
Confédération Nationale du Crédit Mutuel	Chairman of the Board of Directors	2016	2024
Caisse Centrale du Crédit Mutuel	Chairman of the Board of Directors	2016	2024
Fédération du Crédit Mutuel Centre Est Europe	Chairman of the Board of Directors	2016	2020
Caisse Fédérale de Crédit Mutuel	Chairman of the Board of Directors	2014	2022
Banque Européenne du Crédit Mutuel	Chairman of the Supervisory Board	2014	2022
Crédit Industriel et Commercial	Chairman of the Board of Directors	2014	2022
Banque CIC Est	Chairman of the Board of Directors	2012	2024
Banque CIC Nord Ouest	Chairman of the Board of Directors	2017	2021
Groupe des Assurances du Crédit Mutuel	Chairman of the Supervisory Board	2016	2021
Assurances du Crédit Mutuel Vie SA	Chairman of the Board of Directors	2014	2023
Assurances du Crédit Mutuel Vie S.A.M.	Chairman of the Board of Directors	2014	2023
Assurances du Crédit Mutuel IARD	Chairman of the Board of Directors	2014	2023
ACM GIE	Director (representing Groupe des Assurances du Crédit Mutuel)	2015	2021
Euro Information	Member of the Management Board (representing Fédération du Crédit Mutuel Centre Est Europe)	2017	2020
Caisse de Crédit Mutuel Strasbourg Vosges	Member of the Board of Directors	2014	2021
Previous offices held over the past five fiscal years			
Euro Information	Member of the Management Board	2014	2017
Banque CIC Est	Chief Executive Officer	2012	2016
Groupe des Assurances du Crédit Mutuel	Chairman of the Executive Board	2015	2016
TARGOBANK Spain	Director	2011	2016
Fédération du Crédit Mutuel Centre Est Europe	Director (representing BECM)	2013	2016
Caisse Fédérale de Crédit Mutuel	Deputy Chief Executive Officer	2011	2014
Banque Fédérative du Crédit Mutuel	Deputy Chief Executive Officer	2011	2014
Groupe des Assurances du Crédit Mutuel	Deputy Chief Executive Officer	2011	2014
Banque Publique d'Investissement	Director	2013	2014
ACM Iard SA	Director (representing GACM)	2013	2014
COFIDIS	Member of the Supervisory Board	2011	2015
COFIDIS Participations	Member of the Supervisory Board	2011	2015

Michel Vieux

Born April 12, 1951

Business address:

130-132 avenue Victor Hugo – 26009 Valence

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Vice Chairman of the Board of Directors**	2018	2020
Other offices			
Fédération du Crédit Mutuel Dauphiné-Vivarais	Chairman of the Board of Directors	1985	2021
Caisse régionale du Crédit Mutuel Dauphiné-Vivarais	Chairman of the Board of Directors	1999	2021
Caisse de Crédit Mutuel de Pierrelatte	Chairman of the Board of Directors	1982	2021
Caisse de Crédit Mutuel de la Vallée du Rhône	Chairman of the Board of Directors	2000	2021
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	2011	2020
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Dauphiné-Vivarais)	2004	2023
Sud-Est Transactions Immobilières	Co-Managing Partner	2000	TBD
SEGI	Co-Managing Partner	2001	TBD
Caisse Centrale du Crédit Mutuel	Non-voting director	2019	2020
Confédération Nationale du Crédit Mutuel	Director	2019	2020
Caisse Fédérale de Crédit Mutuel	Non-voting director	2017	2020
Previous offices held over the past five fiscal years			
Caisse Fédérale de Crédit Mutuel	Director	2011	2017
Confédération Nationale du Crédit Mutuel	Non-voting director	2012	2019

Gérard Bontoux

Born March 7, 1950

Business address:

6 rue de la Tuilerie – 31130 Balma

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2009	2021
Other offices			
Fédération du Crédit Mutuel Midi-Atlantique	Chairman of the Board of Directors	1994	2020
Caisse régionale du Crédit Mutuel Midi-Atlantique	Chairman of the Board of Directors	1994	2020
Caisse de Crédit Mutuel Toulouse St Cyprien	Director	1996	2020
CIC Sud Ouest	Director (representing Marsovalor)	2009	2024
Caisse Fédérale de Crédit Mutuel	Vice Chairman of the Board of Directors	2017	2021
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Midi-Atlantique)	2015	2021
Confédération Nationale du Crédit Mutuel	Director	2015	2022
Caisse Centrale du Crédit Mutuel	Director	2016	2022
Previous offices held over the past five fiscal years			
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	2009	2019

Jean-Marc Busnel

Born April 25, 1959

Business address:

43 boulevard Volney – 53083 Laval

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director (representing Caisse Fédérale du Crédit Mutuel Maine- Anjou - Basse- Normandie)**	2018	2021
Other offices			
Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	Chairman of the Board of Directors	2018	2020
Fédération du Crédit Mutuel de Maine-Anjou et Basse-Normandie	Chairman of the Board of Directors	2018	2022
Caisse de Crédit Mutuel de Saint Hilaire du Harcouet	Chairman of the Board of Directors	2018	2022
Caisse de Crédit Mutuel Solidaire	Chairman of the Board of Directors	2018	2019
Association Créavenir – Crédit Mutuel	Chairman of the Board of Directors	2018	2022
Confédération Nationale du Crédit Mutuel	Director	2018	2022
Caisse Centrale du Crédit Mutuel	Director	2018	2022
ACM VIE-SAM	Director	2018	2021
ACM IARD	Director	2018	2023
Previous offices held over the past five fiscal years			
None			

Gérard Cormorèche

Born July 3, 1957

Business address: 8 rue Rhin et Danube – 69009 Lyon

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2001	2022
MTRL	Vice Chairman of the Board of Directors	2017	2021
Confédération Nationale du Crédit Mutuel	Vice Chairman of the Board of Directors	2016	2022
Fédération du Crédit Mutuel Agricole et Rural	Vice Chairman of the Board of Directors	2004	2021
Caisse Centrale du Crédit Mutuel	Vice Chairman of the Board of Directors	2016	2022
Assurances du Crédit Mutuel pour l'éducation et la prévention en santé	Vice Chairman of the Board of Directors	2017	2020
C.E.C.A.M.U.S.E	Chairman of the Board of Directors	1991	2024
Caisse de Crédit Mutuel Neuville-sur-Saône	Chairman of the Board of Directors	1993	2021
Fédération du Crédit Mutuel du Sud-Est	Chairman of the Board of Directors	1995	2023
Caisse de Crédit Mutuel du Sud-Est	Chairman of the Board of Directors	1995	2023
Caisse Agricole Crédit Mutuel (CACM)	Chairman of the Board of Directors	2004	2022
SCEA CORMORECHE Jean-Gérard	Managing Partner	2000	TBD
SARL CORMORECHE	Managing Partner	2015	TBD
Assurances du Crédit Mutuel Vie SAM	Director (representing CCM Sud-Est)	2010	2022
Caisse Fédérale de Crédit Mutuel	Director	1995	2022
Crédit Industriel et Commercial	Director	2011	2023
SICA d'habitat Rural du Rhône et de la Loire	Director	2013	TBD

Previous offices held over the past five fiscal years : None

Claude Courtois

Born January 6, 1954

Business address: 494 avenue du Prado BP 115, 13267 Marseille Cedex 08

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2019	2022
Fédération du Crédit Mutuel Méditerranéen	Vice Chairman of the Board of Directors and Chairman of the Western District	2014	2022
Caisse de Crédit Mutuel de Montpellier Antigone	Chairman of the Board of Directors	2012	2023
Caisse Méditerranéenne de financement (CAMEFI)	Member of the Board of Directors	2017	2021
Previous offices held over the past five years			
Caisse de Crédit Mutuel de Perpignan Kennedy	Director	2018	2019
Caisse de Crédit Mutuel de Perpignan Kennedy	Chairman of the Board of Directors then director	2016	2018

Philippe Galienne

Born June 17, 1956

Business address:

17 rue du 11 Novembre – 14052 Caen

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2019	2022
Other offices			
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	2019	2022
Caisse de Crédit Mutuel du Havre Hôtel de Ville	Chairman of the Board of Directors	1995	2020
Fédération du Crédit Mutuel de Normandie	Chairman of the Board of Directors	2019	2022
Caisse régionale de Normandie	Chairman of the Board of Directors	2019	2022
Confédération Nationale du Crédit Mutuel	Non-voting director	2019	2025
Caisse Centrale de Crédit Mutuel	Non-voting director	2019	2025
Previous offices held over the past five years			
None			

Albert Mayer

Born September 17, 1955

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2018	2022
Other offices			
PCA Caisse de Crédit Mutuel FREYMING HOMBOURGHAUT	Chairman of the Board of Directors	1993	2021
Expertise et audit comptable Albert Mayer SAS	Chairman of the Board of Directors	2003	TBD
District des caisses de Crédit Mutuel de Sarreguemines	Chairman	2018	2022
Secogem SARL	Managing Partner	2006	TBD
Pôle d’expertise comptable	Managing Partner	2007	TBD
Previous offices held over the past five fiscal years			
None			

Gislhaine Ravanel

Born September 30, 1952

Business address:

99, avenue de Genève BP 564 - 74054 Annecy Cedex

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2019	2022
Other offices			
Caisse de Crédit Mutuel de Chamonix	Chairman of the Board of Directors	2009	2021
Fédération du Crédit Mutuel Savoie-Mont Blanc	Director	2017	2021

Previous offices held over the past five fiscal years : None

René Schwartz

Born January 14, 1957

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2018	2021
Other offices			
Caisse de Crédit Mutuel du Nouveau Monde	Chairman of the Board of Directors	1992	2021
District des caisses de Crédit Mutuel de Mulhouse	Chairman	2018	2022
CARPA Mulhouse	Director	2009	TBD
Fédération du Crédit Mutuel Centre Est Europe	Director	2018	2022

Previous offices held over the past five fiscal years : None

Francis Singler

Born July 18, 1956

Business address

4 rue Frédéric-Guillaume Raiffeisen 67000 Strasbourg

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2018	2021
Other offices			
Caisse de Crédit Mutuel Ried Centre Alsace (01359)	Chairman of the Board of Directors	2018	2024
District des caisses de Crédit Mutuel de Sélestat	Chairman	2018	2022
Euro Information Production	Member of the Supervisory Board	2019	2021
Fédération du Crédit Mutuel Centre Est Europe	Director	2018	2022

Previous offices held over the past five fiscal years : None

Alain Têtedoie

Born May 16, 1954

Business address:

10 rue de Rieux – 44040 Nantes

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2007	2021
Other offices			
Banque Européenne du Crédit Mutuel	Vice Chairman of the Supervisory Board	2011	2020
La Fraiseraie	Representing Thalie Holding	2015	TBD
Centre de Conseil et de Service – CCS	Chairman of the Supervisory Board	2008	2024
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	2010	2020
CM-CIC Immobilier	Chairman of the supervisory committee	2013	2022
Thalie Holding	Chairman	2014	TBD
GFA LA FRAISERAIE	Managing Partner	2015	TBD
Assurances du Crédit Mutuel Vie S.A.M.	Director (representing Caisse régionale de Crédit Mutuel Loire-Atlantique – Centre Ouest)	2015	2021
Caisse de Crédit Mutuel de Loire-Divatte	Director	2006	2022
Confédération Nationale du Crédit Mutuel	Director	2016	2022
Caisse Centrale du Crédit Mutuel	Director	2016	2022
Caisse Fédérale de Crédit Mutuel	Non-voting director	2017	2020
Previous offices held over the past five fiscal years			
Caisse Fédérale de Crédit Mutuel	Director	2011	2017
Banque CIC-Ouest	Director (representing EFSA)	2006	2018

Dominique Trinquet

Born November 13, 1950

Business address:

60 rue de la Fontaine au Roi – 75011 Paris

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Director**	2019	2022
Other offices			
Caisse de Crédit Mutuel du Mantois	Chairman of the Board of Directors	2000	2020
Caisse régionale du Crédit Mutuel Île-de-France	Vice Chairman of the Board of Directors	2002	2020
Previous offices held over the past five fiscal years			
None			

Effective management

Daniel Baal

Born December 27, 1957

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Chief Executive Officer and Effective Manager**	2017	2020
Other offices			
Fédération Centre Est Europe	Chief Executive Officer	2017	2021
Caisse Fédérale de Crédit Mutuel	Chief Executive Officer	2017	2020
Crédit Industriel et Commercial	Chief Executive Officer	2017	2020
COFIDIS	Chairman of the Supervisory Board	2017	2021
COFIDIS Participations	Chairman of the Supervisory Board	2017	2021
Euro Information Production	Chairman of the Supervisory Board	2017	2020
Targo Deutschland GmbH	Vice Chairman of the Supervisory Board	2017	2022
TARGOBANK AG	Vice Chairman of the Supervisory Board	2018	2022
GACM	Member of the Executive Board	2017	2021
Banque de Luxembourg	Vice Chairman of the Board of Directors	2017	2023
Previous offices held over the past five fiscal years			
SAS Les Gâtines	Chairman	2010	2017
CIC Sud Ouest	Chairman of the Board of Directors	2016	2018
CIC Ouest	Chairman of the Board of Directors	2017	2018
CIC Iberbanco	Chairman of the Supervisory Board	2015	2017
Targo Management AG (merged into TARGOBANK AG on May 9, 2018)	Vice-Chairman of the Supervisory Board	2017	2018
Fivory SA	Member of the Board of Directors	2014	2017
Fivory SAS	Member of the Board of Directors	2015	2017
Euro-Information	Management Board (permanent representative of CRCM IDF)		2017
Centre International du Crédit Mutuel	Director (representing CCCM)		2017

Alexandre Saada

Born September 5, 1965

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Banque Fédérative du Crédit Mutuel	**Chief Executive Officer and Effective Manager**	2018	2021
Other offices			
Crédit Mutuel – CIC Home Loan SFH	Chairman of the Board of Directors	2017	2025
CIC Ouest	Chairman of the Board of Directors	2018	2021
Opuntia (LUXE TV) SA	Director	2018	TBD
Banque de Tunisie	Director	2019	TBD
COFIDIS France	Non-voting director	2017	2021
COFIDIS Participations	Non-voting director	2017	2021
TARGOBANK AG	Member of the Supervisory Board	2019	2022
TARGO Deutschland GmbH	Member of the Supervisory Board	2019	2022
Previous offices held over the past five fiscal years			
None			

Delegations of authority in use

Nothing.

