FINANCIAL REPORT

CRÉDIT MUTUEL GROUP

THE BANK OF THE FUTURE

2017

Crédit Mutuel

CONTENTS

MANAGEMENT REPORT
of the board of directors of confédération nationale du crédit mutuel on the 2017 consolidated financial statements

ECONOMIC AND FINANCIAL CONTEXT

2017: A RAMP-UP IN GROWTH ACROSS THE BOARD

Renewed political visibility helped boost worldwide growth throughout the year, driven mainly by the euro zone and the United States. A new level of growth was reached in 2017, which fueled the upward trend of the equity markets, yet without generating an increase in bond yields. Renewed confidence, coupled with still-favorable financial conditions, encouraged increased investment in the developed countries. At the end of the year, this contributed to the slight resurgence of inflationary pressures, although very slow to materialize, which sets the stage for an ongoing gradual reduction in accommodative monetary policies.

A YEAR MARKED BY POLITICAL RISK

The first half of the year was marked by the elections in the euro zone and by Donald Trump's first steps as leader of the United States. The failure to reform the Obamacare healthcare system (in March 2017) was a turning point that triggered a fall in interest rates and in the dollar against the main currencies, reversing the trend observed in the wake of Donald Trump's election in November 2016. This currency trend intensified with the absence of incidents during the election season in Europe. The results of the French elections reassured businesses and investors across the globe, which triggered an upturn in European growth and the single currency. Conversely, clouds gathered over the United Kingdom given the lack of visibility related to the "Brexit" negotiations (as well as Theresa May's setback in the June elections). As a result, activity in Britain slowed, which marks a break from the acceleration in the other regions.

In the third quarter, although geopolitical risk in North Korea did not seriously undermine market confidence, it did – temporarily – encourage capital flight to certain "safe investments" (namely gold and the yen). The Asian indices were mostly unaffected by this situation thanks to the strong international economic environment.

The end of the year was marked by a busy election season which, however, did not slow down growth. Angela Merkel's failure to win a majority forced her to enter into negotiations with the Liberals and the Greens, and then only with the SPD (socialists) in order to form a coalition capable of governing. Moreover, the situation in Catalonia since the October referendum continued to ease with the narrow separatist victory in the December elections.

SYNCHRONIZATION OF GROWTH ON A GLOBAL SCALE

In the euro zone, the absence of incidents during the various political campaigns contributed to a sharp upturn in growth during the last two quarters. This was the result of domestic factors (increase in consumer spending and recovery in household and corporate investment), in addition to buoyant world trade. Although the ramp-up in growth has already spread to the entire zone, the same is not yet true of inflationary pressures. However, 2017 was marked by an easing of deflationary risks (overall reduction in prices), which led the ECB to make its monetary policy less accommodative. The rapid drop in unemployment began to further intensify wage pressures, which implies a gradual and slow increase in inflation.

In the United States, despite an unstable executive branch, growth continued to accelerate, moving above the 2% threshold, which boosted US equities but was unable to trigger an increase in sovereign rates or appreciation of the dollar. To regain momentum, the economy relied primarily on strong demand. Households enjoy a favorable environment with an economy at close to full employment. Although wage acceleration is overdue, the possible overheating of the employment market and the desire to avoid the formation of financial bubbles prompted the Fed to continue its monetary tightening despite the slowdown in core inflation through Q3 2017. The central bank therefore ended the year with a total of three increases in key interest rates and is preparing for a change in its leadership with the appointment of a new governor (Jerome Powell) whose approach is similar to that of the current Chair, Janet Yellen.

In China, the government confirmed in mid-October at the Congress of the Communist Party that its priorities were controlling pollution and reducing debt. The policy aimed at achieving more sustainable and lasting growth is therefore on track, and the authorities continue to steer the economy so as to avoid a serious accident. While this approach is reassuring, one of its consequences is a slowdown in economic growth.

Lastly, in terms of commodities, 2017 saw an extension of the oil production cut agreements by OPEC and Russia. This strategy ultimately worked, with the result that the Brent barrel was over $66 at year-end. The speed at which it has increased since mid-June is fueling short-term inflation.

IN FRANCE, THE NEW GOVERNMENT'S PUSH FOR REFORM HAS FUELED THE UPTURN IN GROWTH

The election of Emmanuel Macron, along with a broad majority in the National Assembly, marked a turning point last year. The government tried to stay on the path of reform and, in the second half of the year, household and corporate confidence rose significantly to record high levels. The government confirmed its commitment to reform the employment market and the taxation of capital through the orders and the Finance Act passed in the fall. Growth continued to climb at a surprising rate and was driven mainly by demand and the increase in investment and consumption. This economic environment is conducive to the consolidation of public finances, which is one of the government's top priorities. Lastly, 2017 was an exceptional year for the French real estate market, where the number of transactions involving new and existing properties increased significantly, triggering a sharp rise in prices.

In conclusion, it is clear that confidence spiked in the developed countries as well as in the emerging countries at the end of the year, which helped to accelerate worldwide growth. In 2018, tax reform in the United States will amplify the ramp-up in activity triggered by the recovery in investment. In the euro zone, the absence of political risk and the favorable outlook suggest a high level of growth in all countries. This economic and financial environment is making the central banks' accommodative monetary policies less and less necessary.

THE GROUP'S ACTIVITY AND RESULTS

The Board of Directors of the Confédération Nationale du Crédit Mutuel opted to prepare consolidated financial statements at the national level in accordance with International Financial Reporting Standards as adopted by the European Commission, even though it is not publicly traded.

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2017 at its meeting on March 7, 2018 and presented them, together with this report, to the General Meeting for its approval.

The main changes in the consolidation scope arose from:
- Banco Popular Español's placement under resolution,
- the acquisition of control of HelloAsso, and
- the acquisitions of Izimmo and Pumpkin.

Note the "full-year" effect related to the GE entities and the delisting of CIC.

THE INTEREST MARGIN (€7.123 BILLION) INCREASED FOR THE FIRST TIME IN TWO YEARS (+3.2%).

The net margin on transactions with credit institutions accounted for most of this change, an improvement over last year's negative balance (-€18 million). The low interest rate environment had a significant impact on overnight and futures transactions.
The net margin on transactions with customers fell slightly to €8.468 billion.

The various components of interest margin are related in particular to changes in the following items:

Customer deposits: €374.176 billion, up 4.5%

Changes in customer deposits reflect the economic situation, particularly interest rate conditions:
- current accounts in credit increased by €16.8 billion to €143.0 billion as a result of the wait-and-see approach taken by account holders in light of interest rates;
- home savings plans (plans épargne logement - PELs) rose by €2.9 billion to €41.4 billion;
- ordinary passbooks recorded a 7.1% (€2.5 billion) increase to €38.4 billion;
- Livret Bleu and Livret A passbook savings increased by 6.6% to €42.1 billion.

Funds collected are centralized at the CDC (€24.2 billion), with 42.2% of all funds centralized in 2017, including popular savings book accounts and capitalization accounts, versus 43.8% at end-2016.

Customer loans and advances: €435.026 billion, an increase of 4.8%

Home loans, representing 50.1% of total loans, rose by 4.7% to €218.0 billion thanks to a high volume of new lending.

Equipment loans, which accounted for 22.7% of total loans, were up by 11.9% to €98.8 billion. Factoring loans also posted strong growth, up 14.1% to €13.1 billion. Finance leasing, which rose by 4.1% to €16.3 billion, also remained strong.

Consumer credit, which accounted for 9.7% of total loans, continued to increase rapidly by 6.5% to €42.1 billion, driven by a high volume of new lending at the branch networks and specialized subsidiaries.

COMMISSION INCOME grew by 7.5%, mainly as a result of commission income on accounts and electronic payments and financial commissions.

NET INCOME ON OTHER ACTIVITIES rose by €774 million (+18.8%) to €4.888 billion, thanks to the insurance activities and to the EI and La Française divisions, which contributed to an increase in other net income.

INCOME FROM THE FAIR VALUE THROUGH PROFIT OR LOSS AND AFS PORTFOLIOS was €1.504 billion compared with €1.872 billion in 2016 (due mainly to sales of securities).

THIS RESULTED IN A 5.5% INCREASE IN NET BANKING INCOME TO €17.7 BILLION.

GENERAL OPERATING EXPENSES (€11.1 BILLION) GREW BY 3.7%. Nearly half of the increase resulted from the full-year effect of changes in scope (+€167 million, primarily GE). Adjusted for this effect, the increase was limited to 2.1%.

PAYROLL COSTS rose by €252 million to €6.436 billion. At constant scope (+2.7%), the main contributors to this increase were incentive bonuses and profit-sharing (up €66 million) and salaries and wages.

The Crédit Mutuel Group employed an average of 82,177 people in 2017 (on a full-time equivalent basis), which represents a slight 0.6% increase.

OTHER OPERATING EXPENSES rose by €222 million (+5.9%) to €3.992 billion as a result of changes in scope (+€75 million), provisions for administrative expenses and external services (including upkeep and maintenance). Taxes and levies and miscellaneous contributions fell by €12 million (including €11 million to the FGDR deposit guarantee fund) despite a €28 million increase in the contribution to the Single Resolution Fund. For French entities and foreign entities, 85% and 100%, respectively, of this contribution is recorded under expenses, i.e. €133 million. The remaining 15% is recorded under assets as a collateralized payment commitment.

DEPRECIATION, AMORTIZATION AND PROVISIONS decreased by €80 million (-11%) to €641 million, almost exclusively on intangible operating assets due to impairment losses recognized in 2016.

Overall, the cost-to-income ratio improved to 62.4% versus 63.5% at December 31, 2016.

NET ADDITIONS TO/REVERSALS FROM PROVISIONS FOR LOAN LOSSES ROSE as a result of the €91 million increase in non-incurred risk, while incurred risk fell by €63 million.

As regards the quality of risks, the proportion of impaired loans was 3.3% compared with 3.9% at the previous balance sheet date. Excluding collective provisions, the coverage rate for these loans reached 55.6% compared with 58.8% in 2016.

GAINS AND LOSSES ON OTHER ASSETS fell by €40 million to a gain of €3 million due to the non-recurrence of 2016 transactions (sales of buildings).

In 2017, the changes in the share of equity-accounted investments and in goodwill pertained to the entities in the Maghreb region.

The **TAX EXPENSE** rose by €631 million (+37.2%) to €2.326 billion as a result of the €337 million non-recurring corporate income tax surcharge.

THIS LED TO AN 8.5% DECREASE IN NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY TO €2.978 BILLION, OR A 13.2% INCREASE EXCLUDING NON-RECURRING ITEMS.

NEVERTHELESS, SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY INCREASED FURTHER, UP 5.7% TO €52.370 BILLION.

This increase was due mainly to:
- a €60 million capital increase to €10.052 billion;
- the transfer to reserves of much of the 2016 annual net income;
- the net income generated in 2017: €2.978 billion; and
- the €1.941 billion in net unrealized capital gains at the group level (up by €67 million from €1.874 billion in 2016), due primarily to growth in the AFS portfolio (€140 million) and the change in the translation reserve.

It should be noted that the impact on shareholders' equity for prudential purposes differs because of the application of the filters imposed by European regulations and the differences in the consolidation methods applied to some entities, notably insurance undertakings.
The return on assets, calculated in accordance with the requirements of Article R. 511-16-1 of the Monetary and Financial Code, was 0.38% compared with 0.41% in 2016.

This financial strength was confirmed by Standard & Poor's, which assigned Crédit Mutuel Group a long-term rating of A with stable outlook.

ANALYSIS BY SECTOR OF ACTIVITY

The five operating segments for reporting purposes correspond to the organization of Crédit Mutuel Group.

Retail Banking comprises the networks of Crédit Mutuel's regional federations and CIC's regional banks. This segment also includes some of the specialized activities whose products and services are marketed by the networks such as finance leasing, factoring, real estate businesses (investment, land development, real estate management, distribution and property development) and collective management of products distributed by the network.

Insurance is considered a separate segment given its importance in the group's activities. The group has historically been the leading bank in this area, having started its bankinsurance activity in 1970. The segment covers both life and non-life insurance.

Corporate and Investment Banking covers financing for large corporate and institutional customers, value-added financing activities, private equity, international activities and capital markets activities, whether on the group's own behalf or on behalf of customers, including stock market intermediation.

Asset Management and Private Banking comprises the subsidiaries that are mainly engaged in private banking, both in France and abroad, together with the asset management and employee savings activities.

Other activities cover all the activities that cannot be assigned to any of the above segments, together with subsidiaries involved purely in logistical support, whose expenses are generally re-billed to the other entities. They include intermediate holding companies, companies owning the property used in the group's operations, and media and IT subsidiaries.

RESULTS BY ACTIVITY AND REPORTING BY COUNTRY

Note that the weight of the data by sector of activity is calculated before elimination of intra-group transactions.

RETAIL

(IN € MILLIONS)	2017	2016	CHANGE 2017/2016
Net banking income	12,846	12,354	4.0%
Operating income before provisions	4,162	3,960	5.1%
Income before tax	3,209	3,072	4.5%
Net income (loss) attributable to owners of the company	1,991	1,944	2.4%

Net banking income in retail banking grew by €492 million to €12.846 billion (up 4.0%), of which €197 million was due to changes in scope (primarily full-year effect of the GE entities). Adjusted for these changes, the increase remained significant at 2.4%.
The growth in net banking income resulted mainly from the increase in commissions, driven by early repayments and commission income on accounts.
The group has 31.6 million customers, an increase of 2.4%.

General operating expenses rose by €290 million to €8.684 billion (up 3.5%), of which €154 million was due to changes in scope (primarily full-year effect of the GE entities), which impacted both payroll costs and other operating expenses. Adjusted for these changes and other non-recurring effects (Single Resolution Fund, National Resolution Fund, etc.), the increase in general operating expenses was limited to 1.3%.

The **cost-to-income ratio** was therefore 67.6% compared with 67.9% a year earlier. Adjusted for non-recurring items, it was 66.4% compared with 67.2% in 2016.

Net additions to/reversals from provisions for loan losses rose by 3.2% to €942 million (up €29 million) as a result of the increase in collective provisions, while incurred risk decreased.

It should be noted that **net gains and losses on other assets and equity-accounted investments** fell by €36 million to -€11 million due mainly to the non-recurrence of a real estate sale.

Corporate income tax increased by €49 million (+4.4%) to €1.156 billion as a result of higher net income and the impact of the future reduction in tax rates (25.82% by 2020) on deferred taxes.

All in all, **net income attributable to owners of the company** rose by €47 million to €1.991 billion.

Retail banking accounted for nearly 70% of income attributable to owners of the company.

INSURANCE

(IN € MILLIONS)	2017	2016	CHANGE 2017/2016
Net banking income	2,374	2,047	16.0%
Operating income before provisions	1,684	1,383	21.8%
Income before tax	1,706	1,418	20.3%
Net income (loss) attributable to owners of the company	996	976	2.0%

Net banking income rose 16.0% (€327 million) to €2.374 billion despite the decrease in life insurance premiums in line with the trend observed in the industry, while non-life premiums increased. Net investment income was up in a favorable market environment.

General operating expenses rose 3.9% to €690 million, driven mainly by an increase in other operating expenses (€18 million, including taxes and levies).

The **share of income from equity-accounted investments** decreased by €13 million to €22 million as a result of the smaller contribution made by RMA Watanya.

Corporate income tax rose by €270 million to €710 million, due in part to the increase in net income and the non-recurring tax surcharge.

Overall, **net income attributable to owners of the company** came to €996 million (up 2.0%).

Insurance represented more than a third of the group's net income.

CORPORATE AND INVESTMENT BANKING

(IN € MILLIONS)	2017	2016	CHANGE 2017/2016
Net banking income	1,152	1,089	5.8%
Operating income before provisions	774	735	5.3%
Income before tax	767	720	6.5%
Net income (loss) attributable to owners of the company	609	533	14.3%

Net banking income rose 5.8% to €1.152 billion, thanks mainly to private equity, while corporate banking and capital markets posted a decrease.

Private equity benefited from an increase in gains on securities portfolios (dividends, gains on disposals) and other net income. Corporate banking was down mainly in terms of specialized financing.

General operating expenses were up by 6.8% to €378 million due to an increase in payroll costs and general operating expenses, including the contribution to the Single Resolution Fund.

Net additions to/reversals from provisions for loan losses rose by €8 million to €7 million, mainly in capital markets.

All in all, **net income attributable to owners of the company** rose by €76 million to €609 million.

ASSET MANAGEMENT AND PRIVATE BANKING

(IN € MILLIONS)	2017	2016	CHANGE 2017/2016
Produit net bancaire	829	769	7,8 %
Résultat brut d'exploitation	258	210	22,9 %
Résultat avant impôt	256	227	12,8 %
Résultat net part du groupe	189	141	34,0 %

Excluding life insurance, financial savings rose by 7.5% to €265.6 billion, thanks mainly to the increase in inflows at the asset management subsidiaries.

Net banking income rose by 7.8% to €829 million, primarily in asset management. In Private Banking, the classification of CIC Singapore's private banking business as an activity held for sale had a negative impact that was mostly offset by the increase posted by the segment's other entities, thanks mainly to commission income.

General operating expenses rose 2.1% to €571 million; this benefited from the classification of CIC Singapore under IFRS 5, while the segment's other entities saw an increase in payroll costs and other operating expenses (+€21 million).

Net additions to/reversals from provisions for loan losses amounted to €8 million compared with €4 million in 2016.

Net gains on other assets and equity-accounted investments totaled €6 million compared with €21 million a year earlier, when they included capital gains on the disposal of non-current assets.

Corporate income tax increased by €17 million to €76 million as a result of the higher net income generated by the segment.

Net gains on discontinued operations pertained to the pending sale of CIC Singapore's private banking business.

Overall, net income attributable to owners of the company came to €189 million, up 34.0%.

OTHER

(IN € MILLIONS)	2017	2016	CHANGE 2017/2016
Net banking income	1,458	1,412	3.3%
Operating income before provisions	(199)	(139)	(43.2%)
Income before tax	(580)	(508)	(14.2%)
Net income (loss) attributable to owners of the company	(807)	(341)	NS

Net banking income rose 3.3% to €1.458 billion, mainly as a result of the increase in the IT division's contribution.

General operating expenses were up 6.8% (€106 million) to €1.657 billion (primarily the IT division).

Net additions to/reversals from provisions for loan losses were limited (€8 million compared with €5 million in 2016).

Net losses on other assets and equity-accounted investments totaled €373 million compared with €364 million in 2016 as a result of the impairment of the goodwill and write-down of the equity-accounted value of Banco Popular Español and its placement under resolution.

Corporate income tax and gains and losses on discontinued operations deteriorated by €384 million to -€225 million, due mainly to the corporate income tax surcharge and net gains on the disposal of Banque Pasche in 2016.

All in all, **income attributable to owners of the company** was -€807 million, a decrease of €466 million.

SHAREHOLDERS' EQUITY AND RISK EXPOSURE

The data provided in the tables on the following pages is expressed in millions of euros. The figures in this section are audited unless indicated otherwise by a double asterisk.

SHAREHOLDERS' EQUITY**

Further to Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (so-called Capital Requirements Regulation), the networks of banking institutions with a central governing body must comply with management ratios both on an individual basis (for each of the Crédit Mutuel groups) and on a consolidated basis at the national level (market risk and credit risk, major risks and equity holdings).

The consolidating entity and the scope of prudential supervision of Crédit Mutuel Group are identical to those used for the group's consolidated financial statements. Only the consolidation method changes, notably as regards the insurance companies, which are consolidated for accounting purposes using the full consolidation method and for prudential purposes using the equity method.

The solvency ratio defines the capital requirement needed to cover credit, market and operational risks. Total shareholders' equity is the sum of Common Equity Tier 1 (CET1) capital, Additional Tier 1 (AT1) capital (such as undated deeply subordinated debt) and Tier 2 capital (including eligible redeemable subordinated securities and undated subordinated securities), less regulatory deductions (which include intangible assets, the amount by which expected losses exceed provisions, securitization positions with a risk weight of 1,250%, valuation adjustments from the application of the prudence concept, deferred tax assets relying on future profitability but unrelated to timing differences, etc.).

Under the target system, prudential filters will no longer be applied and they are being phased out progressively, so that unrealized capital gains (save in respect of cash flow hedges) are excluded at 20% in 2017, whereas as regards capital losses, the General Secretariat of the Autorité de contrôle prudentiel et de résolution (French prudential supervisory and resolution authority - SGACPR), decided on the early application of future requirements, which means that these losses have been taken into account at 100% from 2014. Since October 1, 2016 and in accordance with the new requirements introduced by the ECB (Regulation (EU) No. 2016/445), unrealized capital gains and losses on sovereign securities are no longer subject to the carve-out treatment for significant institutions and are filtered at only 20% in 2017.

Crédit Mutuel Group has been authorized by the SGACPR, subject to compliance with the requirements of Article 49 of the Capital Requirements Regulation, to apply the equity method to investments in insurance undertakings that are subsidiaries of the group, involving weighting them rather than deducting them from Tier 1 capital.

In this respect, the group complies with the reporting requirements arising from the EU Directive applicable to financial conglomerates. This requires, among other things, additional monitoring of the coverage by consolidated shareholders' equity of the cumulative capital adequacy requirements of the banking activities and the solvency margin of the insurance companies.

Crédit Mutuel Group complies with all the applicable regulatory ratios.

SOLVENCY RATIOS

Transition phase

(IN € MILLIONS)	31.12.2017	31.12.2016
COMMON EQUITY TIER 1 (CET1)	**44,420**	**41,859**
Capital	10,053	10,013
Eligible reserves before adjustments	42,499	40,058
Regulatory adjustments to CET1	(8,132)	(8,212)
ADDITIONAL TIER 1 (AT1) CAPITAL	**1,158**	**1,377**
TIER 2 (CET2) CAPITAL	**8,070**	**6,964**
TOTAL CAPITAL	**53,648**	**50,200**
Risk weighted assets - credit risk	229,568	241,435
Risk weighted assets - market risk	3,589	3,950
Risk weighted assets - operational risk	21,528	20,503
TOTAL RISK-WEIGHTED ASSETS	**254,685**	**265,888**
SOLVENCY RATIOS		
Common Equity Tier 1 (CET1) ratio	17.4%	15.7%
Capital ratio	17.9%	16.3%
Total capital ratio	21.1%	18.9%

Taking into account transitional arrangements allowing for the inclusion of net income.

TARGET

Common Equity Tier 1 (CET1) ratio	17.4%	15.7%
Capital ratio	17.4%	15.7%
Total capital ratio	20.7%	18.5%

RISK MANAGEMENT POLICY

As the group's central governing body, Confédération Nationale du Crédit Mutuel measures and monitors consolidated risk exposures as part of its supervisory duties. At the regional level, each Crédit Mutuel group is responsible for managing its own risk exposures.

CREDIT RISK

Crédit Mutuel's credit risk management policy seeks to achieve several objectives, namely to:
- measure capital requirements;
- help steer the group by managing commitments in compliance with limits and, more broadly, with Crédit Mutuel Group's risk appetite;
- reduce net additions to/reversals from provisions for loan losses over time; and
- respond effectively to Basel III and internal control regulations and ensure that regulatory compliance investments generate a return.

In accordance with the overall risk appetite framework approved by the Board of Directors of the Confédération, the regional groups are responsible for their risk strategies and risk-taking. Risks must nevertheless be taken in accordance with the principles of the risk appetite framework approved by the national governing bodies and with the risk tolerance policies approved by the regional governing bodies. The risk tolerance policy for each regional group is then applied in the rules for approving loans and advances, setting the main orientations of its lending activity (notably in terms of customer segmentation), and setting and monitoring limits. Financing limits are set in such a way as to be adapted to the risk management policy and financial fundamentals of the entity concerned and consistent with the system in place at the national level.

National and regional procedures are based on an internal rating system, defined in compliance with Basel III regulatory requirements. This internal rating system is used by all group entities. It allows for the rating of all counterparties eligible for internal ratings-based approaches. The system is based on different statistical models for customer segments for retail exposures and on rating grids developed by experts for bank, large corporate and specialized market exposures. All counterparties eligible for internal ratings-based approaches are positioned on a single rating scale (nine positions for sound exposures in addition to one denoting exposures in default) reflecting the progressive nature of the risk.

The systems for downgrading and provisioning loans are integrated into the information systems and operate on a monthly basis, reclassifying performing loans as doubtful loans where applicable. The software also integrates the notion of contagion to a third party. Provisions are calculated according to the outstanding amounts and the guarantees received, and adjusted by the risk managers depending on the estimated ultimate loss.

At the national level, applications for steering and reporting weighted risk calculations map credit risks, thus enabling the analysis of commitments according to the main categories defined in the internal rating system. The mappings are completed by more detailed management reports, which are produced at the national level and then analyzed by regional entity, providing information on the quality of the group's commitments and compliance with national limits placed on credit risks. The mappings and reports are sent to the senior management of the regional groups (Chief Executive Officers, Risk Management Directors and Commitments Directors) and to the effective managers and supervisory body of Confédération Nationale du Crédit Mutuel.

CREDIT RISK EXPOSURE ON LOANS AND RECEIVABLES

EXPOSURE	31.12.2017	31.12.2016
Loans and receivables		
Credit institutions	33,284	32,894
Customers	443,895	425,463
Gross exposure	**477,179**	**458,357**
Impairment	**(8,861)**	**(10,399)**
Credit institutions	0	0
Customers	(8,861)	(10,399)
Net exposure	**468,318**	**447,958**

CREDIT RISK EXPOSURE ON COMMITMENTS GIVEN

EXPOSURE	31.12.2017	31.12.2016
Financing commitments given		
Credit institutions	1,323	1,464
Customers	74,347	70,842
Guarantee commitments given		
Credit institutions	3,393	2,696
Customers	20,471	19,392
Provision for risks on commitments given	**180**	**180**

EXPOSURE TO CREDIT RISK ON DEBT SECURITIES

EXPOSURE	31.12.2017	31.12.2016
Debt securities		
Government securities	32,754	34,903
Bonds (*)	127,794	130,308
Derivative instruments	7,541	10,024
Repurchase agreements and securities lending	17,705	16,468
Gross exposure	**185,794**	**191,703**
Provisions for impairment	(64)	(64)
Net exposure	**185,730**	**191,639**

(*) Excluding securities classified under loans and receivables.