6.2 Caisse Fédérale de Crédit Mutuel – corporate governance report

Composition of the executive bodies as of June 30, 2018

Board of Directors

Nicolas Théry, Chairman

Gérard Bontoux, Vice Chairman

Gérard Cormorèche

Bernard Dalbiez

Chantal Dubois

Charles Gerber

Etienne Grad

Audrey Hammerer

Véronique Hemberger

Christine Leenders

Mireille Lefebure

Jean-Louis Maître

Élia Martins

Laurence Miras

Gérard Oliger

Frédéric Ranchon

Agnès Rouxel

Daniel Schoepf

François Troillard

Annie Virot

Non-voting directors

Bernard Basse

Philippe Gallienne

Jean-François Jouffray

Damien Lievens

Gérard Lindacher

Lucien Miara

Marc Prigent

Daniel Rocipon

Alain Têtedoie

Philippe Tuffreau

Didier Vieilly

Michel Vieux

Executive Management

Daniel Baal, Chief Executive Officer and Effective Manager,

Éric Petitgand, Deputy Chief Executive Officer and Effective Manager

Frantz Rublé, Deputy Chief Executive Officer

Statutory auditors

ERNST & YOUNG et Autres

PricewaterhouseCoopers France

Conditions of preparation and organization of the Board

The provisions of Article L. 225-37 of the French Commercial Code state that the Board of Directors shall present a corporate governance report alongside the management report referred to in Article L.225-37-4 to the Shareholders' Meeting mentioned in the same article. However, the corresponding information may be presented within a specific section of the management report.

Caisse Fédérale de Crédit Mutuel complies with the corporate governance regulations applicable to credit institutions. However, it does not adhere to the Afep-Medef Code which applies to the governance of listed companies and is not suited to its situation for a certain number of recommendations given the structure of its shareholding (100% owned by Crédit Mutuel group entities).

For that reason, it should be noted that the European Banking Authority issued internal governance guidelines on September 26, 2017 (EBA/GL/2017/11), with which the Autorité de contrôle prudentiel et de résolution (ACPR – French Prudential Supervisory and Resolution Authority) intends to comply fully. The European Banking Authority and the European Securities and Markets Authority also issued guidelines for the assessment of the fitness of members of the management body and holders of key positions on September 26, 2017 (EBA/GL/2017/12), with which the ACPR intends to comply partially, as stated in the notice published on June 4, 2018, an excerpt of which is reproduced below: "Without prejudice to the powers of the European Central Bank, the ACPR intends to comply partially with the fitness assessment guidelines of September 26, 2017. The ACPR intends to comply with the guidelines, with the exception of provisions for assessment by the supervisory authority of the fitness of holders of key positions at each appointment or renewal. The declaration of non-compliance applies to paragraphs 162 and 176 (transmission of results to the competent authority and documentation relating to internal assessment) and paragraphs 171 and 172 (assessment of the fitness of persons responsible for internal control functions and of the Chief Financial Officer by the competent authority). This statement does not call into question the procedures already in place, which will continue to apply for the assessment of persons responsible for internal control at approval and in the event of a change of control.

In addition, the ACPR intends to apply the guidelines relating to attendance and the definition of independent members in the supervisory bodies with two reservations of interpretation:

- *formal independence is not an obligatory test of fitness under the regulations, which would be enforceable in the context of a review of an individual application. In French law, the implementation of the guidelines cannot therefore result in the rejection on this sole basis of an individual application for "fit* and proper" reasons*;*
- *mere non-compliance with one or more of the criteria listed in the guidelines (paragraph 91) does not disqualify a member from being defined as independent. These assumptions alone do not define independence and analysis of this attribute must also take into account other criteria, especially ones that might be developed by French companies pursuant to the French Commercial Code that could make it possible to achieve the same goal.*

Pursuant to paragraph 89) b) of the fitness assessment guidelines, the ACPR also intends not to require the attendance of independent members in CRD institutions wholly owned by a CRD institution and in CRD institutions that are of insignificant importance that are investment firms."

This corporate governance report explains how Caisse Fédérale du Crédit Mutuel has implemented these guidelines.

Preparation and organization of the work of the Board

Composition of the Board

Rules of operation of the Board of Directors

The workings of the board of directors are governed by Articles 13 to 18 of the Articles of Association and is supplemented by internal rules approved by the board of directors on February 20, 2019.

Composition of the Board of Directors

The company is administered by a Board of Directors comprised of no fewer than three and no more than 18 members who may be natural persons or legal entities that represent members.

The Board of Directors also includes two directors representing employees, in accordance with Article L.225-27-1 of the French Commercial Code.

The term of office of the directors is three years, one-third of which may be renewed each year.

The Board of Directors may appoint non-voting directors for three-year terms. They participate in the deliberations of the Board of Directors in an advisory capacity. They may, by a decision of the majority of non-voting directors present or represented, request a second deliberation by the Board.

Age limit

The individual age limit is set at 70 for directors and 75 for non-voting directors. When those ages are reached, terms of office shall end at the Shareholders' Meeting following the date of the birthday.

Cumulative validity with an employment contract

No director shall have an employment contract with the company and its controlled subsidiaries (with the exception of employee directors, who are not affected by the rules for combining a directorship with an employment contract).

Application of the principle of balanced representation of women and men on the Board of Directors

The Copé-Zimmermann Act (law No. 2011-103 of January 27, 2011, as amended in 2014) is applicable to Caisse Fédérale de Crédit Mutuel and has been implemented by the appointment of 7 female directors in 2017 and 2 female directors in 2018.

As a result of these appointments the board consists of 40% female directors.

The Board can also count on the participation of one male director and one female director representing employees.

Director skills and training

Caisse Fédérale de Crédit Mutuel attaches great importance to the skills of its directors. To hold the position of director or non-voting director on Banque Fédérative du Crédit Mutuel's board of directors, each candidate must have experience as an elected member and as Chairman or Vice Chairman of the board of directors or supervisory board of a Crédit Mutuel local bank, participate in the bodies and work of his Crédit Mutuel district or federation, and take part in the training courses for elected members.

A special module for the training of directors has been put in place under the impetus of the Interfederal Committee for the Training of Elected Officials to consolidate the knowledge and skills of Caisse Fédérale du Crédit Mutuel voting and non-voting directors with regard to the regulatory skills required since the transposition into French law of the CRD 4 Directive.

Members of the regulatory committees also have access to specific training modules to strengthen the skills needed to perform the work of these committees.

Composition of the board of directors and independent directors

Caisse Fédérale de Crédit Mutuel has a board of directors made up of members elected by their peers at shareholders' meetings as members of the board of directors or supervisory board of the local bank. These elected members of local banks may subsequently be elected by their peers to Crédit Mutuel regional banks, districts and/or federations across the territory covered by Crédit Mutuel Alliance Fédérale.

These elected officials are subject to a number of cooperative principles and values specific to the Crédit Mutuel group, such as compliance with rules set out in a code of conduct: respect for values and regulations, respect for persons, the duty of good management, confidentiality, the duty of discretion, the independence of elected officials, and the prevention of conflicts of interest. As such, they perform their duties independently and with integrity and honesty.

The criteria on independence within the board of directors of Caisse Fédérale de Crédit Mutuel are set out in its internal rules.

Work of the Board during the first half-year of 2019

The Board of Directors meets at least three times a year according to a pre-established schedule.

Each item on the agenda has its own separate file or presentation, depending on its size, to more fully inform the members of the Board. The minutes give a detailed record of deliberations, decisions and votes.

As of June 30, 2019, the Board of Directors had met twice. The average Board meeting attendance rate was 93%.

Meeting of February 20, 2019

The Board meeting of February 20, 2019 was devoted mainly to the examination and approval of the financial statements and to the adoption of internal rules for the Board of Directors and a charter governing the exercise of office of members. The board reviewed the financial statements for fiscal year 2018, after having heard the report from the group's Audit and Accounting Committee from February 18, 2019, listened to the observations of the statutory auditors and reviewed control and oversight activities. An update was given on relationships with the supervisor and on Brexit as well. The board approved the Group's cash management and CM-CIC *Marchés* body of rules for 2019. The board unanimously approved and adopted its new internal rules. A charter governing the exercise of the offices of members of the Board of Directors and of the Supervisory Board was also approved.

Meeting of April 4, 2019

The board meeting on April 4, 2019 was mainly devoted to preparing the Combined Shareholders' Meeting on May 10, 2019.

The board approved the convergence of the Fédération Antilles Guyane subject to the approval of the Confédération. Following a favorable opinion from the remuneration committee, the board approved the annual report on the compensation policy and practices for risk-takers and took note of the total amount of compensation payable. Moreover, following a favorable opinion of the appointments committee, the board approved the proposed appointments of Mr. Benard Dalbiez and Mr. Jean-Louis Maître and the renewal of the terms of office of the Chairman of the Board and of Mr. Gérard Oliger and Mr. Gérard Cormorèch, which will be put to the Shareholders' Meeting. The board also approved the appointments of Mr. Benard Dalbiez, Mr. Patrick Morel and Mrs. Elia Martins who will be proposed to the Confédération as representatives of Crédit Mutuel Alliance Fédérale. During the meeting, the board took note of the final joint audit report which contained no significant anomalies. The board approved the wording of the management report, the corporate governance report and the special report and agreed to convene a Combined Shareholders' Meeting on May 10, 2019 with the agenda presented at the meeting.

Executive Management

Composition and prerogatives

In accordance with article L. 511-13 paragraph 2 of the French Monetary and Financial Code, the effective management of the institution is assumed by at least two people. Moreover, banking regulations require the separation of the functions of chairman of the supervisory body and effective manager of the institution. The effective management enjoys all powers attached to it by banking and financial laws and regulations, both internally and with respect to third parties.

Composition of Executive Management

The Executive Management of Caisse Fédérale de Crédit Mutuel is composed of:

Daniel Baal, chief executive officer and effective manager;

Éric Petitgand, deputy chief executive officer and effective manager;

Frantz Rublé, deputy chief executive officer.

Prerogatives of Executive Management

The board meetings of July 29, 2016 and April 6, 2017 did not limit the powers of the two effective managers as defined by law and our articles of association and internal rules.

Internal committees

The provisions which define the composition, functioning, regulatory framework and duties of the regulatory committees of Crédit Mutuel Alliance Fédérale are set out in the internal rules of the board of directors adopted by the board of directors on February 20, 2019.

Composition of the group's remuneration committee

Following the Caisse Fédérale de Crédit Mutuel Shareholders' Meeting on May 10, 2019, this committee is composed of a chairman and four members, appointed by the board of directors, for the term of their directorship with Caisse Fédérale de Crédit Mutuel and one associate member appointed for the term of their directorship with their Federation. At June 30, 2019 the composition of the remuneration committee was as follows:

Chairman: Gérard Bontoux

Members: Christine Leenders, Gérard Oliger, François Troillard (employee director), Annie Virot

Associate member: Jean-François Jouffray

Composition of the group's appointments committee

Following the Caisse Fédérale de Crédit Mutuel Shareholders' Meeting on May 10, 2019, this committee is composed of a chairman and three members, appointed by the board of directors, for the term of their directorship with Caisse Fédérale de Crédit Mutuel and two associate members appointed for the term of their directorship with their Federation. At June 30, 2019 the composition of the appointments committee was as follows:

Chairman: Gérard Oliger

Members: Gérard Bontoux, Laurence Miras, Agnès Rouxel

Associate members: Mireille Gavillon, Jean-François Jouffray

Group Audit and Accounting Committee make-up

Following the Caisse Fédérale de Crédit Mutuel Shareholders' Meeting on May 10, 2019, this committee is composed of a chairman and four members, appointed by the board of directors, for the term of their directorship with Caisse Fédérale de Crédit Mutuel and eleven associate members appointed for the term of their directorship with their Federation. At June 30, 2019, the composition of the audit and accounting committee was as follows:

Chairman: Jean-François Jouffray

Members: Gérard Cormorèche, Charles Gerber, Étienne Grad, Véronique Hemberger

Associate members: Jean-Pierre Bertin, Didier Belloir, Christian Fouchard, Patrice Garrigues, Jean-Claude Lordelot, Yves Magnin, Patrick Morel, Jean-François Parra, Francis Pernet, Alain Pupel, René Schwartz

Composition of the group's risk monitoring committee

Following the Caisse Fédérale de Crédit Mutuel Shareholders' Meeting on May 10, 2019, this committee is composed of a chairman and four members, appointed by the board of directors, for the term of their directorship with Caisse Fédérale de Crédit Mutuel and eight associate members appointed for the term of their directorship with their Federation. At June 30, 2019 the make-up of the risk monitoring committee was as follows:

Chairman: Daniel Schoepf

Members: Gérard Bontoux, Christine Leenders, Bernard Dalbiez, Nicolas Théry

Associate members: Gilles Berrée, Bernard Basse, Hubert Chauvin, Jean-François Jouffray, Benoît Laurent, Claude Levêque, Daniel Rocipon, Michel Vieux.

Ethics

Crédit Mutuel Alliance Fédérale's code of conduct was approved in June 2018.

This registration document, which includes all regulatory and legal requirements relating to conduct, reiterates the principles that must be obeyed by each entity and employee of the group in the exercise of their activities. It is part of the group's overall objectives in terms of quality of customer service, integrity and rigor in the processing of transactions and compliance with regulations. It applies to all group entities in France and abroad, in accordance with local regulations.

Compliance with rules of ethics applies not only to employees in the context of their duties, but also to the entity to which they belong. That entity must apply the principles set forth above, which refer to values subscribed to by all of Crédit Mutuel Alliance Fédérale.

In particular, the code of conduct contains provisions on preventing conflicts of interests, combating corruption and rules applicable to persons in possession of inside information.

This code of conduct is accompanied by a charter on preventing and fighting harassment and violence.

The code of conduct is circulated to all employees and must be consulted by all on the intranet of each group entity.

Ethics and Compliance Committee

An ethics and compliance committee was created collectively by the Chambre Syndicale on April 13-14, 2007 to review the implementation of the code of conduct by the group bodies of the banks affiliated with Caisse Fédérale de Crédit Mutuel.

It has 22 members appointed by the Chambre Syndicale et Interfédérale on the principle of one elected member and one staff representative per associated federation:

11 elected members, proposed by the Board of Directors of their home federation from among the elected members of that federation who participate in the Chambre Syndicale et Interfédérale;

11 staff representatives proposed by the Works Council of their home federation from among the representatives who participate in the Chambre Interfédérale.