RATING STRUCTURE OF INTERBANK OUTSTANDINGS AND GEOGRAPHIC BREAKDOWN OF INTERBANK LOANS

	31.12.2017 as a %	31.12.2016 as a %
Structure of interbank loans by rating		
A+	9.0%	10.0%
A-	38.4%	38.4%
B+	25.2%	25.6%
B-	18.8%	16.8%
C and below (excluding default rating)	8.6%	9.2%

Source: IRBA scope - gross performing loans.

The structure of Crédit Mutuel Group's interbank exposures, based on internal ratings, continued to be of good quality at December 31, 2017, with 91% of these exposures rated between A and B.

	31.12.2017 as a %	31.12.2016 as a %
Geographic breakdown of interbank loans by rating		
France	67.4%	67.4%
Germany	1.5%	3.2%
Rest of Europe	18.3%	19.9%
Rest of world	12.7%	9.5%

Source: IRBA/SA scope - total net loans.

The geographical breakdown indicates that interbank exposure remains mainly limited to banks in Europe, notably France and Germany.

CUSTOMER CREDIT RISK

	31.12.2017 as a %	31.12.2016 as a %
Breakdown of loans by customer type		
A - Central governments and banks	19.1%	20.0%
B - Credit institutions	8.9%	9.2%
C – Corporates	21.2%	20.8%
D – Retail	50.8%	50.0%

Crédit Mutuel Group is positioned mainly as a retail bank. Its exposure to retail customers was stable.

GEOGRAPHICAL BREAKDOWN OF CUSTOMER RISK

	31.12.2017 as a %	31.12.2016 as a %
Geographical breakdown of customer risk		
France	82.8%	81.8%
Germany	5.4%	5.7%
Rest of Europe	6.7%	7.1%
Rest of world	5.1%	5.4%

CONCENTRATION OF GROSS CUSTOMER RISK

	31.12.2017	31.12.2016
Concentration of gross customer risk		
Commitments exceeding €300 million		
Number	79	85
Balance sheet commitments (€m)	31,311	35,322
Off-balance sheet commitments (€m)	23,537	24,604
Commitments of between €200 million and €300 million		
Number	58	57
Balance sheet commitments (€m)	9,362	10,071
Off-balance sheet commitments (€m)	4,825	3,822

Taking all commitments into account, the average unit amount of the 79 largest risks exceeding €300 million was €694 million (2016: €705 million) while the average unit amount of the 58 largest risks between €200 million and €300 million was €245 million (2016: €244 million).

QUALITY OF RISK

	31.12.2017	31.12.2016
Gross loans and advances subject to individual provisions	14,801	16,678
Individual provisions	(8,228)	(9,808)
Collective provisions	(633)	(591)
Overall coverage ratio	**59.9%**	**62.4%**
Coverage ratio (individual provisions only)	**55.6%**	**58.8%**

As regards the quality of risks, the proportion of impaired loans was 3.3% compared with 3.9% at the previous balance sheet date.

PAST DUE AMOUNTS

Past due amounts and impaired loans for which guarantees were received

31.12.2017	Past due amounts					Carrying amount of impaired assets	Total past due amounts and impaired assets
€M	LESS THAN 3 MONTHS	3 MONTHS TO 6 MONTHS	6 MONTHS TO 1 YEAR	MORE THAN 1 YEAR	TOTAL	TOTAL	
Equity instruments						**148**	**148**
Debt instruments	**0**	**0**	**0**	**0**	**0**	**429**	**429**
Central governments	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	271	271
Other financial entities	0	0	0	0	0	8	8
Non-financial entities	0	0	0	0	0	150	150
Private individuals	0	0	0	0	0	0	0
Loans and advances	**4,969**	**46**	**131**	**6**	**5,153**	**6,631**	**11,784**
Central governments	64	3	3	0	70	38	108
Credit institutions	0	0	0	0	0	0	0
Other financial entities	37	1	1	0	39	115	154
Non-financial entities*	2,881	33	113	2	3,029	3,874	6,903
Private individuals*	1,988	10	13	4	2,015	2,604	4,619
Other financial assets	**0**	**0**	**0**	**0**	**0**		**0**
Total	**4,969**	**46**	**131**	**6**	**5,152**	**7,208**	**12,360**

** Individual business owners were reclassified as non-financial entities in 2017.*

31.12.2016	Past due amounts					Carrying amount of impaired assets	Total past due amounts and impaired assets
€M	LESS THAN 3 MONTHS	3 MONTHS TO 6 MONTHS	6 MONTHS TO 1 YEAR	MORE THAN 1 YEAR	TOTAL	TOTAL	
Equity instruments						**183**	**183**
Debt instruments	**0**	**0**	**0**	**0**	**0**	**545**	**545**
Central governments	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	370	370
Other financial entities	0	0	0	0	0	160	160
Non-financial entities	0	0	0	0	0	15	15
Private individuals	0	0	0	0	0	0	0
Loans and advances	**4,728**	**98**	**235**	**10**	**5,071**	**6,933**	**12,004**
Central governments	47	2	4	0	53	6	59
Credit institutions	49	0	0	0	49	0	49
Other financial entities	128	2	92	4	226	321	547
Non-financial entities	553	13	18	1	585	1,746	2,331
Private individuals	3,951	81	121	5	4,158	4,860	9,018
Other financial assets	**0**	**0**	**0**	**0**	**0**		**0**
Total	**4,728**	**98**	**235**	**10**	**5,071**	**7,661**	**12,732**

A financial asset has a past due amount when the counterparty has not made a payment by the contractual due date. Loans past due for more than 90 days and not downgraded are immaterial.

BREAKDOWN OF RISK EXPOSURES BY ECONOMIC SECTOR

BREAKDOWN OF GROSS EXPOSURES BY ECONOMIC SECTOR	31.12.2017 as a %	31.12.2016 as a %
Private individuals	42.2%	45.0%
Public administrations and central banks	18.5%	19.3%
Banks and financial institutions	6.9%	7.1%
Other real estate (of which leasing and property companies)	2.7%	2.7%
Real estate development	1.0%	1.0%
Retail trade	3.0%	3.2%
Sole traders	2.7%	2.8%
Construction and building materials	2.1%	2.2%
Agriculture	1.7%	1.8%
Other financial activities	1.8%	1.8%
Industrial goods and services	1.6%	1.8%
Holding companies and conglomerates	1.5%	1.5%
Food processing and beverages	1.2%	1.3%
Industrial transport	1.1%	1.2%
Travel and leisure	1.0%	1.0%
Oil, gas and commodities	0.8%	1.0%
High technology	0.8%	0.8%
Automobile industry	0.7%	0.7%
Utilities	0.6%	0.6%
Healthcare	0.6%	0.6%
Media	0.4%	0.4%
Associations	0.4%	0.4%
Household products	0.4%	0.4%
Other group subsidiaries	5.7%	0.4%
Sundry	0.3%	0.4%
Telecommunications	0.2%	0.3%
Chemicals	0.2%	0.3%

Source: CM-CIC group consolidated data – Basel calculator.

EXPOSURES RELATED TO THE FINANCIAL CRISIS (FSB DATA)

In response to the financial crisis, the Financial Stability Board (FSB) issued recommendations on transparency that seek to improve financial reporting related to certain risk exposures. Crédit Mutuel Group has chosen to implement these recommendations to ensure better financial reporting.

SECURITIZATION

The amounts presented are in € millions.

SUMMARY	CARRYING AMOUNT 31.12.2017	CARRYING AMOUNT 31.12.2016
RMBS	3,023	2,829
CMBS	52	58
CDO/CLO	1,897	2,081
Other ABS	2,044	1,642
CLO hedged by CDS	0	5
Other ABS hedged by CDS	0	0
ABCP program liquidity lines	185	185
TOTAL	**7,200**	**6,801**

Unless otherwise indicated, securities are not hedged by CDS.

Exposures at December 31, 2017

CARRYING AMOUNT	RMBS	CMBS	CLO	OTHER ABS	TOTAL
Trading	1,503	5	17	141	1,666
AFS	1,149	46	1,720	1,677	4,591
Loans (HTM/Loans and advances)	371	1	160	226	759
TOTAL	**3,023**	**52**	**1,897**	**2,044**	**7,015**
France	71	2	251	599	923
Spain	102	-	26	26	155
United Kingdom	195	-	149	225	569
Rest of Europe	322	50	308	1,114	1,794
USA	2,214	-	417	43	2,674
OTHER	119	-	745	36	900
TOTAL	**3,023**	**52**	**1,897**	**2,044**	**7,015**
US Agencies	1,834	-	-	-	1,834
AAA	643	-	1,778	1,285	3,706
AA	179	-	84	526	789
A	53	-	20	26	98
BBB	7	50	4	206	268
BB	21	-	-	-	21
B or below	287	2	-	-	289
Not rated	-	-	11	-	11
TOTAL	**3,023**	**52**	**1,897**	**2,044**	**7,015**

Exposures at December 31, 2016

CARRYING AMOUNT	RMBS	CMBS	CLO	OTHER ABS	TOTAL
Trading	762	0	113	47	921
AFS	1,527	57	1,814	1,368	4,766
Loans (HTM/Loans and advances)	540	2	154	228	923
TOTAL	**2,829**	**58**	**2,081**	**1,642**	**6,611**
France	133	3	58	413	606
Spain	91	0	0	117	208
United Kingdom	296	0	85	162	543
Rest of Europe	457	56	436	951	1,900
USA	1,850	0	894	0	2,744
OTHER	1	0	608	0	609
TOTAL	**2,829**	**58**	**2,081**	**1,642**	**6,611**
US Agencies	1,451	0	0	0	1,451
AAA	689	0	1,990	972	3,651
AA	165	0	48	426	639
A	73	0	22	14	109
BBB	34	53	4	230	321
BB	36	1	0	0	37
B or below	380	5	6	0	391
Not rated	0	0	11	0	11
TOTAL	**2,829**	**58**	**2,081**	**1,642**	**6,610**

BASEL III FRAMEWORK – CREDIT RISK

To better take into account the quality of the borrower, a capital adequacy framework, including the implementation of an internal rating system specific to each institution, has been instituted by the Basel Committee and by the European Commission. European Regulation No. 575/2013 of 26 June 2013 concerning prudential requirements applicable to credit institutions and investment companies is based on these rules.

These rules are based on the three pillars:
- **Pillar I** introduces new minimum capital requirements, with the calculation of a solvency ratio for credit, market and operational risks;
- **Pillar II** requires banks to perform their own assessment to determine whether they have adequate capital to support all the risks in their business and to perform stress tests to assess their capital requirements in the event of a deterioration in the economic environment; and
- **Pillar III** tightens up market discipline by requiring more extensive disclosure and transparency regarding the risk profile of banks governed by the new framework. To this end, each year Crédit Mutuel Group publishes a specific report that can be consulted on its institutional website.

Regarding the minimum capital requirements of Pillar I, the major changes compared with the Cooke ratio as regards credit risk concern the modification of the calculation of risk-weighted assets relative to unexpected losses (UL) included in the ratio's denominator and the possibility of adjusting the capital on the basis of the differential between expected losses (EL) and provisions included in the ratio's numerator.

To measure credit risk, banks must choose between three approaches of increasing risk sensitivity subject to the authorization and under the control of their national supervisory bodies: standardized approach, foundation internal ratings-based approach, and advanced internal ratings-based approach. Each banking institution is required to adopt the approach best suited to the stage of development of its activities and of its organization. The use of so-called internal ratings-based approaches requires prior authorization by France's supervisory authority.

STANDARDIZED APPROACH

The so-called standardized approach is similar to the Basel I Framework insofar as it is based on the application of fixed risk weightings to the different categories of exposures as defined by the regulations. The main modifications result from the possibility to adjust the risk weightings applicable on the basis of credit ratings provided by recognized external institutions and from the broader range of sureties, guarantees and credit derivatives that may be taken into account by banks.

With the agreement of the ACPR, Crédit Mutuel Group will continue to measure claims on sovereign governments and local authorities using the standardized method over the foreseeable future. The option given to banking groups to partially use the standardized method ("PPU" - Permanent Partial Use) applies to these two portfolios.

INTERNAL RATINGS-BASED APPROACHES

These approaches are more sophisticated. Credit risk is a function of the characteristics of each exposure (or pool of exposures) based on the four following parameters: probability of default (PD) by the debtor over a one-year horizon, loss given default (LGD), credit conversion factor (CCF) for off-balance sheet exposures, and effective maturity[1]. The use of these approaches is subject to compliance with a number of quantitative and qualitative requirements that seek to ensure the integrity of the process as well as the estimate of the parameters used to calculate regulatory capital.

There are two main approaches:
- **Foundation internal ratings-based approach (F-IRB)**, under which banks provide their own internal estimates for the probability of default. Other risk components (LGD, CCF and M) are defined in the regulations.
- **Advanced internal ratings-based approach (A-IRB)**, under which banks provide their own internal estimates for the PD, CCF, LGD and M risk components. This approach requires records stretching back over a long enough period of time for statistical purposes.

The Crédit Mutuel Group has opted to apply the most sophisticated approaches of Basel III, focusing first on retail customers, which represent its core business.

The ACPR has authorized Crédit Mutuel to use its internal rating system to calculate its regulatory capital requirements with respect to credit risk as follows:
- Advanced internal ratings-based approach, from June 30, 2008, for exposures to retail customers;
- Foundation internal ratings-based approach, from December 31, 2008, then the advanced internal ratings-based approach, from December 31, 2012, for exposures to credit institutions; and
- Advanced internal ratings-based approach, from December 31, 2012, for exposures to corporate customers.

Crédit Mutuel Group also received an authorization to apply the internal method for real estate development (4% of total corporate assets). This method will be applied from March 31, 2018. Finally, as part of the rollout plan, the projects related to using the advanced method for the factoring subsidiaries of Crédit Mutuel Group in France, Cofidis France and Targobank AG are well underway.

[1] Parameter used exclusively for exposures to central governments, institutions and corporates for which the advanced internal ratings-based approach is used.

As a cooperative bank owned by its members and customers, Crédit Mutuel Group is not focused on redistributing potential increases in shareholders' equity to its shareholders. By opting for an internal ratings-based approach for most of its exposures, the group has:
- complied with requirements laid down in the regulations and by the supervisory body;
- adopted a national framework that helps standardize practices;
- improved its customer risk segmentation, thus helping to fine-tune its management and steering; and
- brought up to standard its information systems and work methods at all levels of its organization given the obligation to use ratings in its management.

Overall, Crédit Mutuel has structured its credit risk measurement and management system by capitalizing on the Basel III Framework, based on:
- a single counterparty rating system;
- a harmonized definition of default that is consistent with the accounting approach;
- the use of national parameters incorporating a margin of prudence; and
- significant investments in its information systems.

INTEREST RATE RISK

Interest rate risk arises from the bank's commercial activities. It results from differences in interest rates and benchmark indices for customer loans and advances on the one hand and customer deposits on the other hand, based on a prospective analysis of expected changes in these components, taking into account embedded options (notably early loan repayments, extensions and drawdowns against confirmed credit lines).

The regional groups are responsible for defining their interest rate risk management and hedging strategies. As required by the regulations (Decree of November 3, 2014), CNCM's Risk Department is responsible for the consolidated and homogeneous measurement of this risk by coordinating methodologies and by regular measurement of overall risk at the group level.

Crédit Mutuel Group has established harmonized national risk agreements and limits, which are set out in the "National interest rate risk methodology."

Measurement and supervision of interest rate risk is carried out at the regional level by the Crédit Mutuel regional groups and at the national level by CNCM.

At the regional level

Each of the Crédit Mutuel regional groups has an asset/liability management (ALM) unit dedicated to monitoring overall interest rate exposure.

The Crédit Mutuel Group entities all use a common base for measuring overall interest rate risk (application of methodological rules for run-off standards, scenarios and early repayment), excluding the trading book, which is monitored at the level of the dealing room.

Group entities have introduced systems of limits that are consistent with the national system. Management and hedging decisions are made by regional committees.

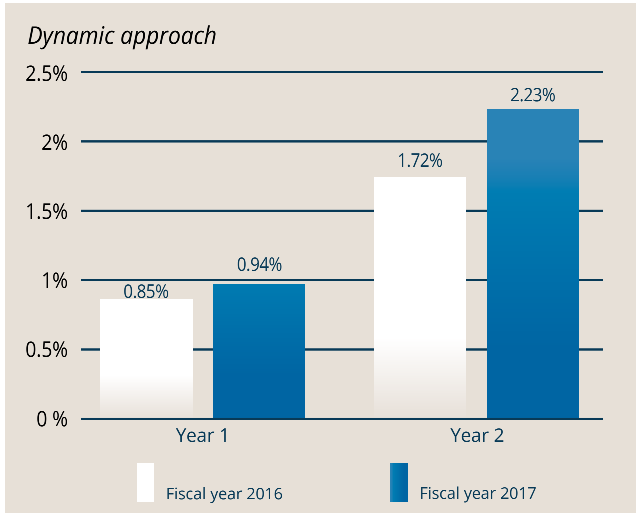
Interest rate risk is analyzed and hedged globally, if appropriate, by entering into so-called macro-hedging transactions. These transactions are accounted for in accordance with IAS 39 as adopted by the European Union, i.e. in accordance with the carved out version. High-value or special-purpose customer transactions may be hedged separately.

At the national level

Interest rate risk is measured quarterly using two indicators:
- risk relating to future income, analyzed in terms of the sensitivity of the margin over the short- to medium-term (one to five years); and
- risk relating to the instant value of the entity, measured as the sensitivity of net present value over a long-term horizon.

At the national level, the sensitivity limit for net banking income over one or two years includes new loan production based on a scenario of moderate changes in interest rates (+/- 1% for variable rates and +/- 0.5% for regulated interest rates).

Sensitivity of net banking income to a differentiated rise in interest



The sensitivity of Crédit Mutuel Group to an increase or decrease in interest rates is moderate. Other scenarios, including stress scenarios, are modeled under the supervision of CNCM.

Measurement of the sensitivity of the economic value of shareholders' equity to interest rate shocks of +/-2% is also taken into account in Crédit Mutuel Group's national system of limits.

LIQUIDITY RISK

Liquidity risk arises from a mismatch in the maturity of the applications of funds and the sources of funds. In its most extreme form, the risk is that an entity will be unable to meet its obligations.

The federal banks of the Crédit Mutuel groups each have an ALM unit or committee tasked notably with managing assets and liabilities to ensure there is sufficient liquidity to meet their commitments.

Liquidity risk is monitored by the regional groups using the following indicators in particular:

- liquidity monitoring ratios and regulatory reports (LCR, NSFR, ALMM).
  Some of the group's regional federations and federal banks apply limits that are stricter than those required by the regulations;
- a medium- to long-term liquidity indicator defined at the national level, the general principle being to run-off all assets and all liabilities and to measure the ratio of coverage of applications by resources of equivalent duration at different maturities. A system of related limits has been put into place; along with
- liquidity reserves and recourse to the 3G pool;
- three-year financing plans;
- liquidity and refinancing costs; and
- liquidity crisis simulations.

With an LCR of 134% at December 31, 2017, Crédit Mutuel Group's liquidity reserves are sufficient to cover all short-term maturities.
The liquidity risk management disclosures that must be published under the EBA/GL/2017/01 guidelines from December 31, 2017 are presented in the national Pillar 3 document.

BREAKDOWN OF INSTRUMENTS BY MATURITY

Breakdown of maturities for liquidity risk 12/31/2017

Residual contractual maturities (€m)	LESS THAN 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 2 YEARS	2 YEARS TO 5 YEARS	MORE THAN 5 YEARS	NO SET MATURITY	TOTAL
Assets								
Cash in hand and balances with central banks	64,724							64,724
Demand deposits at credit institutions	2,764							2,764
Financial assets held for trading	178	623	1,647	2,105	3,704	3,312	1,133	12,702
Financial assets at fair value through profit or loss	62	17	21	27	2,538	304	173	3,142
Financial assets available for sale	2,241	1,501	5,937	6,124	14,822	14,119	4,115	48,859
Loans and advances (including finance leases)	55,126	19,921	41,495	41,413	103,986	207,607	6,165	475,713
Investments held to maturity	-	52	5,302	263	5,129	6	-	10,752
Liabilities								
Central bank deposits	285	-	-	-	-	-	-	285
Financial liabilities held for trading	133	156	729	504	2,317	2,130	30	5,999
Financial liabilities at fair value through profit or loss	17	4	49	25	200	14	-	309
Financial liabilities valued at amortized cost	320,742	33,209	68,421	33,405	72,499	53,323	1,454	583,053

Breakdown of maturities for liquidity risk 31.12.2016

Residual contractual maturities (€m)	LESS THAN 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 2 YEARS	2 YEARS TO 5 YEARS	MORE THAN 5 YEARS	NO SET MATURITY	TOTAL
Assets								
Cash in hand and balances with central banks	68,027							68,027
Demand deposits at credit institutions	2,726							2,726
Financial assets held for trading	718	668	2,042	2,327	3,743	3,343	873	13,714
Financial assets at fair value through profit or loss	63	12	12	16	2,232	241	115	2,691
Financial assets available for sale	3,235	3,230	7,971	6,334	17,026	9,698	4,222	51,716
Loans and advances (including finance leases)	54,256	19,172	41,447	40,221	96,550	199,280	4,272	455,198
Investments held to maturity	50	231	228	5,301	5,341	37	1	11,189
Liabilities	-	-	-	-	-	-	-	-
Central bank deposits	-	-	-	-	-	-	-	-
Financial liabilities held for trading	143	164	867	926	2,963	2,671	123	7,857
Financial liabilities at fair value through profit or loss	3	51	27	3	-	186	-	270
Financial liabilities valued at amortized cost	301,911	40,056	64,649	32,465	77,699	53,308	1,915	572,003

Financial assets and financial liabilities correspond to amounts determined applying International Financial Reporting Standards, for entities within the prudential scope. The scheduling rules are as follows:

- *Maturities are the contractual maturities for repayment of the principal.*
- *Shares are recorded under "No set maturity," as are undated loans and securities.*
- *Debts and accrued interest are broken down according to their actual contractual maturity or, failing that, recorded under "Less than 1 month."*
- *Provisions are analyzed in the same way as the assets concerned.*
- *Non-performing loans are analyzed according to their contractual date, if not yet past, and, failing that, under "No set maturity," in the same way as receivables in litigation.*
- *The market value of derivatives is recorded in the flow corresponding to the end date of the contract.*

When it is not possible to establish a reliable repayment schedule, the carrying amount is recorded under "No set maturity."

FOREIGN EXCHANGE RISK

Each bank hedges the currency risk on customer transactions. This risk is not material at the Crédit Mutuel group level.

MARKET RISK

The main Crédit Mutuel Group entity engaged in market activities is the CM11 Group, which trades on its own account and on behalf of the other federations. The CM11 Group's activities include refinancing the local mutual banks' activities, securities portfolio management and commercial activities for corporate customers (foreign exchange transactions, interest rate and foreign exchange risk hedging).

The dealing room activities are the subject of reports at regular intervals covering risks as well as financial and accounting performances.

The permitted activities and procedures for capital markets activities are included in each regional group's internal regulations. At the operational level, they are analyzed by the various committees involved and reported upon regularly to the boards of directors concerned.

At the national level, reports produced in respect of market activities are used to monitor the main risk indicators and compliance with the national system of limits. They are supplemented with regular monitoring of the results of historical and hypothetical stress on the capital markets activities of all Crédit Mutuel groups.

OPERATIONAL RISK

Methods used by Crédit Mutuel Group

Crédit Mutuel Group is authorized to use its advanced measurement approach (AMA) to calculate regulatory capital requirements in respect of operational risk, save for the deduction of expected losses from capital requirements, as indicated below:
- authorization given since January 1, 2010 for all entities included in the consolidation scope other than the foreign subsidiaries, Cofidis Group and CM-CIC Factor;
- authorization extended to CM-CIC Factor since January 1, 2012;
- authorization extended to Banque de Luxembourg since September 30, 2013; and
- authorization extended to Cofidis France since September 30, 2014.

The deduction of insurance as a risk-mitigating factor for capital requirements in respect of operational risk under the advanced measurement approach (AMA) has been authorized by the ACPR and was applied for the first time in the interim financial statements for the six months to June 30, 2012.

General framework

The system for measuring and controlling operational risk (progressively implemented since 2002) rests on foundations common to the entire Crédit Mutuel group and common quantitative measurement methods.

Risk mappings are performed for each business line, activity group and risk type in close collaboration with the functional departments. These departments define a standardized framework for analyzing losses and draw up expert-based modeling for comparison against scenario-based, probabilistic estimates.

For its modeling, the group relies notably on a national database of internal loss events, in addition to which it has access to an external database on a subscription basis. It also relies on the scenarios developed during the mapping process and in the statistical studies drawn up in compliance with common procedures and regulatory requirements.

Main objectives

The operational risk management policy implemented by the group is designed to achieve the following:
- improve group management by controlling risks and related costs;
- at the human level: protect people, foster individual responsibility, autonomy and controls, and capitalize on the skills within the group;
- at the economic level: preserve margins by managing risks close to the ground in all activities;
- at the regulatory level: comply effectively with the Basel III regulations and with requests from supervisory authorities.

Structure and organization

The group has a clearly identified function responsible specifically for the management of operational risk, which coordinates and consolidates the entire system and its implementation at the level of each entity. In this respect, it:
- defines and manages the reference databases as well as the risk measurement methods and models;
- organizes the reporting of loss events and key risk indicators (KRI);
- draws up the mappings and produces the modeling;
- defines group methodologies;
- directs action plans for mitigating risks; and
- manages financing plans.