The director of Group Human Resources, the group General Secretariat, the Inspector General, the heads of compliance and the heads of elected member relations at the federations contribute to the committee's work in an advisory capacity.

The committee is chaired by an elected member with a seat on the Chambre Syndicale et Interfédérale representing the member banks and proposed by the board of directors of Fédération du Crédit Mutuel Centre Est Europe.

Principles and rules of remuneration of identified individuals (Articles L.511-71 *et seq.* of the French Monetary and Financial Code)

The remuneration policy of the Crédit Mutuel Alliance Fédéral Group, a group that belongs to its customers and members, is designed primarily to be sound and responsible and gives priority to aligning the interests of the group with those of its employees and to protecting the interests of its members and customers. It therefore takes its duty to advise very seriously.

Crédit Mutuel Alliance Fédérale believes that a Company's remuneration policy is an important aspect of consistency in its strategy and risk management. Against this backdrop, Crédit Mutuel Alliance Fédérale has remained true to its mutualist values and has defined a policy whose principles are in accordance with regulatory requirements and with industry practices, with the aim of:

- ensuring consistency between employee behavior and the group's long-term objectives, in particular with respect to developing risk management control;
- promoting career advancement through internal training and encouraging employees' longterm commitment;
- ensuring fair pay for work and retaining talented employees by offering them appropriate compensation that takes into consideration the competitive environment and is based on their level of seniority, expertise and professional experience;
- ensuring equal pay for men and women, based on classification, and more broadly fighting all forms of discrimination;
- making sure that shareholders' equity is regularly strengthened.

The remuneration policy builds on the Crédit Mutuel Alliance Fédérale risk appetite framework, which states that the remuneration of Group employees must not encourage excessive risk-taking and aims to avoid all conflicts of interest.

In that context, the overall remuneration policy therefore does not encourage risk-taking in excess of the level of risk defined by Crédit Mutuel Alliance Fédérale. It is guided by the principles of restraint and prudence implemented by Crédit Mutuel Alliance Fédérale, including for risk-takers.

Variable remuneration is strictly limited to a few business lines and functions and is not an incentive for employees to take risks that would not be in line with the guidelines from executive management and the board of directors, in particular for those employees whose activities are likely to have a significant impact on the institution's risk exposure.

The board of directors of Caisse Fédérale de Crédit Mutuel approved the Crédit Mutuel Alliance Fédérale remuneration policy, including the overall remuneration policy for staff whose professional activities are likely to have a significant impact on the institution's risk profile.

This general policy takes account of Article 104 of the Decree of November 3, 2014, Articles L.511-89 *et seq.* of the French Monetary and Financial Code, and Commission Delegated Regulation (EU) No. 604/2014 of March 4, 2014, which sets out the appropriate qualitative and quantitative criteria for identifying these categories of staff.

The latest version of the remuneration policy for risk-takers was approved by the board of directors on February 20, 2019.

In view of the cooperative structure and values in effect within Crédit Mutuel Alliance Fédérale, directors work on a voluntary basis and are entitled only to the reimbursement of expenses incurred in connection with their duties.

For all persons at Crédit Mutuel Alliance Fédérale who meet the above criteria, i.e. 432 individuals, the overall amount of remuneration for 2018 as set out in the aforementioned Article L.511-73 was €91,750,000.

A preference for fixed remuneration, with variable remuneration strictly limited to a few specialized activities

Crédit Mutuel Alliance Fédérale has decided to prioritize fixed remuneration in keeping with its mutualist values and its responsibilities toward its customers and members.

It incorporates its constant concern for sustainable development and employee career advancement into its policy.

For most Group employees, in particular all of those who work for the networks, the group has decided not [6] to set individual targets for customer sales that might generate variable remuneration.

Generally speaking, the components of additional compensation (benefits in kind, variable remuneration, etc.) are subject to restrictions and concern only specific situations in certain business lines or functions when justified by particular considerations. The variable remuneration practices for the group's specialized businesses are therefore generally consistent with those of other banking groups: trading floor, specialized financing, asset management, private equity, private banking and consumer credit.

A Group remuneration policy for Crédit Mutuel Alliance Fédérale in 2018

At its meeting of February 21, 2018, the board of directors of Caisse Fédérale de Crédit Mutuel approved the integration into its scope, as of fiscal year 2018, of the entities covered by the AIFM and UCITS V directives as well as those subject to the Solvency II directive.

Article L.511-91 of the French Monetary and Financial Code, established by Article 3 of Order No. 2014-158 of February 20, 2014, states that when a credit institution is part of a group subject to supervision by the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) on a consolidated basis, the board of directors of such institution may decide that the functions assigned to the regulatory committees (risk, appointments, remuneration) be performed by the committee of the credit institution at which level supervision is exercised on a consolidated or sub-consolidated basis.

Within Crédit Mutuel Alliance Fédérale, all boards of directors of Group entities – regardless of their activities and the applicable regulations, in France and abroad – delegate their remuneration authority to the "umbrella" committee (Caisse Fédérale de Crédit Mutuel). This includes the federations and regional banks (which "control" the Caisse Fédérale), the consumer credit activity, the asset management activity and the insurance entities (which are in the consolidated accounting scope), the private equity, services and/or IT activities, the group's economic interest groups and the international private banking and subsidiary activities (including Banque Transatlantique, Banque de Luxembourg, CIC Suisse, TARGOBANK in Germany and TARGOBANK in Spain).

The scope therefore goes beyond just the regulatory monitoring scope of the banking activity.

The boards of directors' delegations of authority take effect at the beginning of 2018 and the group's entities' regulatory committees, with the exception of the "umbrella" committee of Caisse Fédérale de Crédit Mutuel, will be eliminated. The "umbrella" committee reports on its work to the board of directors of Caisse Fédérale de Crédit Mutuel, and to the boards of directors of Group entities for the information that is relevant to them.

Principles for determining the compensation granted to corporate officers

Non-executive corporate officers, i.e., all directors other than the Chairman of the board of directors, including the non-voting directors, receive no remuneration. Starting in 2019, they are subject to the provisions of the charter governing the exercise of office of members of the board of Caisse Fédérale de Crédit Mutuel.

The officers concerned are the Chairman of the Board and the Chief Executive Officer.

Chairman of the Board of Directors

The employment contract between the Chairman of the Board of Directors and Banque Fédérative du Crédit Mutuel has been suspended since November 14, 2014 and contract between it and the Chief Executive Officer has been suspended since June 1, 2017.

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[6] [7]A Kantar-TNS award won for the 11th time in 13 years, highlighting the relationship of trust between Crédit Mutuel and its members and customers.

On December 11, 2014, the CIC board of directors decided moreover specifies, on a proposal from the remuneration committee, to award Nicolas Théry an annual indemnity of €250,000 as compensation for his term of office as Chairman of the board of directors. It also decided to create for Nicolas Théry severance pay equivalent to one year of corporate officer compensation for his term of office as Chairman of the board of directors. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. This agreement, which concerns the termination indemnity, was submitted to the approval of CIC's Shareholders' Meeting of May 27, 2015, following a special report by the statutory auditors.

On February 26, 2015, the board of directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the remuneration committee, to maintain the current amount of compensation of Nicolas Théry at Banque Fédérative de Crédit Mutuel (gross annual indemnity of €450,000), but effective December 1, 2014, compensate the corporate office of Chairman of the board of directors. It also decided to set up an unemployment insurance policy specific to corporate officers with effect from December 1, 2014.

In addition, the board of directors set a one-year indemnity for corporate officers calculated on the basis of the average of the last twelve months preceding the end of their term of office, and such termination benefits shall be paid to Nicolas Théry. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. To that end, it should be noted that Nicolas Théry has been an employee of the group since September 1, 2009 and that his employment contract was suspended with effect from November 14, 2014. Nicolas Théry is, in his capacity as an employee, subject to the supplementary pension regulations of January 1, 2008. Consequently, the remuneration committee has proposed that these pension regulations be applied for compensation to Nicolas Théry in his capacity as Chairman of the board, under the same conditions as for all group employees. As part of the reform of the CM11 *Retraite* supplementary pension plan, and pursuant to the amendment to the pension agreement, €25,509.78 in gross salary remuneration has been allocated to Nicolas Théry since January 1, 2017.

This agreement concerning severance pay and retirement benefits was submitted to the approval of the Banque Fédérative du Crédit Mutuel Shareholders' Meeting of May 13, 2015, following the special report of the statutory auditor.

On February 20, 2019, the Board of Directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the gross annual fixed remuneration of Nicolas Théry at €880,000, as Chairman of the Board of Directors from June 1, 2019. The Board based its decision on the fact that Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties and coordinates the group's main subsidiaries with Banque Fédérative du Crédit Mutuel and CIC, and is supervised directly by the European Central Bank. The Board also based its decision on the fact that the other terms and duties of the Chairman of the Board of Directors within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

The same Board of Directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination benefits, is subject to the approval of Caisse Fédérale du Crédit Mutuel shareholders' meeting in 2020, following a special report by the statutory auditors.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

The decision of the Board of Directors takes into account that Nicolas Théry is Chairman of the Board of Directors of Caisse Fédérale de Crédit Mutuel and that his employment contract with Banque Fédérative du Crédit Mutuel is suspended during this term of office. All of Nicolas Théry's other terms and duties are performed on a voluntary basis: the commitments made to CIC and Banque Fédérative du Crédit Mutuel shall end on June 1, 2019.

The chief executive officer

In addition, on April 6, 2017, the Board of Directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the remuneration committee, to set the gross annual fixed compensation of Daniel Baal at €700,000, in addition to compensation under Article 39 relating to the supplementary pension of €9,505.68 annually, pension plan contributions of €4,474.80 annually, health expenses of €3,595.80 annually and benefits in kind (company car) of €3,880.56 annually. It also decided to create for Daniel Baal a termination indemnity equal to one year's gross salary, calculated on the basis of the average of the last twelve months preceding the end of his term of office. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination indemnity, was submitted to the approval of the Banque Fédérative du Crédit Mutuel Shareholders' Meeting of May 3, 2017, following a special report by the statutory auditors.

On February 20, 2019, the Board of Directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to set the gross annual fixed remuneration of Daniel Baal at €880,000, as chief executive officer from June 1, 2019. The Board based its decision on the fact that Caisse Fédérale de Crédit Mutuel represents the parent company within Crédit Mutuel Alliance Fédérale, performs the main support duties and coordinates the group's main subsidiaries with Banque Fédérative du Crédit Mutuel and CIC, and is supervised directly by the European Central Bank. The Board also based its decision on the fact that the other terms and duties of the chief executive officer within the entities of Crédit Mutuel Alliance Fédérale will be performed on a voluntary basis from that date.

The same Board of Directors decided, following a favorable opinion from the remuneration committee on February 18, 2019, to grant termination benefits equivalent to two year's gross salary, subject to achievement of the performance condition set by the remuneration committee. The payment of these benefits is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of the group for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the benefits set above are without prejudice to the benefits he may receive as an employee pursuant to the contractual provisions in force within the group. This agreement, which concerns the termination benefits, is subject to the approval of Caisse Fédérale du Crédit Mutuel shareholders' meeting in 2020, following a special report by the statutory auditors.

As a corporate officer, Nicolas Théry is also covered by a supplementary pension plan and a complementary pension plan under the same conditions applicable to all company employees.

The decision of the Board of Directors takes into account that Daniel Baal is chief executive officer of Caisse Fédérale de Crédit Mutuel and that his employment contract with Banque Fédérative du Crédit Mutuel is suspended during this term of office. All of Daniel Baal's other terms and duties are performed on a voluntary basis: the commitments made to Banque Fédérative du Crédit Mutuel shall end on June 1, 2019.

Common provisions

The compensation received by the group's key executives is detailed in the tables below.

During the year, the group's executives also benefited from the group's collective insurance and supplementary pension plans.

However, the group's key executives did not enjoy any other specific benefits.

No capital securities or securities giving access to capital or the right to acquire capital securities of Banque Fédérative du Crédit Mutuel or CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in Group companies or in other companies, but because of their functions within the group.

The group's key executives may hold assets or loans with the group's banks, under the conditions offered to all employees. At December 31, 2018, they did not hold any such loans.

List of terms of office held and functions exercised by corporate officers at June 30, 2019 pursuant to Article L.225-37-4 of the French Commercial Code

Nicolas Théry

Born December 22, 1965

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Chairman of the Board of Directors**	2014	2022
Other offices			
Confédération Nationale du Crédit Mutuel	Chairman of the Board of Directors	2016	2024
Caisse Centrale du Crédit Mutuel	Chairman of the Board of Directors	2016	2024
Fédération du Crédit Mutuel Centre Est Europe	Chairman of the Board of Directors	2016	2020
Banque Fédérative du Crédit Mutuel	Chairman of the Board of Directors	2014	2020
Banque Européenne du Crédit Mutuel	Chairman of the Supervisory Board	2014	2022
Crédit Industriel et Commercial	Chairman of the Board of Directors	2014	2022
Banque CIC Est	Chairman of the Board of Directors	2012	2024
Banque CIC Nord Ouest	Chairman of the Board of Directors	2017	2021
Groupe des Assurances du Crédit Mutuel	Chairman of the Supervisory Board	2016	2021
Assurances du Crédit Mutuel Vie SA	Chairman of the Board of Directors	2014	2023
Assurances du Crédit Mutuel Vie S.A.M.	Chairman of the Board of Directors	2014	2023
Assurances du Crédit Mutuel IARD	Chairman of the Board of Directors	2014	2023
ACM GIE	Director (representing Groupe des Assurances du Crédit Mutuel)	2015	2021
Euro Information	Member of the Management Board (representing Fédération du Crédit Mutuel Centre Est Europe)	2017	2020
Caisse de Crédit Mutuel Strasbourg Vosges	Member of the Board of Directors	2014	2023
Cœur Mutuel	Member of the Board of Directors	2017	2021
Solidarité Crédit Mutuel Antilles	Co-Chairman of the Board of Directors	2017	2021
Previous offices held over the past five fiscal years			
Euro Information	Member of the Management Board	2014	2017
Banque CIC Est	Chief Executive Officer	2012	2016
Groupe des Assurances du Crédit Mutuel	Chairman of the Executive Board	2015	2016
TARGOBANK Spain	Director	2011	2016
Fédération du Crédit Mutuel Centre Est Europe	Director (representing BECM)	2013	2016
Caisse Fédérale de Crédit Mutuel	Deputy Chief Executive Officer	2011	2014
Banque Fédérative du Crédit Mutuel	Deputy Chief Executive Officer	2011	2014
Groupe des Assurances du Crédit Mutuel	Deputy Chief Executive Officer	2011	2014
Banque Publique d'Investissement	Director	2013	2014
ACM Iard SA	Director (representing GACM)	2013	2014
COFIDIS	Member of the Supervisory Board	2011	2015
COFIDIS Participations	Member of the Supervisory Board	2011	2015