This function is coordinated by the operational risk managers (one at each regional group and at each large entity). Their work is coordinated by the national function under the responsibility of the Risk Department of Confédération Nationale du Crédit Mutuel.

Reporting and general oversight

The reporting and general oversight of operational risks are based on the following principles:
- providing information at regular intervals to the Board of Directors covering incurred losses;
- providing ad hoc reports to the national management teams setting out the risk profile analyzed according to the risk structure defined by the group, capital requirements, losses and provisions in respect of loss events.

FINANCIAL CONGLOMERATES

Confédération Nationale du Crédit Mutuel (CNCM) was designated as a financial conglomerate by the Autorité de Contrôle Prudentiel in a letter dated December 16, 2005. Further to the Order of September 19, 2005 issued by the Advisory Committee on Financial Legislation and Regulation (*Comité Consultatif de la Législation et de la Réglementation Financières* - CCLRF), institutions that own more than 20% of the capital of undertakings belonging to the insurance sector must deduct their investment as well as any subordinated loans from their prudential own funds. However, said institutions have the possibility not to deduct from own funds investments in undertakings belonging to the insurance sector, but if so they have an additional requirement in terms of capital adequacy determined applying the so-called accounting consolidation method."

CNCM's activity as a financial conglomerate is undertaken through Groupe des Assurances du Crédit Mutuel, a subsidiary of CM11-CIC Group, Suravenir (life insurance) and Suravenir Assurances (non-life insurance), which are both subsidiaries of CM Arkéa, and Nord Europe Assurance, a subsidiary of CMNE Group. These subsidiaries market an extensive range of life insurance, property insurance, casualty insurance and third-party liability insurance products, predominantly through the banking networks of Crédit Mutuel Group.

At December 31, 2017, coverage of the solvency requirements related to banking activities or investment and insurance services by the own funds of Crédit Mutuel Group acting as financial conglomerate was 184%.

Crédit Mutuel Group had total assets of €813.2 billion at December 31, 2017, broken down by business line as follows:

BREAKDOWN OF TOTAL ASSETS BY BUSINESS LINE

In € billions	Retail Banking	Insurance	Corporate and Investment Banking	Asset Management and Private Banking	Other	Total	Intra-group eliminations	On a consolidated basis
2017	980.1	183.5	76.6	29.8	96.0	**1,366.0**	(552.8)	**813.2**

Quantitative disclosure concerning any intra-group transaction in an amount exceeding 5% of solvency requirements applicable to the various business lines, calculated based on the previous year-end closing or €500 million

Since December 31, 2016, control of the conglomerate's intra-group transactions (banking and insurance) has been carried out by type (i.e. on transactions at the closing date for debt components (broken down by average remaining term) and off-balance sheet commitments, and on the total annual flows for products traded).
Details of intra-group transactions are required by the regulator when the total amount for all transactions by type exceeds a certain threshold, namely:
- 5% of the conglomerate's previous year capital requirements for debt components and off-balance sheet commitments, and
- €500 million or 5% of the conglomerate's previous year capital requirements for products traded.

The threshold of 5% of the conglomerate's capital requirements was €1.453 billion at December 31, 2017 (i.e. 5% of the conglomerate's solvency requirements at December 31, 2016, which amounted to €29.069 billion).

OUTLOOK

In 2018, Crédit Mutuel Group will pursue its development in its various markets in order to best serve all its customers and members. This strategy is based on strong sales activity in its banking networks and specialized subsidiaries, coupled with careful management of its risks.

STATEMENT OF FINANCIAL POSITION
at 12/31/2017

ASSETS (IFRS)

(IN € MILLIONS)	31.12.2017	31.12.2016	NOTES
Cash on hand, balances with central banks	64,724	68,025	1a
Financial assets at fair value through profit or loss	68,829	58,942	2a, 4, 6, 7, 11
Hedging derivative instruments	3,810	5,115	3a, 4, 6, 7
Available-for-sale financial assets	149,559	153,648	5a, 5b, 6, 11
Loans and advances to credit institutions	43,666	43,080	1a, 7, 11
Loans and advances to customers	435,026	415,052	7, 8a, 11
Difference arising on re-measurement of interest-rate-hedged portfolios	727	1,042	3b
Held-to-maturity financial assets	11,456	12,848	9, 11
Current tax assets	2,304	1,986	13a
Deferred tax assets	1,486	1,564	13b
Prepayments, accrued income and other assets	17,187	18,339	14a
Non-current assets classified as held for sale	119	14	14c
Deferred profit-sharing	0	0	
Investments in companies accounted for using the equity method	1,342	1,776	15
Investment property	3,380	2,545	16
Property and equipment	3,548	3,530	17a
Intangible assets	1,128	1,116	17b
Goodwill	4,907	4,900	18
Total assets	**813,198**	**793,522**	

LIABILITIES AND EQUITY (IFRS)

(IN € MILLIONS)	31.12.2017	31.12.2016	NOTES
Balances with central banks	285	0	1b
Financial liabilities at fair value through profit or loss	10,545	12,705	2b, 4, 6, 7
Hedging derivative instruments	3,777	5,619	3a, 4, 6, 7
Amounts due to credit institutions	52,716	55,667	1b, 7
Amounts due to customers	374,176	358,195	8b, 7
Debt securities	130,058	131,678	12
Difference arising on re-measurement of interest-rate-hedged portfolios	(452)	(1,095)	3b
Current tax liabilities	1,089	965	13a
Deferred tax liabilities	1,525	1,536	13b
Accrued charges, deferred income and other liabilities	20,052	19,797	14b
Liabilities directly associated with non-current assets classified as held for sale	14	0	14c
Insurance technical reserves	152,112	145,895	19
Provisions for risks and charges	3,704	3,512	20
Subordinated debt	10,553	8,544	21
Shareholders' equity	**53,044**	**50,504**	
Shareholders' equity - attributable to owners of the company	**52,370**	**49,540**	
Capital and capital reserves	10,083	10,023	22a
Consolidated reserves	37,368	34,390	22a
Gains or losses recognized directly in equity	1,941	1,874	22b
Net income for the year	2,978	3,253	
Non-controlling interests	**674**	**964**	
Total liabilities and equity	**813,198**	**793,522**	

INCOME STATEMENT (IFRS)

(IN € MILLIONS)	31.12.2017	31.12.2016	NOTES
Interest and similar income	19,103	18,683	24
Interest and similar expense	(11,980)	(11,784)	24
Fees and commissions (income)	5,762	5,342	25
Fees and commissions (expense)	(1,529)	(1,403)	25
Net gains on financial instruments at fair value through profit or loss	930	989	26
Net gains (losses) on available-for-sale financial assets	574	883	27
Income from other activities	24,434	23,348	28
Expenses on other activities	(19,546)	(19,234)	28
Net banking income (IFRS)	**17,748**	**16,824**	
General operating expenses	(10,428)	(9,954)	29a,29b
Provisions, amortization and depreciation for property and equipment and intangible assets	(641)	(721)	29c
Operating income before provisions (IFRS)	**6,679**	**6,149**	
Net additions to/reversals from provisions for loan losses	(965)	(937)	30
Operating income (IFRS)	**5,714**	**5,212**	
Share in net income or loss of companies accounted for using the equity method	(344)	(139)	15
Gains or losses on other assets	3	43	31
Changes in goodwill	(15)	(187)	32
Income before tax (IFRS)	**5,358**	**4,929**	
Corporate income tax	(2,326)	(1,695)	33
Gains & losses on discontinued operations, net of tax	22	44	
Net income (loss)	**3,054**	**3,278**	
Non-controlling interests	76	25	
Net income (loss) attributable to owners of the company	**2,978**	**3,253**	

STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

(IN € MILLIONS)	31.12.2017	31.12.2016
Net income (loss)	**3,054**	**3,278**
Translation gains and losses	(109)	(65)
Re-measurement of available-for-sale financial assets	106	(76)
Re-measurement of hedging derivative instruments	40	11
Share of unrealized or deferred gains or losses of companies accounted for using the equity method	(3)	(1)
Total gains and losses that may be recycled subsequently to profit or loss	**34**	**(131)**
Re-measurement of non-current assets	-	-
Actuarial gains (losses) on defined benefit plans	34	(138)
Share of non-recyclable gains and losses of companies accounted for using the equity method	-	0
Total gains and losses that may not be recycled to profit or loss	**34**	**(138)**
Net income and gains and losses recognized directly in equity	**3,122**	**3,009**
Of which attributable to owners of the company	3,045	2,984
Of which non-controlling interests	77	25

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(IN € MILLIONS)	CAPITAL AND CAPITAL RESERVES		CONSOLIDATED RESERVES	UNREALIZED OR DEFERRED GAINS/LOSSES (AFTER TAX)							
	Capital	Capital reserves		translation differences	revaluation differences (excluding financial instruments)	Changes in the value of financial instruments		Net income (loss) attributable to owners of the company	Shareholders' equity attributable to the owners of the company	Shareholders' equity attributable to non-controlling interests	Total consolidated shareholders' equity
						Changes in the fair value of available-for-sale securities	Changes in the fair value of derivative hedging instruments				
Shareholders' equity at January 1, 2016	**9,872**	**31**	**31,989**	**154**	**(249)**	**2,303**	**(65)**	**3,020**	**47,055**	**824**	**47,879**
Capital increase	120								120		120
Appropriation of income for 2014			3,020					(3,020)	-		-
Dividends paid in 2016 in respect of 2015			(174)						(174)	(25)	(199)
Changes in investments in subsidiaries without loss of control			(1)						(1)	1	-
Subtotal of changes linked to relations with shareholders	**120**	**-**	**2,845**	**-**	**-**	**-**	**-**	**(3,020)**	**(55)**	**(24)**	**(79)**
Changes in gains and losses recognized directly in equity				(64)	(138)	185	-		(17)	-	(17)
Changes in the value of financial instruments and non-current assets reclassified to profit or loss						(262)	11		(251)	-	(251)
2016 net income								3,253	3,253	25	3,278
Subtotal	**-**	**-**	**-**	**(64)**	**(138)**	**(77)**	**11**	**3,253**	**2,985**	**25**	**3,010**
Impact of acquisitions and disposals on non-controlling interests			(7)						(7)	187	180
Share of changes in the shareholders' equity of associates and joint ventures accounted for using the equity method			(34)	(1)		-			(35)	-	(35)
Changes in foreign exchange rates			-						-	-	-
Other changes			(4)						(4)	(47)	(51)
Impact of changes in accounting method or error corrections			(399)						(399)	(1)	(400)
Shareholders' equity at December 31, 2016	**9,992**	**31**	**34,390**	**89**	**(387)**	**2,226**	**(54)**	**3,253**	**49,540**	**964**	**50,504**
Shareholders' equity at January 1, 2017	**9,992**	**31**	**34,390**	**89**	**(387)**	**2,226**	**(54)**	**3,253**	**49,540**	**964**	**50,504**
Capital increase	60								60		60
Appropriation of income for 2016			3,253					(3,253)	-		-
Dividends paid in 2017 in respect of 2016			(137)						(137)	(10)	(147)
Changes in investments in subsidiaries without loss of control			(2)						(2)	2	-
Subtotal of changes linked to relations with shareholders	**60**	**-**	**3,114**	**-**	**-**	**-**	**-**	**(3,253)**	**(79)**	**(8)**	**(87)**
Changes in gains and losses recognized directly in equity				(109)	34	242	-		167	1	168
Changes in the value of financial instruments and non-current assets reclassified to profit or loss						(137)	40		(97)	-	(97)
2017 net income								2,978	2,978	76	3,054
Subtotal	**-**	**-**	**-**	**(109)**	**34**	**105**	**40**	**2,978**	**3,048**	**77**	**3,125**
Impact of acquisitions and disposals on non-controlling interests			(208)						(208)	(359)	(567)
Changes in accounting methods			-						-	-	-
Share of changes in the shareholders' equity of associates and joint ventures accounted for using the equity method			(17)	(37)		34			(20)	-	(20)
Changes in foreign exchange rates			-						-	-	-
Other changes			89						89	-	89
Shareholders' equity at December 31, 2017	**10,052**	**31**	**37,368**	**(57)**	**(353)**	**2,365**	**(14)**	**2,978**	**52,370**	**674**	**53,044**

STATEMENT OF CASH FLOWS

(IN € MILLIONS)	31.12.2017	31.12.2016
Net income (loss)	3,054	3,278
Tax	2,326	1,695
Income before tax	**5,380**	**4,973**
=+/- Net provision for depreciation of property and equipment and intangible assets	641	737
- Impairment of goodwill and other non-current assets	15	187
+/- Net charges to provisions and impairment	6,252	7,562
+/- Share of income of companies accounted for using the equity method	(344)	139
+/- Net loss/income from investment activities	(53)	(554)
+/- (Income)/expenses on financing activities	0	0
+/- Other movements	832	307
= Total of non-monetary items included in income before tax and other adjustments	**7,344**	**8,378**
+/- Flows linked to transactions with credit institutions (a)	(3,011)	2,173
+/- Flows linked to transactions with customers (b)	(4,371)	3,925
+/- Flows linked to other transactions affecting financial assets or liabilities (c)	(6,368)	7,287
+/- Flows linked to other transactions affecting non-financial assets or liabilities	611	704
- Taxes paid	(2,256)	(2,059)
= Net reduction/(increase) in assets and liabilities from operating activities	**(15,395)**	**12,030**
TOTAL NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)	**(2,671)**	**25,381**
+/- Flows linked to financial assets and holdings (d)	1,737	666
+/- Flows linked to investment property (e)	(710)	(85)
+/- Flows linked to property and equipment and intangible assets (f)	(595)	(641)
TOTAL NET CASH FLOW LINKED TO INVESTMENT ACTIVITIES (B)	**433**	**(60)**
+/- Cash flows from or to shareholders (g)	(87)	(79)
+/- Other net cash flows from financing activities (h)	(967)	(3,761)
TOTAL NET CASH FLOW LINKED TO FINANCING ACTIVITIES (C)	**(1,054)**	**(3,840)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (D)	**(232)**	**100**
Net increase/(reduction) in cash and cash equivalents (A + B+ C + D)	**(3,524)**	**21,581**
Net cash flow from operating activities (A)	(2,671)	25,381
Net cash flow linked to investment activities (B)	433	(60)
Net cash flow linked to financing activities (C)	(1,054)	(3,840)
Effect of exchange rate changes on cash and cash equivalents (D)	(232)	100
Cash and cash equivalents on opening	**64,011**	**42,430**
Cash and central banks (assets and liabilities)	68,027	13,757
Accounts (assets and liabilities) and demand lending/borrowing with credit institutions	(4,016)	28,673
Cash and cash equivalents on closing	**60,487**	**64,011**
Cash and central banks (assets and liabilities)	64,441	68,027
Accounts (assets and liabilities) and demand lending/borrowing with credit institutions	(3,954)	(4,016)
CHANGE IN NET CASH	**(3,524)**	**21,581**

(IN € MILLIONS)	31.12.2017	31.12.2016
(a) **Flows linked to transactions with credit institutions** break down as follows:		
+/- Inflows and outflows linked to loans and advances to credit institutions (other than items included in cash and cash equivalents), excluding accrued interest	(3,431)	3,716
+/- Inflows and outflows linked to amounts due to credit institutions, excluding accrued interest	420	(1,543)
(b) **Flows linked to transactions with customers** break down as follows:	0	0
+/- Inflows and outflows linked to loans and advances to customers, excluding accrued interest	(21,174)	(17,277)
+/- Inflows and outflows linked to amounts due to customers, excluding accrued interest	16,803	21,202
(c) **Flows linked to other transactions affecting financial assets or liabilities** break down as follows:	0	
+/- Inflows and outflows linked to financial assets at fair value through profit or loss	(9,973)	(5,043)
+/- Inflows and outflows linked to financial liabilities at fair value through profit or loss	(769)	(1,700)
- Outflows linked to acquisitions of fixed-income available-for-sale securities **	2,863	4,440
+ Inflows linked to sales of fixed-income available-for-sale financial assets**	0	0
+/- Inflows and outflows linked to derivative hedging instruments	0	0
+/- Inflows and outflows linked to debt securities	1,511	9,590
(d) **Flows linked to financial assets and holdings** break down as follows:	0	
- Outflows linked to acquisitions of subsidiaries, net of cash acquired	0	0
+ Inflows linked to sales of subsidiaries, net of cash transferred	0	0
- Outflows linked to acquisitions of securities of companies accounted for using the equity method	(20)	(109)
+ Inflows linked to sales of securities of companies accounted for using the equity method	1	17
+ Inflows linked to dividends received	0	0
- Outflows linked to acquisitions of held-to-maturity financial assets	(1,269)	(1,619)
+ Inflows linked to sales of held-to-maturity financial assets	2,988	2,872
- Outflows linked to acquisitions of variable-income available-for-sale financial assets	(280)	(1,225)
+ Inflows linked to sales of variable-income available-for-sale financial assets	317	730
+/- Other cash flows linked to investment transactions	0	0
+ Inflows linked to interest received, excluding accrued interest not yet due	0	0
(e) **Flows linked to investment property** break down as follows:	0	
- Outflows linked to acquisitions of investment property	(735)	(118)
+ Inflows linked to sales of investment property	26	33
(f) **Flows linked to property and equipment and intangible assets** break down as follows:	0	
- Outflows linked to acquisitions of property and equipment and intangible assets	(846)	(1,080)
+ Inflows linked to sales of property and equipment and intangible assets	251	439
(g) **Cash flows from or to shareholders** break down as follows:	0	
+ Inflows from issuance of shares and similar securities	224	120
+ Inflows from disposals of shares and similar securities	0	0
- Outflows linked to dividends paid	(118)	(199)
- Outflows linked to other payments	0	0
+ Inflows linked to a change in investments without loss of control	0	0
- Outflows linked to a change in investments without loss of control	0	0
(h) **Other net cash flows from financing activities** break down as follows:	0	
+ Inflows linked to issuance of bonds and debt securities	14,809	8,953
- Outflows linked to repayment of bonds and debt securities	(17,716)	(14,078)
+ Inflows linked to issuance of subordinated debt	2,000	2,600
- Outflows linked to repayment of subordinated debt	(60)	(1,236)
- Outflows linked to interest paid, excluding accrued interest not yet due	0	0

** including revaluations linked to acquisitions/disposals of variable-income available-for-sale financial assets.*

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NOTES TO THE FINANCIAL STATEMENTS

The Crédit Mutuel group is not listed and is consequently under no obligation to present consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). However, for the sake of greater transparency and comparability with other leading financial institutions, the Board of Directors of the Confédération Nationale du Crédit Mutuel, which is the group's central governing body within the meaning of Article L.511-31 of the French Monetary and Financial Code, has opted to prepare consolidated financial statements at the national level in accordance with IFRS.

These financial statements are presented in accordance with French Accounting Standards Board Recommendation no. 2013-04 relating to financial statements under IFRS. They comply with the international accounting standards adopted by the European Union.

Since January 1, 2017, the group has applied various amendments adopted by the EU which have no material impact on the group's financial statements. These mainly include the amendment to IAS 12 – Income Taxes, which clarifies the principles for recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. It states that the recovery of this temporary difference is assessed:
- with all the temporary differences and carried forward losses of the entity, whether the holder plans to sell the securities or hold them to maturity,
- taking into account restrictions on the use of tax losses.

The estimation of probable future taxable profits can take into account a recoverable amount of assets which is higher than their carrying amount (for example, because of fair value). It excludes tax deductions resulting from the reversal of deductible temporary differences.

Information regarding risk management is presented in the group's management report.

PART 1 - ACCOUNTING POLICIES

NOTE 1:
CONSOLIDATION SCOPE

Crédit Mutuel is a co-operative bank governed by the Law of September 10, 1947. It is owned solely by its members, who hold member shares ('A' shares). Members are each entitled to one vote at general meetings, where their powers include the election of directors.

The three levels of organization - local, regional and national - operate on a decentralized basis in accordance with the principle of subsidiarity. The local mutual banks, which are in closest contact with members and customers, carry out all the principal functions of bank branch offices, with the other two levels exercising only those functions that the local entities are not in a position to carry out alone.

Under Article L. 511-30 of the French Monetary and Financial Code, the Confédération Nationale is the central governing body for the group. As such it is responsible for:
- ensuring the liquidity and solvency of the Crédit Mutuel network,
- representing Crédit Mutuel before the public authorities and defending and promoting its interests,
- and, more generally, ensuring the overall cohesion of the network and overseeing its functioning and business development while at the same time exercising administrative, technical and financial control over the regional groups and their subsidiaries.

The method for consolidating a group with such a distinctive capital ownership structure is based on determining a consolidating entity that reflects the community of members linked by shared financial solidarity and governance.

• Consolidating entity
The consolidating entity for the Crédit Mutuel group is composed of all the Local Mutual Banks, the Federal Banks ((general purpose and farming/rural), the Regional Federations, Caisse Centrale du Crédit Mutuel, the Confédération Nationale du Crédit Mutuel and Fédération du Crédit Mutuel Agricole et Rural.

The capital of the consolidating entity is thus owned exclusively by all the members of the local mutual banks.

• Basis of consolidation
The general principles for the inclusion of an entity within the consolidation scope are as defined in IFRS 10, IFRS 11 and IAS 28 (revised).
All the entities included in the consolidation scopes of the regional groups are included in the national consolidation scope. Jointly-held companies, not consolidated at regional level, are excluded from the national consolidation scope if their total assets or earnings have an impact of 1% or less on the consolidated equivalent. However, an entity that does not reach this threshold may be consolidated if its activity or intended development result in it being considered a strategic investment.

The consolidation scope comprises:

- *Entities controlled exclusively*: exclusive control is presumed to exist when the group investor has power over and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of entities controlled exclusively are fully consolidated.

- *Entities controlled jointly*: joint control is the contractually agreed sharing of control of an entity, which exists only when decisions about the key activities require the unanimous consent of the parties sharing control. When two parties or more exercise joint control, this amounts to a joint arrangement, which is considered either a joint operation or a joint venture:
  - a *joint operation* is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the entity. The joint operator recognizes the entity's assets, liabilities, revenue and expenses in relation to its interest in the joint operation.
  - a *joint venture* is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the entity's net assets. The joint venturer recognizes its interest in the entity using the equity method.

All entities over which the group exercises joint control are joint ventures within the meaning of IFRS 11.

- *Entities over which significant influence is exercised*: these are entities over whose financial and operational policies the group exercises significant influence but does not have control. Entities over which the group exercises significant influence are consolidated using the equity method.

Holdings belonging to private equity companies and over which the group exercises joint control or significant influence are recognized at fair value by option.

NOTE 2:
CONSOLIDATION POLICIES AND METHODS

2.1 Consolidation methods
The following consolidation methods have been used:

• Full consolidation
This method consists of substituting the various assets and liabilities of the subsidiary concerned for the value of the securities held and of recognizing the share of non-controlling interests in shareholders' equity and net profit. It is applied to all exclusively-controlled entities, including those with a different accounts structure, regardless of whether or not the activity concerned forms part of the consolidating entity's activities.

Non-controlling interests correspond to participating interests not resulting in control being exercised as defined by IFRS 10 and include instruments constituting present ownership interests and conferring rights to a share of the net assets in the event of liquidation and other capital instruments issued by the subsidiary but not held by the group.

UCITS, notably those representing unit-linked policies of insurance undertakings, are recognized at fair value through profit or loss. The amounts corresponding to non-controlling interests are recognized under "Other liabilities".

• Equity method of consolidation
The equity method of consolidation consists of substituting the group's share of the shareholders' equity and net profit of the entity concerned for the value of the securities held. It is applied to all entities determined to be joint ventures or over which significant influence is exercised.

2.2 Closing date
All the companies included in the group's consolidation scope close their accounts on December 31 of each year.

2.3 Elimination of intra-group transactions
Intra-group accounts and any effects resulting from intra-group transfers that would have a material impact on the consolidated financial statements are eliminated.

2.4 Translation of accounts denominated in a foreign currency
Concerning foreign entities whose accounts are denominated in a foreign currency, the balance sheet is translated using the official exchange rate on the closing date. The translation difference arising on the capital, reserves and retained earnings is recognized in shareholders' equity, under "Translation reserves". The income statement is translated using the average exchange rate for the year. The resulting translation differences are recognized directly in "Translation reserves". Such differences are transferred to profit and loss in the event of the disposal or liquidation of all or part of the holding in the foreign entity.

2.5 Goodwill
• Fair value adjustments
On taking control of a new entity, its assets, liabilities and any operating contingent liabilities are measured at fair value. Fair value adjustments, corresponding to the difference between the carrying amount and fair value, are recognized in the consolidated financial statements.

• Goodwill
In compliance with IFRS 3 (revised), on the date that control of a new entity is acquired, those identifiable assets, liabilities and contingent liabilities of the acquiree meeting criteria for recognition under IFRS are measured at fair value on the date of acquisition, except for non-current assets classified as assets held for sale, which are recognized at the lowest of fair value less costs to sell and carrying amount. IFRS 3 (revised) permits goodwill to be recognized on a full basis or on a proportional basis, the choice being available for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Changes in value of goodwill".

If there is an increase (decrease) in the group's percentage holding in a controlled entity, the difference between the acquisition cost (sale price) of the securities and the share of consolidated shareholders' equity represented by such securities on the date of acquisition (date of sale) is recognized in shareholders' equity.

The group regularly (at least once each year) tests goodwill for impairment. These tests are intended to ensure that goodwill has not experienced any impairment. If the recoverable amount of the cash-generating unit (CGU) to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. This impairment loss, recognized in profit and loss, is irreversible. In practice, cash-generating units are defined on the basis of the group's business lines.

NOTE 3:
ACCOUNTING POLICIES AND METHODS

3.1 Loans and receivables
Loans and receivables are fixed or determinable-income financial assets not listed on an active market, which are not intended for sale when acquired or granted. They include loans granted directly or the bank's share of syndicated loans, loans acquired and unlisted debt securities. When first recorded on the balance sheet, they are 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 period ends, the outstandings are measured at their amortized cost using the effective interest rate method (other than those recognized using the fair value by option method).