Gérard Bontoux

Born March 7, 1950

Business address:

10 rue de la Tuilerie – 31130 Balma

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Vice Chairman of the Board of Directors**	2017	2021
Other offices			
Fédération du Crédit Mutuel Midi-Atlantique	Chairman of the Board of Directors	1994	2020
Caisse régionale du Crédit Mutuel Midi-Atlantique	Chairman of the Board of Directors	1994	2020
Caisse de Crédit Mutuel Toulouse St Cyprien	Director	1996	2020
CIC Sud Ouest	Director (representing Marsovalor)	2009	2024
Banque Fédérative du Crédit Mutuel	Director	2009	2021
Assurances du Crédit Mutuel Vie SAM	Director (representing CRCM Midi-Atlantique)	2015	2021
Confédération Nationale du Crédit Mutuel	Director	2015	2022
Caisse Centrale du Crédit Mutuel	Director	2016	2022
Previous offices held over the past five fiscal years			
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	2009	2019

Gérard Cormorèche

Born July 3, 1957

Business address:

8 rue Rhin et Danube – 69009 Lyon

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	1995	2022
Other offices			
Fédération du Crédit Mutuel du Sud-Est	Chairman of the Board of Directors	1995	2023
Caisse de Crédit Mutuel du Sud-Est	Chairman of the Board of Directors	1995	2023
Caisse Agricole Crédit Mutuel (CACM)	Chairman of the Board of Directors	2004	2022
C.E.C.A.M.U.S.E	Chairman of the Board of Directors	1991	2024
Caisse de Crédit Mutuel Neuville-sur-Saône	Chairman of the Board of Directors	1993	2021
Confédération Nationale du Crédit Mutuel	Vice Chairman of the Board of Directors	2016	2022
Caisse Centrale du Crédit Mutuel	Vice Chairman of the Board of Directors	2016	2022
MTRL	Vice Chairman of the Board of Directors	2017	2021
Assurances du Crédit Mutuel pour l'éducation et la prévention en santé	Vice Chairman of the Board of Directors	2017	2020
Fédération du Crédit Mutuel Agricole et Rural	Vice Chairman of the Board of Directors	2004	2021
Banque Fédérative du Crédit Mutuel	Director	2001	2022
Assurances du Crédit Mutuel Vie SAM	Director (representing CCM Sud-Est)	2010	2022
Crédit Industriel et Commercial	Director	2011	2022
SICA d'habitat Rural du Rhône et de la Loire	Director	2013	TBD
SCEA CORMORECHE Jean-Gérard	Managing Partner	2000	TBD
SARL CORMORECHE	Managing Partner	2015	TBD
Previous offices held over the past five fiscal years : None			

Bernard Dalbiez

Born August 7, 1958

Business address: 4 Boulevard de Tunis, 13008 Marseille

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2019	2022
Other offices			
Caisse de Crédit Mutuel Marseille Pelletan	Chairman of the Board of Directors	2010	2022
Actimut	Chairman of the Supervisory Board	2017	2019
Fédération du Crédit Mutuel Méditerranéen	Vice Chairman of the Board of Directors and Chairman of the Centre East District	2014	2022
Confédération Nationale du Crédit Mutuel	Non-voting director	2019	2022

Previous offices held over the past five fiscal years : None

Chantal Dubois

Born October 8, 1952

Business address: 10 rue de Rieux – 44040 Nantes

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel de Limoges Centre	Vice Chairwoman of the board of directors	1985	2022
Fondation du Crédit Mutuel Loire-Atlantique – Centre Ouest	Chairman	2013	2022
DOM'AULIM ESH	Director (permanent representative of CRCM Loire-Atlantique Centre Ouest)	2012	
Caisse régionale du Crédit Mutuel Loire-Atlantique – Centre Ouest	Director	2010	2020
Fédération du Crédit Mutuel Loire-Atlantique – Centre Ouest	Director	2010	2020

Previous offices held over the past five fiscal years: None

Charles Gerber

Born June 3, 1954

Business address: 4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	1999	2021
Other offices			
Caisse de Crédit Mutuel de la Largue	Chairman of the Board of Directors	2012	2021
District des caisses de Crédit Mutuel d'Altkirch-St Louis	Chairman	1999	2022
Fédération du Crédit Mutuel Centre Est Europe	Director	2002	2022

Previous offices held over the past five fiscal years: None

Étienne Grad

Born December 26, 1952

Business address: 4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2021
Other offices			
Fédération du Crédit Mutuel Centre Est Europe	Vice Chairman of the Board of Directors	2010	2022
Crédit Industriel et Commercial (CIC)	Member of the Board of Directors	2019	2021
Caisse de Crédit Mutuel Cours de l'Andlau	Chairman of the Board of Directors	1992	2023
District des caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg	Chairman	2009	2022
SAS GRAD Étienne Conseil et Développement	Chairman	2011	TBD
Previous offices held over the past five fiscal years			
Banque Fédérative du Crédit Mutuel	Director	2010	2019

Audrey Hammerer

Born January 8, 1978

Business address: 4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director representing the employees**	2016	2023

Other offices : None

Previous offices held over the past five fiscal years : None

Véronique Hemberger

Born December 24, 1951

Business address: 4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2021
Other offices			
CME 67	Chairman	2014	2020
UNCME	Chairman	2017	
District des caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg	Member of the District de la CUS	2018	2022
Fédération du Crédit Mutuel Centre Est Europe	Director (representing BFCM)	2018	2022

Previous offices held over the past five fiscal years : None

Christine Leenders

Born February 21, 1956

Business address: 1 place Molière – 49000 Angers

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel de Durtal-Seiches sur le Loir	Chairman of the Board of Directors	2003	2022
Fédération du Crédit Mutuel Anjou	Director	2010	2020
Caisse régionale du Crédit Mutuel d'Anjou	Director	2010	2020
Caisse de Crédit Mutuel Agricole et Rural de l'Anjou	Director	2006	2021
Le pied à l'étrier	Chairman	2014	TBD
Écurie le mors aux dents	Chairman	2017	TBD
Les Landes	Managing Partner	2014	TBD
Previous offices held over the past five fiscal years : None			

Mireille Lefebure

Born October 27, 1952

Business address: 105 faubourg Madeleine – 45920 Orléans

105 faubourg Madeleine – 45920 Orléans

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel Tours Halles	Chairman of the Board of Directors	2014	2022
Fédération du Crédit Mutuel du Centre	Director	2017	2021
Previous offices held over the past five fiscal years: None			

Jean-Louis Maître

Born February 26, 1957

Business address: 99 avenue de Genève – 74054 Annecy

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2019	2022
Other offices			
Caisse de Crédit Mutuel Bourg Saint-Maurice	Chairman of the Board of Directors	2000	2024
Fédération du Crédit Mutuel Savoie-Mont Blanc	Director	2000	2023
Caisse Centrale de Crédit Mutuel	Non-voting director	2018	2024
Confédération Nationale du Crédit Mutuel	Non-voting director	2018	2024
Previous offices held over the past five fiscal years: None			

Élia Martins

Born June 4, 1970

Business address: 18 rue de la Rochefoucauld – 75009 Paris

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2021
Other offices			
Caisse de Crédit Mutuel Paris 8 Europe	Chairman of the Board of Directors	2013	2020
Fédération du Crédit Mutuel Île-de-France	Director	2017	2020
Caisse régionale du Crédit Mutuel Île-de-France	Director	2017	2020
Confédération Nationale du Crédit Mutuel	Director	2019	2020
Caisse Centrale de Crédit Mutuel	Director	2019	2020

Previous offices held over the past five fiscal years: None

Laurence Miras

Born April 4, 1965

Business address: 130-132 avenue Victor Hugo – 26009 Valence

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel Agriculture de Valréas	Chairman of the Board of Directors	2014	2021
Fédération du Crédit Mutuel Dauphiné-Vivarais	Director	2014	2020
Caisse régionale du Crédit Mutuel Méditerranéen	Director	2018	2023

Previous offices held over the past five fiscal years: None

Gérard Oliger

Born July 7, 1951

Business address: 4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2022
Other offices			
Caisse de Crédit Mutuel du Pays de Bitche	Chairman of the Board of Directors	2014	2022
District des caisses de Crédit Mutuel du District de Sarreguemines	Chairman	2006	2022
Assurance du Crédit Mutuel Vie	Director (representing GACM)	2015	2023
Fédération du Crédit Mutuel Centre Est Europe	Director	2006	2022

Previous offices held over the past five fiscal years: None

Frédéric Ranchon

Born June 22, 1966

Business address: 61 rue Blatin – 63000 Clermont-Ferrand			
Name of entity	**Position**	**Start**	**Term**
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2021
Other offices			
Caisse régionale du Crédit Mutuel Massif Central	Chairman	2016	2022
Fédération du Crédit Mutuel Massif Central	Chairman	2017	2023
Previous offices held over the past five fiscal years: None			

Agnès Rouxel

Born April 20, 1965

Business address: 17 rue du 11 Novembre – 14052 Caen			
Name of entity	**Position**	**Start**	**Term**
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020
Other offices			
Caisse de Crédit Mutuel Sainte-Adresse	Chairman of the Board of Directors	2018	2021
JP2A	Managing Partner	2004	TBD
Genèse	Managing Partner	2004	TBD
Caisse régionale du Crédit Mutuel Normandie	Director (representing CCM Sainte Adresse)	2018	2023
Previous offices held over the past five fiscal years: None			

Daniel Schoepf

Born March 9, 1955

Business address: 4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg			
Name of entity	**Position**	**Start**	**Term**
Caisse Fédérale de Crédit Mutuel	**Director**	2018	2020
Other offices			
Caisse de Crédit Mutuel Dettwiller	Chairman of the Board of Directors	2014	2021
District des Caisses de Crédit Mutuel de Saverne	Chairman	1996	2022
Assurances du Crédit Mutuel Vie SAM	Director (representing BFCM)	2015	2021
Fédération du Crédit Mutuel Centre Est Europe	Director	1996	2022
Éditions des Dernières Nouvelles d'Alsace	Director	2014	2020
SAP L'Alsace	Director	2014	2020
Previous offices held over the past five fiscal years			
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	2006	2018

François Troillard

Born September 16, 1958

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2016	2023

Other offices

None

Previous offices held over the past five fiscal years

None

Annie Virot

Born March 6, 1955

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Director**	2017	2020

Other offices

Fédération du Crédit Mutuel Centre Est Europe	Vice Chairwoman of the board of directors	2019	2022
Caisse de Crédit Mutuel de Dijon Darcy	Chairman of the Board of Directors	2017	2020
District des caisses de Crédit Mutuel de Bourgogne-Champagne	Chairman	2018	2022
Caisse Fédérale de Crédit Mutuel	Director	2017	2020

Previous offices held over the past five fiscal years

None

Effective management

Daniel Baal

Born December 27, 1957

Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Chief Executive Officer and Effective Manager**	2017	2020
Other offices			
Fédération Centre Est Europe	Chief Executive Officer	2017	2021
Banque Fédérative du Crédit Mutuel	Chief Executive Officer	2017	2020
Crédit Industriel et Commercial	Chief Executive Officer	2017	2020
COFIDIS	Chairman of the Supervisory Board	2017	2021
COFIDIS Participations	Chairman of the Supervisory Board	2017	2021
Euro Information Production	Chairman of the Supervisory Board	2017	2020
Targo Deutschland GmbH	Vice Chairman of the Supervisory Board	2017	2022
TARGOBANK AG	Vice Chairman of the Supervisory Board	2018	2022
GACM	Member of the Executive Board	2017	2021
Banque de Luxembourg	Vice Chairman of the Board of Directors	2017	2023
Previous offices held over the past five fiscal years			
SAS Les Gâtines	Chairman	2010	2017
CIC Sud Ouest	Chairman of the Board of Directors	2016	2018
CIC Ouest	Chairman of the Board of Directors	2017	2018
CIC Iberbanco	Chairman of the Supervisory Board	2015	2017
Targo Management AG (merged into TARGOBANK AG on May 9, 2018)	Vice Chairman of the Supervisory Board	2017	2018
Fivory SA	Member of the Board of Directors	2014	2017
Fivory SAS	Member of the Board of Directors	2015	2017
Euro-Information	Management Board (permanent representative of CRCM IDF)		2017
Centre International du Crédit Mutuel	Director (representing CCCM)		2017

Éric Petitgand

Born February 4, 1964

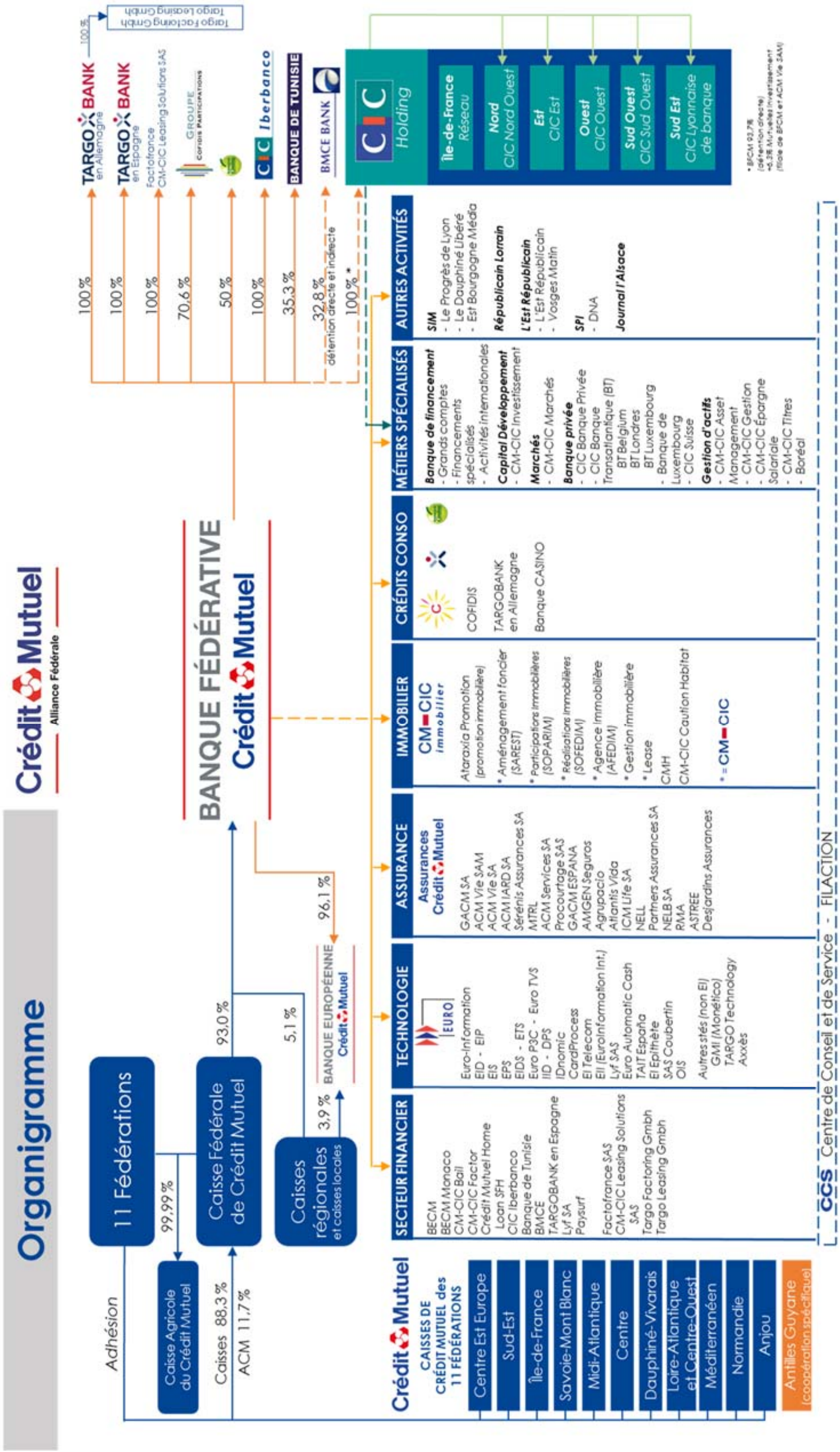
Business address:

4 rue Frédéric-Guillaume Raiffeisen – 67000 Strasbourg

Name of entity	Position	Start	Term
Caisse Fédérale de Crédit Mutuel	**Chief Executive Officer and Effective Manager**	2016	TBD
Other offices			
Fédération du Crédit Mutuel Centre Est Europe	Deputy Chief Executive Officer	2016	TBD
Caisse Fédérale du Crédit Mutuel – Antilles Guyane	Deputy Chief Executive Officer	2017	TBD
Fédération du Crédit Mutuel – Antilles Guyane	Chief executive officer – Effective manager	2017	TBD
Bischenberg	Chairman (representing BFCM)	2005	TBD
LYF	Director	2017	2025
Euro-Information Télécom	Member of the management board	2017	TBD
Centre de Conseil et de Service – CCS	Member of the Board of Directors	2016	2022
Euro Information	Member of the Supervisory Board	2016	2024
Groupe des Assurances du Crédit Mutuel	Member of the supervisory board (representing CFdeCM)	2016	2021
Previous offices held over the past five fiscal years			
Monetico International	Vice Chairman	2013	2019
Cautionnement Mutuel de l'Habitat	Member of the Board of Directors	2016	2018
Euro-Information Épithète	Member of the management board (representing CFdeCM)	2017	2018
Euro-TVS	Member of the management board (representing CFdeCM)	2016	2017
CM-CIC Asset Management	Director (representing CIC Associés)	2016	2017
Fédération du Crédit Mutuel Savoie-Mont Blanc	Chief Executive Officer	2003	2016
Caisse régionale du Crédit Mutuel Savoie-Mont Blanc	Chief Executive Officer	2003	2016
Filaction	Chairman	2011	2016
Cemcice Servicios España	Vice Chairman	2014	2016
Euro Information Production	Member of the Supervisory Board	2003	2017
Euro-Information Direct Services	Member of the Management Board	2007	2017
ACM Iard S.A.	Director (representing CRCMSMB)	2011	2016

7. Information on Crédit Mutuel Alliance Fédérale and BFCM – Recent events and prospects

7.1 Crédit Mutuel Alliance Fédérale organization chart



Developments since December 31, 2018

1) COFACRÉDIT merged with FACTOFRANCE on April 1, 2019.
2) C2C was absorbed by BFCM.
3) FACTORSOFT was absorbed by EURO INFORMATION.

7.2 Distribution of BFCM's capital at December 30, 2019

Shareholders	% held	number of shares	nominal amount held (in euros)
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 (ex-CFCM)	0.18%	61,535	3,076,750
CRCM Savoie-Mont Blanc	0.00%	20	1,000
CRCM Méditerranéen	0.22%	74,520	3,726,000
Fédération du Crédit Mutuel Centre Est Europe	0.00%	81	4,050
CRCM Loire-Atlantique et Centre-Ouest	2.20%	741,959	37,097,950
CRCM Île-de-France	0.43%	146,411	7,320,550
CRCM de Normandie	0.37%	123,766	6,188,300
CRCM du Centre	0.91%	308,716	15,435,800
CRCM Dauphiné-Vivarais	0.01%	2,470	123,500
Natural persons	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 Île-de-France	0.01%	1,890	94,500
CCM Loire-Atlantique et Centre-Ouest	0.00%	1,470	73,500
CCM Méditerranéen	0.00%	1,380	69,000
CCM Midi-Atlantique	0.00%	1,172	58,600
CCM Normandie	0.00%	910	45,500
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: Caisses Régionale de Crédit Mutuel (Crédit Mutuel regional banks)/CCM: Caisses de Crédit Mutuel (Crédit Mutuel banks); CFCM: Caisse Fédérale de Crédit Mutuel (Crédit Mutuel Federal Bank).

There were no changes in the distribution of BFCM's share capital in the first half-year of 2019.

7.3 Main risks and uncertainties for the second half-year of 2019

The main risks and uncertainties associated with the macro-economic context are set out in this report under section "1.2 Economic environment in the first half-year of 2019".

7.4 Recent events specific to Crédit Mutuel Alliance Fédérale and the BFCM Group of material interest when assessing its solvency

No significant events relating to the financial or trading position of Crédit Mutuel Alliance Fédérale and the BFCM Group have occurred since the end of the reporting periods on December 31, 2018 and June 30, 2019, for which audited financial statements were published, that might affect the solvency of Crédit Mutuel Alliance Fédérale and the BFCM Group.

7.5 Strategy and objectives

Crédit Mutuel Alliance Fédérale's financial and non-financial strategy and objectives are set out in:

- the 2019-2023 *ensemble#nouveaumonde* strategic plan;
- the non-financial performance statement.

2019-2023 *ensemble#nouveaumonde* strategic plan

November 13, 2018 press release announcing the launch of the strategic plan:

Crédit Mutuel Alliance Fédérale unveils its strategic plan for 2019-2023, *ensemble#nouveaumonde*, co-designed with directors and employees over 18 months.

The *ensemble#nouveaumonde* strategic plan was unanimously adopted by Chambre syndicale et interfédérale (Crédit Mutuel Alliance Fédérale's "parliament"). This plan, a real joint effort, will be presented to the 18,000 elected members and 70,000 employees by Chairman Nicolas Théry and Chief Executive Officer Daniel Baal, accompanied by Federation and subsidiary executives at 32 launch events across all French regions.

***The ensemble#nouveaumonde* plan sets out the course and ambitions of Crédit Mutuel Alliance Fédérale by placing members and customers at the heart of its strategy and putting technology at the heart of its priorities.**

Action plan to address the issues of the new world

The digital revolution and new consumer behavior trends have given rise to several major challenges for the banking sector: an end to transformation gains, sustained margin decline, heavier regulations and the disappearance of the bank's borders with the emergence of digital multinationals (GAFA, etc.) and neo-banks, etc. To address these challenges Crédit Mutuel Alliance Fédérale launched its strategic plan, "*ensemble#nouveaumonde*".

An ambitious development plan...

The ambitions of this strategic plan are based on three pillars: customer relations, employee engagement and technological innovation. To achieve these goals, the plan is underpinned by a set of financial objectives, as well as human and cooperative development targets and major technological investments.

...based on solid foundations

Solid client relations[7], the soundness of its results and the reliability of the group[8], as well as constant growth of business and results, are just some of the assets of Crédit Mutuel Alliance Fédérale that give it the means to face, with confidence, the challenges of the new world. By capitalizing on its strengths and making original strategic choices to meet technological and human challenges, Crédit Mutuel Alliance Fédérale aims to become the bank of reference by always going further in achieving excellence in its client relations.

The three priorities of *ensemble#nouveaumonde*

I. Be the reference relationship bank for our members and customers. By transforming the customer experience and relationship.

Through digital technologies (cognitive solutions, big data, high-security proprietary cloud), Crédit Mutuel Alliance Fédérale is enhancing customer relations and the customer experience based on one principle: human-centered technology. The key role of the customer adviser is reaffirmed: being at the heart of the relationship in an omni-channel organization.

As such, every day over 20,000 Crédit Mutuel Alliance Fédérale advisers use artificial intelligence for better quality, more targeted responses, particularly with email analyzers (recognizing customer intentions, analysis and suggested responses) and virtual assistants (in damage insurance, savings and health) developed with IBM Watson.

With *ensemble#nouveaumonde*, Crédit Mutuel Alliance Fédérale is accelerating the deployment of cognitive solutions in new areas (personal risk insurance, consumer credit, compliance, etc.) and in 100% of these banking and insurance business lines.

These new developments are based in particular on the Crédit Mutuel/IBM Cognitive factory made up of over 100 employees working exclusively on artificial intelligence.

II. Be a committed bank in tune with a changing world. A simplified organization and support for all employees

For Crédit Mutuel Alliance Fédérale, our performance is reliant on that of our employees and network. We are improving the effectiveness of our local network through pragmatic adaptations.

With *ensemble#nouveaumonde*, major commitments have been made to support regional reach, support employees and streamline the organization and decision-making channels.

Employees and this local network are assets on which Crédit Mutuel Alliance Fédérale relies. For this reason, accredited courses are open to all employees and elected members in anticipation of the evolution of the business lines.

As a committed and socially responsible player, Crédit Mutuel Alliance Fédérale is developing its Social Responsibility and Mutualist (SRM) policy and pursuing strong social, societal and environmental objectives.

III. Be an innovative, multi-service bank. Diversification and support for ALL of our customers' projects.

Building on its technological lead, Crédit Mutuel Alliance Fédérale is continuing to invest in innovation in order to respond to the challenge of diversification and the changing needs of its customers and members, particularly through improved data analysis (big data) and investment in the highly secure cloud.

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[7]A Kantar-TNS award won for the 11th time in 13 years, highlighting the relationship of trust between Crédit Mutuel and its members and customers.

[8]Top French bank in terms of EBA stress tests in 2014 and 2018.

These technological innovations support employees and thus bolster their expertise and effectiveness for the benefit of members and customers. At Crédit Mutuel Alliance Fédérale, data protection is a top priority, because for us the customer is never the product.

As a leading player in the banking and insurance sector, Crédit Mutuel Alliance Fédérale is continuing to diversify to meet the needs of its customers by developing a multiservice strategy around customer support: *housing*, *transport*, *protection*, *enterprise*, etc.

As such, *ensemble#nouveaumonde* is a response to the development of the company which results in customers thinking in terms of uses and experiences. This approach enables us to retain existing customers and win over new ones.

Quantified goals

Human development and cooperative goals

EMPLOYEES TRAINED IN TRANSFORMATION 100%

GENDER EQUALITY IN MANAGEMENT AND GOVERNANCE POSITIONS 50 / 50

MEMBERSHIP RATE > 90%

FINANCING OF PROJECTS WITH A SIGNIFICANT IMPACT ON THE CLIMATE + 30%

CARBON FOOTPRINT REDUCTION > 30%

Investments in technology for transformation

TECHNOLOGY DEVELOPMENTS 1.2 million man-days

INVESTMENTS IN OUR TECHNICAL INFRASTRUCTURE €350 million

At Credit Mutuel Alliance Fédérale, technology tools are a way to improve the effectiveness of our advisers and not a way to reduce costs: technology works for people and not the contrary

<u>Non-Financial Performance Statement (NFPS)</u>

Extract of the NFPS (the full text is included on pages 451 to 517 of the Crédit Mutuel Alliance Fédérale 2018 registration document, which is included by reference to this universal registration document):

Strategic orientation and CSR positioning of Crédit Mutuel Alliance Fédérale

Crédit Mutuel Alliance Fédérale is a group of strong values. Its CSR policy, deliberately renamed Social and Mutualist Responsibility (SMR) in 2016, is in line with its genetic identity, which consists of democracy, proximity, local economic and social development, mutual assistance and solidarity.

Crédit Mutuel Alliance Fédérale's SMR policy is focused on 5 goals including 15 commitments. This strategy supplements the group's development goals by incorporating social, societal and environmental issues into the activities of each of its entities.

Within the group, the SMR policy is identified with a label to facilitate its recognition and its appropriation by employees. This initiative reflects the commitment to improve communication on SMR issues within the group.

SMR: a function integrated into the Crédit Mutuel Alliance Fédérale Risk and Compliance Department

This strategic positioning reflects the group's desire to make sure that social, societal and environmental issues are identified as risk factors, the treatment of which will ensure the proper execution of the group's development strategy. The dedicated SMR team works closely with its network of expert correspondents present in each Crédit Mutuel Alliance Fédérale entity.

In addition, at the highest level in the chain of command, the SMR initiative of Crédit Mutuel Alliance Fédérale is underpinned by responsible and committed governance. Its volunteer directors actively contribute to the life of the group in accordance with the rules of independence, ethics and integrity. The SMR action plan is validated by a dedicated working group of the Trade Union and Inter-federal Committee, a decision-making body that brings together the elected chairpersons of the local, regional and federation banks and the group's managing directors at least twice a year. This working group is presided over by the Chairman of Crédit Mutuel Alliance Fédérale.

Social Responsibility and Mutualist Label

SCR : SOCIAL & COOPERATIVE RESPONSIBILITY

SMR policy based on five goals

Ambition members and customers.

Governance ambition.

Societal ambition.

Social ambition.

Environmental ambition.

The SMR policy, which is based on 5 objectives comprising 15 commitments, reflects the group's values and highlights its environmental, social and societal priorities. For this reason each entity adopts these SMR commitments, adapts them to its business lines and deploys them throughout its region. By drawing on this collective mobilization based on responsibility and autonomy, the development of the SMR strategy guarantees the coherence of Group actions at the regional level.