Commissions received or paid that are directly related to setting up the loan and are treated as an additional component of interest are recognized over the life of the loan using the effective interest rate method and are shown under interest items in the income statement.
Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

The restructuring of a loan due to the borrowers' financial problems requires novation of the contract. Following the definition of this concept by the European Banking Authority, the group has integrated it into its information systems to ensure consistency between the accounting and prudential definitions. The relevant financial information is included in the management report.

The fair value of loans and receivables is disclosed in the notes to the financial statements on each closing date:

it comprises the present value of projected future cash flows discounted using a zero-coupon interest rate curve, which includes the issuer cost inherent to the debtor.

3.2 Provisions for impairment of loans and receivables and for financing commitments and guarantee commitments

• Individual provisions for impairment of loans and receivables

Impairment is recognized once there is objective evidence of the existence of an event or events occurring subsequent to the granting of the loan – or group of loans – and likely to generate a loss. An analysis is performed on a contract-by-contract basis at each period end. The amount of impairment is equal to the difference between the carrying amount and the present value of the projected future cash flows discounted at the original effective interest rate on the loan, taking into account any guarantees. For variable-rate loans, the last known contractual rate is used.
The existence of unpaid past due amounts for more than three months or of current accounts that have been non-compliant for more than three months represents objective evidence of a loss event. Similarly, an objective indication of loss is identified when it is probable that the debtor will not be able to repay all the amounts due, when a default event has taken place or in the event of a court-ordered liquidation.
Impairment losses and provisions are recognized as a component of net additions to/reversals from provisions for loan losses. When reversed, impairment losses and provisions are treated as a reduction in net additions to/reversals from provisions for loan losses for the portion relating to the change in risk, while the portion relating to the impact of the passage of time is recognized in the interest margin. Impairment provisions are deducted from the asset in the case of loans and receivables and the provision is recorded under "provisions" in liabilities for financing and guarantee commitments (see Note 3.9). Irrecoverable receivables are written off and the corresponding impairment losses and provisions are written back.

• Collective provisions for impairment of loans and receivables

All loans to customers not written down for impairment on an individual basis are grouped together into homogeneous pools of exposures. Exposures at risk are subject to an impairment provision based on the loss given default and the probability of default to maturity observed internally or externally, applied to the loan outstandings. This provision is recognized as a deduction from the corresponding assets in the balance sheet and changes during the period are recognized in net additions to/reversals from provisions for loan losses in profit or loss.

3.3 Leases

A lease is an agreement under which the lessor grants to the lessee, for a pre-determined period, the right to use an asset in exchange for a payment or series of payments.

A finance lease is a lease under which virtually all of the risks and benefits inherent in the ownership of an asset are transferred to the lessee. Ownership of the asset may or may not eventually be transferred.

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

• Finance leases – lessor

In accordance with IAS 17, finance lease transactions with non-group companies are reported on the consolidated balance sheet at their financial accounting amount.

Analysis of the economic substance of transactions results, in the accounts of the lessor, in:
- ecognition of a financial receivable due from the customer, amortized by the lease payments received;
- breakdown of the lease payments between interest and the amortization of the principal, known as financial amortization;
- recognition of a net unrealized reserve, equal to the difference between:
- the net financial outstanding: the amount due by the lessee, comprising the remaining principal due and accrued interest at the closing date;
- the net carrying amount of the leased non-current assets;
- the deferred tax provision.

• Finance leases – lessee

In accordance with IAS 17, the non-current assets concerned are recorded on the balance sheet as assets and the borrowing from credit institutions is recorded as a liability. Lease payments are broken down between interest expense and repayment of principal.

3.4 Securities

• 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.
On initial recognition of a financial instrument, fair value is generally the transaction price.
When measured subsequently, fair value must be determined. The measurement method applied varies depending on whether the financial instrument is traded in a market considered as active or not.

• Financial instruments traded in an active market

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

• Financial instruments not traded in an active market

Observable market data is used when this data reflects the reality of a transaction in an arm's length exchange on the valuation date and there is no need for material adjustments to the valuation obtained in this way. In the other cases, the group uses non-observable mark-to-model data.

When there is no observable data or when adjustments to market prices require reliance to be placed on non-observable data, the entity may use internal assumptions regarding future cash flows and discount rates, comprising adjustments for risks in the same way as the market would. These valuation adjustments are used, notably, to integrate risks that would not be captured by the model, liquidity risks 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.
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 instances, the adjustments made by the group are reasonable and appropriate, with reliance placed on judgment.

• Fair value hierarchy

A three-level hierarchy is used for fair value measurement:
- **Level 1:** quoted prices in active markets for identical assets or liabilities; this notably concerns debt securities quoted by at least three contributors, and derivatives quoted on an organized market;
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability in question, either directly (i.e. as prices) or indirectly (i.e. derived from prices); this level includes notably interest rate swaps for which fair value is determined with the help of yield curves produced on the basis of market interest rates at the balance sheet date; and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs); this category includes notably unconsolidated participating interests held (via venture capital entities or not) as part of the capital markets activities, debt securities quoted by a sole contributor and derivatives valued using mainly non-observable data.

The instrument is classified at the same level of the hierarchy as the lowest level of the input having an important bearing on fair value considered as a whole. Given the diverse nature and quantity of the instruments valued as Level 3, the calculation of fair value sensitivity to changes in the valuation parameters would not provide meaningful information.

• Accounting classification of securities

Securities may be classified in one of the following categories:
- financial assets at fair value through profit or loss;
- available-for-sale financial assets;
- held-to-maturity financial assets; or
- loans and receivables.

Classification in one or other of these categories reflects the group's management intention and determines how a particular instrument is recognized and measured in the financial statements.

• Financial assets and financial liabilities at fair value through profit or loss

• Classification criteria and transfer rules

Securities are classified in this category when acquired for the purpose of selling them in the near term or because, upon initial recognition, they were designated as at fair value through profit or loss.

a) Instruments held for trading:

Securities are classified as held for trading if they were acquired principally for the purpose of selling them in the near term or if they are part of a globally managed portfolio for which there is evidence of a recent actual pattern of short-term profit-taking.
Market conditions may prompt the Crédit Mutuel group to review the investment strategy and management intention for these securities. When it would be untimely to sell securities purchased initially for the purpose of selling them in the near term, these securities may be reclassified in accordance with the provisions of the amendments to IAS 39 issued in October 2008. Transfers to available-for-sale financial assets or to held-to-maturity financial assets are permitted in exceptional circumstances. Transfers to "Loans and receivables" are permitted when the group has the intention and ability to hold these securities over the foreseeable future or to maturity, and when the assets transferred meet the criteria for recognition as loans and receivables, in particular the requirement that they not be quoted on an active market. No transfer of this type has occurred since 2008, but when such a transfer is made this aims to better reflect the current management intention for these instruments and to reflect more faithfully their impact on the group's results.

b) Instruments designated as at fair value through profit or loss:

Financial instruments may be designated as at fair value through profit or loss upon initial recognition. Once designated as such, financial instruments cannot be reclassified. This classification is permitted in the following circumstances:
- financial instruments containing one or several 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, and
- instruments belonging to a pool of financial assets measured and accounted for at fair value.

The group has used this option in particular for unit-linked insurance policies, for consistency with the treatment applied to liabilities, and for private equity securities and certain debts issued that contain embedded derivatives.

• Basis for measurement and recognition of income and charges

Securities classified as assets and liabilities at fair value through profit or loss are recognized on the balance sheet at fair value when they are first recorded and at all subsequent balance sheet dates until such time as they are disposed of. Changes in fair value and income received or accrued on fixed income securities classified in this category are recorded in profit or loss under "Net gains (losses) on financial instruments at fair value through profit or loss".
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 and settlement dates are recognized in profit or loss.
If there is a transfer to one of the other three categories, the financial asset's fair value on the transfer date is treated subsequently as representing cost or amortized cost. No gain or loss recognized prior to transfer may be reversed.

• Available-for-sale financial assets

• Classification criteria and transfer rules

Available-for-sale financial assets are financial assets that have not been classified as "loans and receivables", "held-to-maturity financial assets" or "financial assets at fair value through profit or loss".
Fixed income securities may be reclassified as:
- held-to-maturity financial assets if there is a change in management intention, providing these assets meet the classification criteria for this category;
- loans and receivables if there is a change in management intention and an ability to hold these securities over the foreseeable future or until their maturity, providing these assets meet the classification criteria for this category.

There has been no reclassification since 2008.

• Basis for measurement and recognition of income and charges

These assets are recognized on the balance sheet at fair value when they are acquired and at subsequent balance sheet dates until such time as they are disposed of. Changes in fair value are recorded in shareholders' equity under a specific heading entitled "Unrealized or deferred gains or losses", excluding accrued income. Unrealized gains or losses recognized in equity are recognized in profit or loss only when the assets are disposed of or when evidence of permanent impairment is observed. On disposal, the unrealized gains or losses previously recognized in equity are transferred to profit or loss under "Net gains (losses) on available-for-sale financial assets", together with the gain or loss on disposal. Purchases and sales of securities are recognized on the settlement date. If securities with a fixed maturity are transferred from available-for-sale financial assets to held-to-maturity financial assets or to loans and receivables, and in the absence of impairment losses, unrealized gains or losses previously recognized directly to equity are reversed over the residual life of the asset. If securities with no fixed maturity are transferred to loans and receivables, unrealized gains or losses previously recognized directly to equity are maintained in equity until the sale of the securities.

Income accrued or received on fixed-income securities is recognized in profit or loss under "Interest and similar income", using the effective interest rate method. Dividends received on variable-income securities are recorded in profit or loss under "Net gains (losses) on available-for-sale financial assets".

• Impairment and credit risk

a) Lasting diminution in the value of shares and other equity instruments

Impairment losses are recognized in respect of variable-income financial assets classified as available for sale in the event of a prolonged or material decline in fair value relative to cost.

In the case of variable-income securities, at Crédit Mutuel a loss in the value of an instrument relative to its acquisition cost of 50% or more or over a period of 36 consecutive months triggers the recognition of an impairment loss. Impairment testing is carried out on a line-by-line basis. Judgment is also exercised for securities not meeting the aforementioned criteria when management estimates that the recovery of the amount invested cannot reasonably be expected in the near future. The loss is recognized in profit and loss under "Net gains (losses) on available-for-sale financial assets".

Any subsequent impairment is also recognized in profit and loss.
Losses for permanent impairment of shares and other equity instruments recorded in profit and loss may not be reversed as long as the instrument is carried on the balance sheet. In the event of a subsequent appreciation in value, this will be recognized in equity within "Unrealized or deferred gains and losses".

b) Impairment losses in respect of credit risk

Impairment losses relating to fixed-income available-for-sale securities (mainly bonds) are recognized under "Net additions to/reversals from provisions for loan losses". The existence of a credit risk alone justifies recognizing impairment losses against fixed-income securities; a decline in value due simply to an increase in interest rates does not. In the event an impairment loss is recognized, all accumulated unrealized losses taken to equity must be reversed to profit or loss. Impairment losses may be reversed. Any subsequent appreciation resulting from an event occurring since the recognition of the impairment loss is also recognized in profit or loss under "Net additions to/reversals from provisions for loan losses" when there has been an improvement in the borrower's credit situation.

• Held-to-maturity financial assets

• Classification criteria and transfer rules

Held-to-maturity financial assets are securities with fixed or determinable payments and a fixed maturity, and which the Crédit Mutuel group has the positive intention and ability to hold to maturity.
Transactions to hedge the interest rate risk in respect of this category of securities are not eligible for hedge accounting under IAS 39.
Moreover, possibilities for selling or transferring held-to-maturity securities are extremely restricted under IAS 39 which, on failure to comply and depending on the circumstances, may require the entire portfolio to be reclassified at the level of the group and prohibit the use of this category for two years.

• Basis for measurement and recognition of income and charges

Held-to-maturity securities are recognized at fair value when acquired. Subsequently they are measured at amortized cost using the effective interest rate method, which factors in the amortization of any premiums, discounts and, if material, acquisition costs.
Purchases and sales of securities are recognized on the settlement date.
Income received from these securities is recorded under "Interest and similar income" in profit or loss.

• Credit risk

An impairment loss is recognized when there is objective evidence that the asset is impaired as a result of one or more events having occurred after initial recognition of the asset and when this could generate a loss (proven credit risk). Impairment testing is carried out at each balance sheet date for each security in turn. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original interest rate, taking into account any guarantees. The impairment loss is recognized in profit or loss under "Net additions to/reversals from provisions for loan losses". Any subsequent appreciation resulting from an event that occurred since the recognition of the impairment loss is also taken to profit or loss under "Net additions to/reversals from provisions for loan losses".

• Loans and receivables

• Classification criteria and transfer rules

IAS 39 authorizes certain securities to be classified as loans and receivables when they have fixed or determinable payments and are not quoted in an active market.
Classification as loans and receivables may take place upon initial recognition of the securities or upon their transfer from financial assets at fair value through profit or loss or from available-for-sale securities, pursuant to the amendment to IAS 39 of October 2008. There has been no reclassification since 2008.