Simultaneously, and going beyond its obligation to file a non-financial performance statement, every year the group will request a non-financial rating agency to rate its environmental and social actions and its governance model on the principle of continuous improvement.

The SMR approach integrated in the 2019-2023 ensemble#nouveaumonde strategic plan, is a vehicle for performance and sustainable solidity that is embodied by five human and mutualist commitments:

- 100% of employees trained in transformation;
- gender equality in management and governance positions;
- membership rate in excess of 90%;
- 30% increase in financing projects with a significant impact on climate;
- reduction of more than 30% in the group's carbon footprint.

Attentiveness to members and customers

The group's goal is to create a lasting relationship with its customers and members. The objective is to ensure that members receive the best advice so that they are always offered the products and services they need.

Ensuring the coherence of offers and control of all advertising messages, as well as providing contractual explanations, respecting customers' rights in all circumstances and during collection operations and the rules related to canvassing operations and processing complaints, are issues that concern all team members of the group's entities regardless of their profession.

To measure and enhance the quality of customer relations, the group implements actions that enable it to be attentive to customers (by allowing them to express their satisfaction, or dissatisfaction via various channels, by asking them to voice their opinions throughout the customer experience, and by involving them in product creation discussions).

The sales and marketing teams measure the satisfaction of every new network customer. 2018 showed an improvement with an NPS score (Net Promoter Score) of 51.1% for the Crédit Mutuel federations, and of 45.6% for the CIC network, up 3.4 points and 4.4 points, respectively.

In addition, the Posternak-Ifop barometer[9], a quarterly ranking of companies' corporate image, confirmed Crédit Mutuel's leadership ranking in the banking sector with a score of 68 in the fourth quarter of 2018.

In order to maintain this performance and enhance network customer loyalty, sales and marketing teams conduct targeted studies with a sample of member-customers. The purpose of these studies is to map customer satisfaction in order to promote best practices, progress points and customer expectations. These studies also serve to enhance customer complaint services.

To be even more proactive, the sales and marketing teams question customers who have just taken out a loan. Customers express themselves by assigning a global score, as well as scores pertaining to rapidity and to simplicity. A dedicated team analyzes these surveys over time. When customers express dissatisfaction via this channel, support is provided to systematically process their complaint.

Processing of claims

The mechanism for processing claims implemented by entities in the group's sales network includes the three following levels:

- customer account managers and agency managers are responsible for processing claims at the first level. They are thus analyzed at the location the customer is most familiar with in order to respond in the best possible manner to the request;
- in each region, a specialized customer service department (CSD) provides an appeal process for the customer if the initial response is not satisfactory;
- after having exhausted the previous appeal, the customer may address the Crédit Mutuel consumer Ombudsman.

The latter relies on the Secretariat of Mediation at the national level.

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9 The Posternak-Ifop barometer was created 19 years ago to help businesses analyze citizen reactions and consumer behavior.

The customer is informed about the existence of the mechanism and its organization particularly by means of the website. Contact information for the regional CSD can thus be found there, as well as a specific toll-free telephone number. The mediation charter is also available for consultation there. All of these items are also available in branches upon request.

In 2017, the group's mediator and the AMF's mediator signed an agreement giving customers the possibility of presenting any claim within the scope of the AMF to either the AMF mediator or the group mediator, with the understanding that the choice is irrevocable.

In 2018, 48,499 claims were registered (Crédit Mutuel Alliance Fédérale scope excluding foreign entities other than TARGOBANK Spain), of which 45,103 were closed. The average time for processing claims is 71 days.

In addition, Crédit Mutuel Alliance Fédérale will be implementing a new customer complaints tool as of 2019, enabling customers to lodge a complaint on their personal remote banking space and to monitor the processing progress of their claim. This tool meets regulatory requirements and provides security and traceability of customer claims.

Banking inclusion

Crédit Mutuel Alliance Fédérale is the bank for all clients and is attentive to supporting all those going through difficult life situations, be they structural, social or short-term. The diversity of situations of vulnerability can lead to financial precariousness requiring the implementation of a strategy that is attentive to the populations concerned.

As part of this approach, the entities of Crédit Mutuel Alliance Fédérale undertake, by way of a concrete plan of action, to respect mutualist values and the professional codes of ethics and compliance. In November 2018, Crédit Mutuel Alliance Fédérale published a policy in favor of fragile or vulnerable customers.

This policy describes all of the specific commitments made by Crédit Mutuel Alliance Fédérale to promote banking inclusion for customers in a situation of fragility and supplements other customer protection measures designed to foster behavior that is respectful of the interests of customers and good business practices.

In addition to providing basic services for people in fragile situations, the group prevents the risk of over-indebtedness by offering a simple tool for them to manage their budget, as well as financial education training modules co-designed with a partner.

Customers and members can manage their budgets on their personal space and on mobile applications. This service enables individual customers to visualize and categorize their income and expenses in order to better manage their budget. In 2018, a new feature was introduced allowing customers to centralize the balance and movements of their accounts held in other banks.

Concerning the prevention of over-indebtedness, COFIDIS organizes training sessions within the framework of its partnership with CRESUS. Presented in the form of an entertaining board game, these sessions are designed to train customers and raise their awareness to budget- management issues based on dialog and exchange, as well as inclusion and individual and collective accountability. In 2018, the first nine employees were trained in hosting the game.

The ACMs (Assurances du Crédit Mutuel) supplement their offer concerning multi-risk operating loss cover for business customers in financial difficulty by extending the guarantee to the impossibility of gaining access to company premises and the shortage of suppliers.

Risk management

The group provides its employees with a high level of continuous training to ensure they are well versed in prevention measures related to the fight against money laundering and terrorist financing and develops technological and in particular cognitive solutions to optimize their effectiveness. Added to this is the willingness of the group to prevent the employees concerned from finding themselves in a situation of conflict of interest and/or corruption by knowing the active and/or passive practices of private players and public agents.

In addition to the measures already in place, the group has implemented a vigilance plan to prevent serious violations of human rights and health and safety, and of the security of people and the environment within the framework of its activities. Actions are identified notably concerning customers (project financing, sector policies, etc.), suppliers (group purchasing policy, supplier relations charter, etc.) and employees (internal procedures and preventive measures).

An alert system and procedure for reporting the existence or occurrence of risks is in place and a monitoring mechanism to analyze actions has been implemented. The monitoring indicator, overseen by the Compliance Department, is verified by an independent third party, but not published for reasons of confidentiality.

Efficiency of the governance bodies

The group's cooperative model imposes a certain transparency relative to the procedures attached to the appointment of members of the boards of directors, supervisory boards and the institutional life of the group. In addition to monitoring the functioning of the boards of directors, the attendance of their members and the setting up of specialized committees, the group makes sure that the members of the boards of directors are able to assume their missions in the best conditions and, as such, develops personalized training programs that take into account the professional skills and experience of each member.

The aim is to develop the skills of the elected members and provide customized, targeted training programs. These programs cover seven areas of knowledge and are broken down according to the different profiles and missions of each elected member: directors and censors of the umbrella structures, federal administrators, chairs of the board of directors and/ or the supervisory committee, elected members of the local and regional cooperative banks of de Crédit Mutuel. These training cycles, which are sometimes qualifying go further than the regulatory requirements and reinforce the sense of commitment of elected members.

In addition, the group pays particular attention to supporting young elected members during the first years of their mandate by providing in-depth training on the group's activities. The key challenge is to ensure that young members are successfully integrated into the cooperative life of the group and to retain them over time.

Information on these new training programs is communicated by the training correspondents, as well as contacts sitting on the federal and inter-federal training committee.

In 2018, the rate of elected member training rose 1 point to 57.3% year-on-year (excluding Crédit Mutuel Normandie).

Momentum of cooperative governance

The smooth running of cooperative activities is underpinned by the wealth of opinions and expectations of the members. The aim is to enhance the attractiveness of mutualist values, particularly among young employees, and to take advantage of the general meetings of local cooperative banks, which is the basis of the democratic mutual model, as real venues for exchange. In addition, the role of the boards of directors is to validate the strategic choices of the local cooperative banks and to represent the community of members.

ESG Purchasing Policy

Purchasing goods and/or services is an act of management and is part of the operational implementation of the group's strategy. The group's procurement policy, implemented at all its entities, incorporates economic and quality criteria, conditions relating to compliance with technical requirements, and ESG (environmental, social and governance) factors.

The group promotes relations with suppliers and/or service providers whose contracts include specific clauses related to compliance with the reference texts on human and labor rights and the strict respect of the principles relating to corruption in all its forms. It promotes proximity and long-term relationships.

Responsible relationships

The group has reinforced this initiative by requesting that all its suppliers sign a sustainable and responsible purchasing charter incorporating the internal commitments of the purchasing policy to ensure long-term commercial relations with partners committed to a process of compliance with the challenges of sustainable development.

By signing the charter, the supplier undertakes to respect the human rights and fundamental freedoms, health and safety of people and the environment, as well as the rights of employees in the context of activities carried out with the entities of the group. The supplier undertakes to respect the laws applicable to the protection of personal data and to implement all measures necessary to ensure the security and confidentiality of the information provided by the entities of Crédit Mutuel Alliance Fédérale. The supplier undertakes to implement internal procedures to ensure its activity is in compliance with the laws and regulations relating to the fight against corruption. In addition, suppliers can report any infringements to Crédit Mutuel Alliance Fédérale by using the dedicated email address.

As such, the group's aim is for all of its suppliers to sign the charter and it has already requested signatures from its main business-line center suppliers with revenues of over €1 million. At the end of 2018, 58 such charters had been signed.

Regional development

The group, which is a leading employer with a strong regional presence due to the stability of its network, bases its strategy on the demand for long-term investment to develop the economic and social ecosystem of each region. It pursues, either directly or in partnership, the distribution of personal and professional microloans to foster the development of activities in the regions.

Promote the distribution of personal and professional microloans

Crédit Mutuel Alliance Fédérale enables customers in financially precarious situations to benefit from financial support by developing partnerships with associations such as ADIE, Initiative France and France Active to promote the granting of micro-loans. The purpose of granting microloans is to create and consolidate jobs for those who are excluded from the job market (job seekers, recipients of the minimum welfare benefits, people with disabilities, etc.).

Promote job security and the return to employment

Promoting job security and the return to employment are key priorities for Crédit Mutuel Alliance Fédérale in its quest to support people in a situation of precarity. To date, more than 200 regional conventions have been signed throughout the country with social integration association networks such as CCAS, Secours Catholique, UDAF, Secours Populaire, Restaurants du Cœur and county councils to support our customers and receive advice adapted to each situation.

This commitment to foster access to employment in the regions is embodied by forging new partnerships at the national and local levels so as to supplement the mechanisms already in place within the Crédit Mutuel Alliance Fédérale entities.

For example, some federations have created a corporate foundation or association under the name “Créavenir” offering non-collateralized/unsecured loans, repayable advances, subsidies and/or sureties to help create and accompany economic activities in their regions.

Solidarity commissions have also been set up by the boards of directors of the local cooperative banks to support member-customers in difficulty.

Crédit Mutuel Loire-Atlantique et Centre-Ouest has donated more than €400,000 (in the form of personal and corporate loans to support the creation of jobs) to its structure, Crédit Mutuel Solidaire to promote innovative companies offering new job opportunities and social inclusion.

Crédit Mutuel Dauphiné-Vivarais via its Corporate Foundation with an annual budget of €183 million, has provided financial support to 7 agricultural projects enabling the creation of new farms.

Crédit Mutuel Centre Est Europe and ADIE (Association for the Right to Economic Initiative) concluded an agreement in June 2018 allowing for the provision of credit lines for up to €1 million. This partnership will enable those without access to conventional bank credit to realize their entrepreneurial projects.

The Crédit Mutuel Centre is setting up a system to provide young people aged 16 to 28 with financial aid to carry out their projects related to solidarity, proximity and job creation. A budget of €15,000 per regional group was allocated in 2018 enabling the validation of 23 projects.

Promote local initiatives

By drawing on its cooperative and mutualist model, the group notably supports customer-member associations by forging partnerships (financial or material) involving elected members and employees. It also participates in patronage and sponsorship operations that promote projects in the fields of education, sports, music, culture and professional reintegration etc.

Focus on some partnerships

Crédit Mutuel Insurance has concluded a partnership with Visible Patient, a Strasbourg-based medical imaging company, which has created an innovative medical imaging technology enabling surgeons to obtain 3D modeling of organs operated by remote control or by scanners, and thus improve surgical procedures and increase the chances of success. The Visible Patient solution, which is very popular with surgeons, was awarded the 2018 innovation prize by the French Association of Surgery.

Crédit Mutuel Loire-Atlantique et Centre-Ouest in association with other companies, monitor the foundations of the companies Pro Greffe and Génavie. The Pro Greffe Foundation supports basic organ-transplant research and the Genavie Foundation cardiovascular disease research carried out by the Institut du Thorax (Thorax Institute). The Foundation for Patronage renewed an operation whereby for every bank account opened with the bank the Foundation makes a donation for children with cancer.

In addition, Crédit Mutuel Loire-Atlantique et Centre-Ouest is heavily involved in several social housing structures. It is a shareholder in Entreprises Sociales pour l’Habitat (ESH), which manages around 20,000 social housing units. Atlantique Habitations, a subsidiary of Crédit Mutuel Loire-Atlantique et Centre-Ouest, manages over 10,000 housing units in 100 municipalities in Loire-Atlantique and Morbihan. Its role is to provide a range of adapted new or rehabilitated housing solutions to meet the needs of people with moderate resources.

The social housing division of Crédit Mutuel Loire-Atlantique et Centre-Ouest is also developing an affordable housing offer marketed under the Groupe Habitat Tradition (GHT) brand. This offer is produced *via* Maison Familiale de Loire-Atlantique (MFLA) and Demeures et Tradition (D&T); 2

Atlantique Habitations housing production cooperatives that produce housing for the social acquisition of property.

Their cooperative status gives them a very special situation and philosophy by allowing young, low-income households to gain first-time access to property, at below market average prices, while assuring that communities benefit from a real urban and social mix.

Crédit Mutuel Sud-Est defends the right to housing for all in the department of Loire. In 2018, €25,000 was donated to the association, "Un toit pour tous" ("a roof for all") whose vocation is to support all initiatives that fight against situations of inadequate housing.

Crédit Mutuel Anjou, in partnership with SCO Rugby Club Angers, supports a training course for the integration of young people who have dropped out of school and have no idea of what career path they should follow (around 30 young people per year). The goal is to promote social integration through sport. As part of an operational preparation for collective employment (Pôle Emploi – Région and OPCALIA training), a 400-hour training program over 5 months is offered to young people: 210 hours of professional knowledge and skills (soft skills and savoir-faire) – 120 hours of sports and 70 hours of work placement.

The aim is to integrate the young people who have completed the course into the professional world.

Crédit Mutuel Anjou, in partnership with Créavenir Anjou, is supporting a project aimed at training adults with autism in domestic and professional activities so as to promote their inclusion and socio-professional autonomy.

A house of autism (a first in France) opened on the outskirts of Angers in January 2018. This is a place where healthcare professionals:

- provide educational, individual and coordinated care;
- create socialization groups by training parents and professionals;
- organize social-skills groups for participants to learn how to play and communicate;
- create a space for parents, a documentation center and organize artistic events;
- organize professional life and independent living workshops.

Equal opportunity

Crédit Mutuel Alliance Fédérale is firmly committed to work-study programs and integration into employment. The goal is to increase the recruitment of work-study students and to offer 80% of them an open-ended contract (CDI). 25% of job vacancies will be reserved for young people from priority urban neighborhoods or rural communes with less than 5,000 inhabitants.

In 2018, Crédit Mutuel Méditerranéen increased the number of partnerships with schools to address the two-fold objective of promoting social inclusion and meeting its future recruitment needs:

- as part of the national plan "Mon stage de 3^{e}", 5 agreements were concluded with colleges in REP+ zones (Marseille, Nice, Montpellier). A dozen or so college students are following a diversified training course comprising a presentation by Crédit Mutuel Méditerranéen, a 2 day immersion program at a local cooperative bank and contact with some business-line experts;
- existing partnerships have been reactivated with "BTS Bank" thanks to the organization of recruitment days during which 10 to 20 candidate applications were received. 58 students have been recruited in the past few months by way of internships lasting 7 to 8 weeks;

- some twenty interns with Bachelor/Master degrees are currently working in local cooperative banks throughout the federation's territory, with the aim of obtaining an open-ended employment contract (CDI).

Crédit Mutuel Île-de-France is a partner of the association "Nos quartiers ont des talents" (Our neighborhoods have talents), which promotes access to employment for young graduates from sensitive neighborhoods. The purpose of the association is to help young graduates make their entry into the professional arena, particularly via a sponsorship system. In their search for employment , these young graduates are guided by a sponsor employee of Crédit Mutuel Île-de-France.

Disability

The Crédit Mutuel group is committed to supporting people with disabilities.

The Disability charter signed in June 2016 is embodied by actions to promote the recruitment and integration of disabled workers and to ensure they enjoy the same conditions as any other employee.

In November 2018, during the European Week for the Employment of People with Disabilities, Crédit Mutuel Île-de-France sought to raise the awareness of its employees by way of an exhibition of portraits of people with varying types of disability; the challenge for employees being that they had to guess who suffered from what type of disability. This experience was particularly instructive and helped to remove many prejudices.

In the same vein, Crédit Mutuel du Centre joined the National Disability Awareness Program, which provides an information and awareness campaign on disability issues by way of its website and a team of counselors to answer employees' questions.

Euro-Information concluded a partnership with COMPETHANCE, a company whose main objective is to facilitate the integration of people with disabilities into digital professions by providing a specific training program to promote the potential of autistic people suffering from the Asperger syndrome in on-line professions.

Euro-Information took on three people for a training course in web- integration techniques with the possibility of obtaining an open-ended employment contract at the end of the training period.

Crédit Mutuel Loire-Atlantique et Centre-Ouest has published a guide on disability. The guide is available on the intranet and provides extensive information on the measures that have been undertaken, as well as the possible assistance provided by the employer, specialized bodies and contacts and the procedures to be respected to request the installation of specially adapted workstations.

Support career development and mobility

The group invests heavily in training its employees in order to develop their skills and enable them to contemplate a change in profession. In 2018, 5.36% of the payroll expense was devoted to employee training. Almost half of the budget is allocated to internal promotion and qualifying training as well as to training courses leading to certificates that foster the personal development of employees.

Crédit Mutuel Alliance Fédérale has a structure that is entirely dedicated to employee training. Career paths are developed by systematically employing a progressive pedagogical approach, to support employees as closely as possible. These courses include technical knowledge and alternate sessions devoted to role play, experimentation and consolidation. They are developed regularly in terms of content and duration.

In addition, all employees have access to a remote training platform, which offers a wider range of modules. A catalog is available on the Intranet.

Each year, more than 5,000 Crédit Mutuel Alliance Fédérale employees receive career-path training, adapted to their future profession, which serves as a guarantee of their professional development within the company.

In addition, most managers of Crédit Mutuel's regional banks and CIC agencies are appointed by way of a five-month internal recruiting program. Candidates for the position of director are relieved of any duties other than the specific training at the School of Directors and Directors. Through this program, 1,500 employees have been trained as managers of local cooperative banks or agencies.

2018 was marked by the continuation of training programs dedicated to the digital transformation of the bank. 38,333 employees received specific dedicated training. In 2018 76% of employees were trained in the digital transformation. In this context, customer relation services training programs were provided to network managers and employees for the purposes of integrating new consumer-behavior, innovation, technology and organizational trends in their respective activities. More than 200,000 hours of training were delivered to employees and managers.

Promote Quality of Life at Work (QLW)

The group has adopted a QLW approach underpinned by its mutualist values. Reconcile the improvement both in employees' working conditions and the overall performance of the group in a rapidly changing environment remains priority.

This commitment depends on several factors: work content, professional development opportunities and quality of management, as well as customer-member satisfaction and the smooth running of the company. To install these factors over the long term, the group integrates them in its strategic agenda and in its technical, social and organizational projects.

The group voluntarily communicates information on all the charters, agreements and rules that govern the life of the company in a working environment that is in the full throes of digital evolution. To address issues related to the company's digital transformation, in 2018 the group signed an agreement with its social partners on the right to disconnect, establishing a code of conduct for communication tools enabling employees to benefit from support services using the tools and ensuring their right to privacy. An agreement on working time was also signed in 2018 allowing the various entities of the group to adapt the organization to meet the needs of customers by modulating the reduction of working time. This agreement takes into account staff health and safety and should enable employees to balance their professional and personal lives.

The aim of the group is to raise employee awareness of projects on a regular basis, to facilitate their involvement and ensure they know the procedures to be put in place so that they can be heard and protected in their function while adhering to the group's rules of conduct and demonstrating respect for one another.

The turnover rate remained stable at 3% (indicator calculated on the number of open-ended contracts in France and excluding the scope of the press division). This indicator is also audited by an independent third party.

Facilitate the labor relations process

The organization of social dialog and the procedures for reporting, negotiating and consulting with staff respond to the desire to work in close collaboration with all the company's stakeholders and to ask the group's priority questions about the strategic topics.

In 2018, following the creation of the unique status of employees of the Crédit Mutuel and CIC networks, new harmonized agreements were signed with the social partners.

- the donation of days within Group entities;
- mobility which creates new work opportunities for employees;
- profit-sharing for the 2018, 2919, 2020 fiscal years;
- participation of employees in the company's profits for the same duration as that on profit-sharing.

In addition, in order to streamline communication, trade unions can use the internal communication tool to publish their documentation.

Reduce the environmental impact of the group

Aware of its role in the service of the economy and development, the group is committed to conducting all of its activities in a responsible manner. Consideration of environmental, economic and social issues carrying out its business is one of the principle areas of focus of its sustainable development policy.

In addition, the group is committed to reducing its carbon footprint by at least 30% to support the low-carbon transition of the economy. For this reason, the group has chosen to develop a mechanism to offset its carbon footprint beyond its regulatory obligations. The group calculates its greenhouse gas balance for all entities and has voluntarily chosen to tax their consumption. These amounts are used to fund the Crédit Mutuel Alliance Fédérale Foundation whose objective is to support the financing of climate projects.

At the same time, the group has invested in an ISO 50 001 certification project to identify ways to reduce its carbon footprint.

Crédit Mutuel Alliance Fédérale has created a virtuous circle by encouraging its entities to reduce their greenhouse gas emissions and reports on the irreducible portion of emissions by undertaking offsetting measures.

In addition, Crédit Mutuel Alliance Fédérale has chosen to stop purchasing vehicles with diesel engines for its car fleet. In 2018, the vehicle fleet remained stable (3,500 units). The slight decrease in the fleet's CO_2 emission rate reflects the general replacement of vehicles by newer, less polluting models.

The modification of the vehicle charter facilitates access to gas-powered vehicles and includes a bonus of €3,000 for vehicles powered by all types of alternative energy in addition to the government bonus. In addition, a tariff amendment policy was drafted to enable people with diesel vehicles to opt for a gasoline vehicle during the contract period. A major internal communication campaign to promote a reduction in the number of kilometers traveled is being carried out based on reporting and recommendations designed to limit traveling.

In addition, an internal traveling policy prioritizes public transport, carpooling and promotes the use of bicycles for commuting to and from work. The entities of Crédit Mutuel Alliance Fédérale based on the Wacken site in Strasbourg took an active part in the 9th edition of the intercompany "au boulot à vélo" bike-to-work challenge organized by the Urban Community of Strasbourg between June 11 and 24. The aim was to encourage the 3,500 employees on the site to cycle to work.

In addition, numerous measures have been implemented to raise employee awareness to sustainable development. The sensible use of air conditioning and heating systems is recommended (one degree reduction in heating in buildings, in the use of air conditioning, and in the thermal renovation of buildings, etc.).

Similarly, all disposable cups and plastic bottles must be recyclable and recycled.

The group is also implementing a policy for email management, paper printing and the use of videoconferencing. In 2018, the number of videoconferences organized rose by 47% on 2017, saving more than 125 million kilometers.

Euro-Information has developed a specific software which closes down remote workstations. This application is installed in the headquarters on 8,000 workstations. This device will also be developed for use in network workstations.

A world dedicated to the group's employees: "Being an eco-citizen at work" ("Être éco-citoyen au travail"). This initiative is deployed on all employee workstations to encourage staff members to take simple and effective actions to protect their environment and participate in reducing the group's energy footprint.

The tool also provides information on all measures being carried out: the launch of gray recycled paper for Group chairs, use of certified envelopes, adoption of eco-responsible checkbooks on FSC mixed paper, calculation of the carbon footprint of employee photocopies, etc.

In June 2018, access to the "Être éco-citoyen" universe was extended to all elected members.

Crédit Mutuel Loire-Atlantique Centre-Ouest and Crédit Mutuel Sud-Est organized a collection of used books in partnership with the association Recyclivres. The association Recyclivres repairs the books it collects and resells them on its website at low prices to people on low incomes. A portion of the proceeds from the book sales is donated to a charity.

Members, customers, elected members and associates collected 21,000 books.

A similar operation was conducted with employees at the Paris headquarters, who collected more than 3,200 books.

Reinforce solutions and offer quality and responsible service

The group provides specific offers and financing to support customer- members and businesses in their environmental approach. In addition to zero interest rate eco-loans, short-term and long-term energy saving loans, solidarity savings and the financing of renewable energy projects, the group offers subsidized loans to encourage growth and development of companies which have adopted a CSR approach or invested in concrete actions to support sustainable finance and the energy transition.

To this end, since December 1, 2018, Crédit Mutuel Alliance Fédérale has been marketing its Eco-Mobility loan to individuals and its subsidized energy transition loan to businesses both of which are designed to fight against global warming.

The Eco-Mobility offer will enable customers and members to acquire or renew their cars so that they can drive "green" at attractive rates. It will be marketed in Crédit Mutuel local banks and CIC agencies.

In June 2018, 3 Crédit Mutuel federations (Île-de-France, Central East Europe and South-East) and 3 CIC regional banks deployed a new rental offer with the option to purchase a range of pedelecs. This innovative offer will enable our customers and members to focus on using bicycles for business trips and commuting.

In addition, the ACMs offer an original approach to borrower insurance, based on the notion of a supportive community of 3.5 million insured borrowers by providing better support to customer-members during key moments of their lives. For this purpose, the ACMs have introduced the notion of "maintenance of medical approval" for insured persons regarding loans related to their principal residence.

Medical acceptance is thus maintained under the same conditions without taking into consideration any possible deterioration in the state of health of the insured party. If the client's state of health improves, his dossier will be reviewed in his favor.

Renewable energy financing trends

Thanks to its subsidiary CIC, Crédit Mutuel Alliance Fédérale carried out the first renewable energy operation in early 2005! This involved the financing of three wind-power projects representing 28 MW near Chalon en Champagne in the Marne, the most dynamic department in this sector.

The expertise acquired in these areas enabled the group to further increase its loan commitment by 20% this year to nearly €1.4 billion for projects in France and abroad. The group's strategy is to select operations that are well integrated in the regions:

- for wind-power projects: consultation with the local population;

- for solar projects: choice of non-agricultural land: industrial sites under renovation, old mines or quarries, landfills.

For example, we helped our client ENGIE refinance a portfolio of 34 wind and solar projects (333 MW) developed by Compagnie du Vent, which it subsequently acquired.

In addition, the CIC financed a 14 MW (7 x 2 MW) wind energy project with energy storage in Martinique, an island where electricity generation is still largely provided by fossil fuels (fuel and coal) and where the growth of renewable energies is limited by the intermittent nature of their production. For this reason, the development of storage facilities is supported by the Region. The project was commissioned in January 2019.

The CIC was also involved in the financing of the COGECAB biomass power plant at the Bazancour industrial site (Champagne) in partnership with the MERIDIAM Energy Transition fund. The CIC is an investor (with a 5% stake) in this fund alongside CDC and CNP Assurances. The 12 MW cogeneration plant will use wood waste from local sectors to produce electricity which will be sold to EDF under a regulated price contract and supply heat to a wood pellet plant.

Added to this is the funding provided by the networks, which represent more than 2,000 renewable energy financing projects to support customers in the professional, private, agricultural and business markets.

Note on the CSR sector policies of Crédit Mutuel Alliance Fédérale

By structuring its SMR policy around 5 objectives broken down into 15 commitments, Crédit Mutuel Alliance Fédérale has chosen to adopt operating principles that are applicable to all Group entities. This is why the group systematically submits all sector policies and modifications to the board of directors of Caisse Fédérale de Crédit Mutuel, BFCM and the group for their approval. As such, in February 2018, the boards of directors of the umbrella bodies approved the decision to stop financing coal-fired power plants and/or coal mining regardless of the country of operation. This decision was supplemented by the commitment not to deal with any counterparties whose revenue is more than 50% derived from or related to the coal business.

In addition, the group decided to reinforce the rules related to the application of its sector policies by creating analysis grids specific to each sector of activity (to be completed by the teams in charge of the dossier and presented to the commitments committee). These analysis grids integrate counterparties' non-financial ratings which are analyzed when the decisions to grant banking and financial transactions are taken.

Thus, the group values ethical business relationships and proposes to supplement the financial analysis of the companies financed with an objective analysis of their non-financial performance and more specifically of their commitment to environmental, social and governance issues.

This is a committed approach to financing the energy transition to promote the non-financial performance of customers as an objective decision- making element. It is also a source of dialog with customers enabling the group to provide them better support in their sustainable growth projects.

In addition, the reputational risk associated with the non-application of its SMR strategy commitments could create a significant financial risk for Crédit Mutuel Alliance Fédérale. The image and integrity of the group could be tarnished by controversies linked to financing and/or investments granted to counterparties that are not in line with the group's SMR policy or its ethical and responsible values, particularly those promoting sustainable development issues.

Special attention is therefore paid to certain sectors of activity that are not covered by the requirements of the group's sector policy (coal-fired power plants, mining, civil nuclear power, defense and security).

These sectors under surveillance involve the chemical, chemical derivatives, tobacco, forestry and agri-food industries and all sectors of activity that could have a negative impact on humans or the environment (leading to depletion of resources, serious damage to human health, the destruction of species, deterioration of the environment).

As such, the group has developed a specific analysis grid enabling sales teams to ensure compliance with the commitments of the group's SMR initiative. This decision-support grid also integrates an analysis of the counterpart's ESG policy.

In addition, the boards of directors of the umbrella bodies validated the commitment policy for fragile or vulnerable customers. This policy describes all of the specific commitments made by Crédit Mutuel Alliance Fédérale to promote banking inclusion for customers in a situation of fragility and supplements other customer protection measures designed to foster behavior that is respectful of the interests of customers and good business practices. A committee for vulnerable or fragile customers has been created to monitor projects and validate proposals submitted by the dedicated working group.

Focus on sector policies

The thermal power sector policies for coal, mining, civil nuclear energy and defense and security were revised in fiscal year 2018.

Coal Thermal Power Policies

Policy governing the operations proposed to companies producing electricity derived from coal-fired power plants or operating in the sector because of their activities in the coal-fired power plant development, construction, transport, operation and/or dismantling segments.

Commitment to stop financing coal-fired power plants and/or coal mining regardless of the country of operation or deal with any counterparties whose revenue is more than 50% related to the coal business.

Mining Policy

Policy applicable to all financial transactions intended for mining companies irrespective of the mining resource and method of extraction employed. This covers the entire sector from ore exploration to shipping.

Commitment to stop financing coal mining regardless of the country of operation.

Civil Nuclear Energy Policy

Policy governing operations and advice provided to companies in the civilian nuclear sector. The group ensures that all requests fall within the framework of the laws in force and comply with the standards and/or recommendations issued by independent organizations in the nuclear sector.

An internal decision-making process is defined and follows a reference framework which notably takes into account the host country, the type of financing of the projects in question and the international financing rules.

Defense and Security Policy

The group's sector policy related to operations with defense and security companies recognizes the existence of conventions, treaties, agreements and regulations specific to the arms industry.

The group refuses to take any part in controversial weapons operations and respects drastic principles regarding unconventional weapons as well as countries affected by such funding.

Private banking strategy

This policy, which applies to all Group entities engaged in private banking activities, imposes rules of good conduct and ethics (no operations in countries at risk, strict compliance with the Know Your Customer – KYC – procedure, tax compliance, etc.).

A supplement to initiating relationships in order to clarify relations with non-resident customers who are looking for exemplary conduct regarding local laws and regulations as well requirements related to the fight against money laundering and the financing of terrorism (LCB FT): control of countries at risk, off-shore structure, etc.

Commitment policy for fragile or vulnerable customers

This policy applies to all networks so as to give all the attention necessary to support our customers and members who are going through difficult life situations, be they structural, social or short-term. The diversity of situations of vulnerability can lead to financial precariousness requiring the implementation of a strategy that is attentive to the populations concerned.

A system promoting the banking inclusion of customers identified as being fragile or vulnerable has been set up. Banking offers and services offered to these customers are adapted to each situation. These commitments concern financially fragile and vulnerable customers (protected adults and people trying to cope with the death of a loved one).

Procurement policy

The acquisition of goods and/or services constitutes a management act and is part of the operational application of the group's strategy. This policy incorporates economic, quality and respect of technical requirements criteria as well as ESG factors.

The group promotes relations with suppliers and/or service providers whose contracts include specific clauses related to compliance with the reference texts on human and labor rights and the strict respect of the principles relating to corruption in all its forms.

In addition, the group has chosen to reinforce this initiative by requesting that all of its suppliers sign a sustainable and responsible purchasing charter incorporating the internal commitments of its procurement policy.

Consumer Credit Policy

This policy governs the group's consumer credit activities in accordance with the values and rules of professional codes of ethics and compliance. The framework for the exercise of the consumer credit business, notably regarding pre-contractual and contractual information and credit intermediary training, has been strengthened.

The group has a strict framework which notably verifies whether the operations financed comply with local and European regulations on the processing of personal data and the fight against money laundering and terrorist financing. In addition, an application grid incorporating the six rules of the Consumer Credit Policy has been put in place for the entities concerned. The board of directors of the entities concerned verify that the entity has completed the grid then validates it.

The entities COFIDIS Participation and TARGOBANK Germany respectively validated the Consumer Credit policy and their application grid during the 2017 fiscal year.

This application grid identifies:

- the department in charge of the rule identified;
- the existence of procedures dealing with the rules to be respected;
- the control tool of the identified procedures.

Recent developments

Extract from the press release dated July 25, 2019 announcing Crédit Mutuel Fédérale's half-year results.

Crédit Mutuel Alliance Fédérale announces record net income of €1.6 billion in the first half of 2019, as elected directors and employees rally around the transformation and development objectives of the ensemble#nouveaumonde strategic plan.

STRONG SALES GROWTH DRIVEN BY THE MULTISERVICE STRATEGY

In the first six months of 2019, **Crédit Mutuel Alliance Fédérale's net banking income saw a net increase. For the first time it reached €7,537 million, a 6.4% increase.**

This commercial performance was underpinned by the complementarity of the Crédit Mutuel Alliance Fédérale business lines, with a particularly significant increase of NBI in insurance (+10.9%), private banking (+9.3%) and capital markets (+25.8%).

Retail banking also saw its income increase, by 2%, bringing net banking income for the half-year to €5,265 million, a good performance for the 3,912 Crédit Mutuel and CIC branches in France, in a context of persistently low rates and the freeze on bank charges for private customers from January 1, 2019.

The multiservice strategy was also underscored by the significant increase in telephony (+139,000 customers), remote surveillance (+29,528 customers) and the continued sale of new housing units (4,395 reservations in the first half of 2019).

This diversification can also be seen in the successful launch at the start of the year of the high-speed Box Fibre product, which gained 19,250 subscribers in its first six months. The e-bike rental product, currently in its test phase, with the objective of national coverage in the first half of 2020. Our hybrid and electrical vehicle products have also been well received by customers and members.

CONTROLLED GROWTH SUPPORTED BY A CONTINUOUS TECHNOLOGICAL TRANSFORMATION

Crédit Mutuel Alliance Fédérale's operating income has increased from €197 million to €2,507 million (+8.5%), whereas the cost/income ratio has decreased 1.9 points to 60.6%, one of the best levels in the banking sector. These indicators reflect the continued improvement of Crédit Mutuel Alliance Fédérale's operational efficiency. Notwithstanding the impact of the increased contribution to the Single Resolution Fund (SRF), the controlled increase in general operating expenses (+3.0%) is less than the increase in revenues.

It reflects the choices in terms of human and technological development set out in the strategic plan.

Operational efficiency is also bolstered by the continued deployment of time-saving cognitive solutions (AI), which offer improved management of customer portfolios, thus resulting in strengthened customer relations.

Almost 30,000 customer advisers use email analyzers on a daily basis. On average they cut the time it takes to process a transaction in half.

The introduction of factories – made up of cross-functional teams - has significantly reduced the cost and time spent developing technological tools for use by all employees, particularly in terms of character recognition with the OCR Factory or artificial intelligence with the Cognitive Factory.

The future expansion of the Innovation Factory and the Data Factory should accelerate future digital developments whilst in the second half of 2019 cognitive technologies will be rolled out to the compliance business lines (fraud-detection, risks and control).

STRENGTHENING SOCIAL, ENVIRONMENTAL AND REGIONAL COMMITMENTS FOR **OVERALL PERFORMANCE**

The half-year results are accompanied by strong strategic choices around social, environmental and regional commitments.

Crédit Mutuel Alliance Fédérale’s commitments to the economic inclusion of young people have been bolstered through a framework agreement signed with the French national employment service, Pôle Emploi. In order to break the glass ceiling and take action against discrimination in employment, there is a focus on recruiting work-study students.

The number will increase from 900 to 1,300 per year (+40%) of which 25% from priority urban neighborhoods and rural areas. As of the first half of 2019, some 870 young people have already been recruited.

As regards the environment, Crédit Mutuel Alliance Fédérale has set itself the target of a 30% reduction in its carbon footprint and is now systematically taking into account the non-financial ratings of businesses in its process of granting financing.

The introduction of a pre-approved credit line at a preferential rate strengthens Crédit Mutuel Alliance Fédérale’s position as a key player in the expansion of businesses in the regions. In partnership with the European Investment Bank, a budget of €1.4 billion has been set aside since the start of the year to enable some 20,000 businesses fund these investment projects (transition range) worth between €50,000 and €2 million.

These new commitments enable Crédit Mutuel Alliance Fédérale to strengthen its overall mutual performance, combining economic performance and social, environmental and regional responsibility.

They strengthen Crédit Mutuel Alliance Fédérale’s position as one of the most robust European banking groups. In the first half of 2019, Crédit Mutuel Alliance Fédérale’s shareholders’ equity amounted to €45.6 billion (an increase of €3.1 billion) and its CET1 ratio was 16.4% (up 30 basis points) at the end of March 2019.

8. Documents available to the public - Director of information

Documents available to the public

During the validity of the registration document, the following documents (or copy of these documents) can be viewed:

Electronically on BFCM's website http: //www.bfcm.creditmutuel.Fr (institutional space)

http://www.bfcm.creditmutuel.fr

- Historical financial information of the BFCM and Crédit Mutuel Alliance Fédérale for each of the two fiscal years preceding the publication of the registration document.
- The 2018 registration document and those of the two previous fiscal years.

Regarding physical media

- The issuer's charter and articles of association.
- All reports, letters and other documents, historical financial information, valuations and statements prepared by an expert at the request of the issuer, a part of which is included or referred to in the registration document.
- The historical financial information of the subsidiaries of the BFCM for each of the two financial years preceding the publication of the registration document.

By sending a request by mail to:

Banque Fédérative du Crédit Mutuel
Legal Department
4 rue Frédéric-Guillaume Raiffeisen
67913 STRASBOURG Cedex 9

Director of information

Mr. Alexandre Saada
Deputy chief executive officer of the BFCM
Email: alexandre.saada@creditmutuel.fr

Mrs. Annie Gain
Financial Director of Crédit Mutuel Alliance Fédérale
Email: annie.gain@creditmutuel.fr

Statutory auditors

Mr. Hassan Baaj represents **Ernst & Young et Autres**.

Mr. Jacques Lévi represents **PricewaterhouseCoopers France**.

9. Person responsible for the updated registration document and the interim financial report – Declaration

Mr. Daniel Baal, Chief Executive of Caisse Fédérale de Crédit Mutuel

After having taken all reasonable measures to that effect, I hereby declare that, to the best of my knowledge, the information contained in this registration document is accurate and contains no omissions that could adversely affect its scope.

I certify, to the best of my knowledge, that the condensed consolidated financial statements for the half-year just ended were prepared in accordance with applicable accounting standards and present an accurate picture of the assets, financial position and net profit and loss of the company and of all of the companies included in the consolidation, and that the half-year activity report presents an accurate picture of the important events that occurred in the first six months of the fiscal year, their impact on the financial statements, the principal transactions between related parties as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Strasbourg, August 7, 2019

10. Cross-reference table

Sections of Appendix 1 of Delegated Regulation (EU) 2019/980: "Registration document for equity securities"	page no. of the universal registration document filed with AMF on August 7, 2019	page no. of the registration document filed with AMF on April 18, 2019 under n°D.19.0359
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* See in the opposite column the page of the registration document D.19.035 incorporated by reference into this universal registration document.

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Pursuant to Article 28 of European Regulation No. 809-2004 on prospectuses and Article 212-11 of the AMF General Regulations, the following items are included by way of reference:

- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2017, presented respectively for the Crédit Mutuel CM11 group on pages 112 to 169, 68 to 111 and 170 to 171 of the registration document of the Crédit Mutuel CM11 group -2017 fiscal year, registered with the AMF on April 20, 2018 under number D.18-0354;

- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2017, the extract of the annual financial statements including the management report for the fiscal year ended December 31, 2017 presented respectively for the Banque Fédérative du Crédit Mutuel on pages 274 to 331, 251 to 272, 332 to 333 and 338 to 368 of the registration document of the Crédit Mutuel CM11 group – Fiscal year 2017, registered with the AMF on April 20, 2018 under number D.18-0354;

- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2016, presented respectively for the Crédit Mutuel CM11 group on pages 114 to 189, 64 to 113 and 190 to 191 of the registration document of the Crédit Mutuel CM11 group – Fiscal year 2016, registered with the AMF on April 28, 2017 under number D.17-0479;

- the consolidated financial statements, management report as well as the statutory auditors' reports on the consolidated financial statements as of December 31, 2016, the extract of the annual financial statements including the management report for the fiscal year ended December 31, 2016 presented respectively for the Banque Fédérative du Crédit Mutuel on pages 286 to 361, 255 to 285, 362 to 363 and 366 to 405 of the registration document of the Crédit Mutuel CM11 group – Fiscal year 2016, registered with the AMF on April 28, 2017 under number D.17-0479.

Banque Fédérative du Crédit Mutuel – *Société Anonyme* (public limited company) with share capital of €1,688,529,500

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