• Basis for measurement and recognition of income and charges

Loans and receivables are recognized initially at fair value. Subsequently they are accounted for and measured in accordance with the rules applied to loans and receivables described in Note 3.1 dealing with loans and receivables.

• Credit risk

An impairment loss is recognized when there is objective evidence that the asset is impaired as a result of one or more events having occurred after initial recognition of the asset and when this could generate a loss (proven credit risk). The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's effective interest rate, taking into account any guarantees. The impairment loss is recognized in profit or loss under "Net additions to/reversals from provisions for loan losses". Any subsequent appreciation resulting from an event having occurred since the recognition of the impairment loss is also taken to profit or loss under "Net additions to/reversals from provisions for loan losses".

3.5 Derivatives and hedge accounting

• Determination of fair value of derivatives

The majority of over-the-counter derivatives, swaps, forward rate agreements, caps, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model, interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned, 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 specific counterparty risk in the negative fair value of the 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

All derivatives not designated as hedging instruments under IFRS are automatically classified as "financial assets or financial liabilities at fair value through profit or loss", even when for financial purposes they were entered into to hedge 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 a manner analogous to that of 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 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; and
- separate measurement of the embedded derivative is sufficiently reliable to provide relevant information.

• Accounting

Realized and unrealized gains and losses are recognized in profit or loss under "Gains and losses on financial instruments at fair value through profit or loss".

• Hedge accounting

IAS 39 provides for three types of hedging relationship. The choice of the hedging relationship is made according to the nature of the risk being hedged.

- A fair value hedge is a hedge of 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 the variability in cash flows of financial assets or financial liabilities, firm commitments or forward transactions.
- Hedges of net investments in foreign operations, which are accounted for in the same way as cash flow hedges, have not been used by the group to date.

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 notably the risk management objectives of the hedging relationship, as determined by management, the nature of the risk hedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge.
- Hedge effectiveness must be proved immediately upon inception of the hedging relationship and subsequently throughout its life, at the very least at each balance sheet date. Changes in the fair value or cash flows of the hedging instrument must approximately offset changes in the fair value or cash flows of the hedged item. Actual results must be within a range of 80% to 125%.

If this is not the case, hedge accounting is discontinued prospectively.

• Fair value hedge of identified financial assets or liabilities

In the case of a fair value hedge, derivatives are remeasured at their fair value, with any change being recognized in profit or loss under "Net gains (losses) on financial instruments at fair value through profit or loss". The revaluation of the hedged items, in connection with the hedged risk, is treated in the same way and results in a charge or credit to profit or loss. This rule is also applied if the hedged item is recognized at its amortized cost or in the case of a financial asset classified as available for sale. Changes in the fair value of the hedging instrument and hedged risk component will offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss.

The portion corresponding to the rediscounting of the derivative financial instrument is recognized in profit or loss under "Interest income and charges". The same treatment is applied to the interest income or charges for 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 initially hedged identified interest rate instruments, valuation adjustments are amortized over their remaining life. If the hedged item has been derecognized, due notably to early repayments, the cumulative adjustments are recognized immediately in profit or loss.

• Macro-hedging derivatives

The group has availed itself of the possibilities offered by the European Commission as regards accounting for macro-hedging transactions. The European Union's so-called carve out amendment to IAS 39 enables customer demand deposits to be included in hedged fixed-rate liability portfolios with no effectiveness measurement if under-hedged. 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-hedThe accounting method for 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 on the balance sheet under "Remeasurement adjustment on interest-risk hedged investments", the counterpart being an income statement line item.

• Cash flow hedges
In the case of a cash flow hedge, derivatives held in the balance sheet are remeasured at their fair value, with any change being recognized in equity as regards the effective portion while the portion considered as ineffective is recognized in profit or loss under "Net gains (losses) on financial instruments at fair value through profit or loss".
Amounts recognized in shareholders' equity are reclassified to profit or loss under "Interest income and charges" in the same period or periods during which 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 re-measurement 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 which point said amounts are transferred to profit or loss.
If the hedged item has been derecognized, the cumulative amounts recorded in shareholders' equity are immediately transferred to profit or loss.

3.6 Debt securities

Debt securities (certificates of deposit, interbank market securities, bonds, etc.) that are not classified at fair value through profit or loss by option are recognized initially at their issue amount, when applicable net of transaction costs.
These securities are subsequently measured at amortized cost using the effective interest rate method.

3.7 Subordinated debt

Both dated and undated subordinated debt is separated from other debt securities as, in the event of the issuer's liquidation, it is repaid only after claims by other creditors have been extinguished. Subordinated debt is measured at amortized cost.

3.8 Distinction between Liabilities and Shareholders' Equity

In accordance with IFRIC 2, the interests of members are classified as shareholders' equity if the entity has the unconditional right to refuse to redeem such interests, or if there are legal or statutory provisions that prohibit or significantly limit such redemption. Under existing articles of association and applicable legal provisions, shares issued by the structures making up the consolidating entity of the Crédit Mutuel group are recognized under shareholders' equity.

The other financial instruments issued by the group qualify for accounting purposes as debt instruments if the group has a contractual obligation to deliver cash to the holders of such instruments. This is the case, in particular, for all the subordinated securities issued by the group.

3.9 Provisions for risks and charges

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;
- employee obligations (see Note 3.12);
- execution risk on signature commitments;
- litigation risk and guarantee commitments given;
- tax risks;
- risks related to home savings (see Note 3.10).

3.10 Amounts due to customers and credit institutions

These are fixed- or determinable-rate financial liabilities. They are initially recognized at fair value and measured at subsequent balance sheet dates at amortized cost using the effective interest rate method, except in the case of those recognized at fair value by option.

• Regulated savings contracts

Home savings accounts (*Comptes Épargne Logement* - CEL) and home savings schemes (*Plans Épargne Logement* - PEL) are French regulated products available to individual customers. These products provide retail investors with interest-bearing savings vehicles during a first phase, and grant them access to a mortgage during a second phase. They generate two kinds of commitment for the banks that distribute them:
- a commitment to pay a fixed rate of interest in the future on the savings (solely for home savings schemes, as the interest rate on home savings accounts is equivalent to a variable rate and is periodically revised in accordance with an indexation formula);
- a commitment to extend a loan based on pre-determined conditions to customers who request one (both products).

These commitments are estimated on the basis of customer behavioral statistics and market data. A provision is recognized on the liability side of the balance sheet to cover future charges related to the potentially disadvantageous conditions of these products in comparison with the interest rates offered to individual customers for products that are similar but whose remuneration is not regulated. This approach is managed based on generations of regulated PEL and CEL savings products with similar characteristics. The impact on profit or loss is recorded as interest paid to customers.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and demand loans and borrowings with central banks and credit institutions.
In the statement of cash flows, UCITS are classified as an "operational" activity and are therefore not reclassified as cash.

3.12 Employee benefits

Where applicable, provisions are recognized in respect of employee obligations under "Provisions for risks and charges". Any movements in the provision are taken to income within "Payroll costs", with the exception of the portion resulting from actuarial gains and losses, which is recognized in unrealized or deferred gains and losses recognized in equity.

• Post-employment defined benefit plans
These comprise retirement, early retirement and supplementary retirement 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 rate on long-term private-sector borrowings consistent with the term of the commitments;
- the salary increase rate, assessed in accordance with age brackets, manager/non-manager classification 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 with permanent contracts;
- retirement ages: 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; and
- life expectancy rates set out in INSEE table TH/TF 00-02.

Differences arising from changes in these assumptions and from differences between previous assumptions and actual experience constitute actuarial gains and losses. When the plan is funded by assets, these are measured at fair value and recognized in the income statement for their expected yield. Differences between actual and expected yields also constitute actuarial gains and losses.
Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Any plan curtailments or terminations generate a change in the obligation, which is recognized in profit or loss when it occurs.

• Post-employment defined contribution plans
Group entities contribute to various retirement 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.

As such plans do not represent a commitment for the group they are not subject to a provision. The charges are recognized in the period in which the contribution is due.

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

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

Certain commitments in respect of long-service awards are covered by insurance policies. Only the portion not covered is provisioned.

• End-of-contract indemnities
These indemnities consist of 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. End-of-contract indemnity provisions are discounted if payment is expected to be made more than 12 months after the balance sheet date.

• Short-term benefits
These are benefits, other than end-of-contract indemnities, payable within the 12 months following the reporting date that include salaries, social security contributions and certain bonuses.

A charge is recognized in respect of short-term benefits in the period in which the services giving rise to the entitlement to the benefit are provided to the entity.

3.13 Insurance activities

The accounting policies and measurement methods specific to assets and liabilities arising on insurance contracts have been drawn up in accordance with IFRS 4. They apply also to reinsurance contracts issued or subscribed, and to financial contracts with a discretionary profit-participation feature.

Other assets held and liabilities issued by insurance companies are accounted for in accordance with the rules applicable to the group's other assets and liabilities.

• Assets
For financial assets, investment properties and non-current assets, the accounting methods applied are those described in these notes.

However, financial assets representing technical provisions related to unit-linked business are shown in "Financial assets at fair value through profit or loss".

• Liabilities
Insurance liabilities, which represent liabilities to policyholders and beneficiaries, are included under the heading "Technical reserves in respect of insurance policies". They continue to be measured, recognized and consolidated in accordance with French accounting standards.

The technical provisions in respect of life insurance contracts consist mainly of mathematical provisions corresponding generally to the contracts' surrender values. The main risks covered by these contracts are death, disability and industrial disablement (for loan insurance).

The technical provisions related to unit-linked business are measured, at the end of the reporting period, on the basis of the realizable value of the assets underlying these contracts.

The provisions related to non-life insurance contracts correspond to unearned premiums (portion of the premiums issued relating to subsequent periods) and to outstanding claims.

Those insurance contracts with a discretionary profit-participation feature are subject to "shadow accounting". The provision for deferred profit-sharing resulting from the application of this method represents the share of unrealized gains and losses on assets accruing to the policyholders. Provisions for deferred profit-sharing are shown under assets or liabilities by each legal entity and are not netted off between entities in the consolidation scope. On the assets side, these are recorded under a separate heading.

At the end of the reporting period, an adequacy test is performed on the liabilities recognized on these contracts (net of related other assets and liabilities such as deferred acquisition costs and acquired portfolios). This test ensures that the recognized insurance liabilities are adequate to cover estimated future cash flows under insurance policies. If the test reveals that the technical provisions are inadequate, the deficiency is recognized in the income statement. It may subsequently be reversed, where appropriate.

• Income statement
Income and expenses recognized in respect of the insurance contracts issued by the group are included within "Income from other activities" and "Expenses on other activities".

Income and expenses arising from proprietary activities carried on by insurance entities are reported under the headings corresponding to the nature of the transactions.

3.14 Non-current assets

Non-current assets reported on the balance sheet include property and equipment and intangible assets used in operations as well as investment properties. Operating non-current assets are used for the production of services or for administrative purposes. Investment properties are property assets held to generate rental income and/or gains on the invested capital. The historical cost method is used to recognize both operating and investment properties.

Non-current assets are initially recognized at acquisition cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
They are subsequently measured at amortized historical cost, i.e. their cost less accumulated depreciation and amortization 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 is applied to both operating and investment properties.

The depreciable or amortizable value 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, they are presumed not to have a residual value.

Non-current assets are depreciated or amortized over their estimated useful lives at rates reflecting the estimated consumption of the assets' economic benefits by the entity owning the assets. Intangible assets with an indefinite useful life are not amortized.
Depreciation and amortization charges on operating non-current assets are recognized under "Provisions, amortization and depreciation for operating non-current assets" in profit or loss.

Depreciation charges on investment properties are recognized under "Expenses on other activities" in profit or loss.

The following depreciation and amortization periods are used:

<u>Property and equipment:</u>

- Land and network improvements :	15-30 years
- Buildings – shell : (depending on the type of building)	20-80 years
- Buildings – equipment :	10-40 years
- Fixtures and fittings :	5-15 years
- Office furniture and equipment :	5-10 years
- Safety equipment :	3-10 years
- Vehicles and movable equipment :	3-5 years
- IT hardware :	3-5 years

<u>Intangible assets:</u>

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

Depreciable and amortizable assets are tested for impairment when evidence exists at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets such as lease rights are tested for impairment once a year.
If evidence of impairment is found, the asset's recoverable amount is compared with its net carrying amount. If the asset is found to be impaired, an impairment loss is recognized in profit or loss, and the depreciable amount is adjusted prospectively. Impairment losses are reversed if there is an improvement in the estimated recoverable amount or there is no longer any evidence of impairment. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if the impairment had not been recognized.
Impairment charges and reversals on operating non-current assets are recognized under "Provisions, amortization and depreciation for operating non-current assets" in profit or loss.
Impairment charges and reversals on investment properties are recognized in profit or loss under "Charges on other activities" and "Income from other activities", respectively.

Capital gains or losses on disposals of operating non-current assets are recorded in profit or loss on the line "Net gains (losses) on other assets".
Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expense on other activities".
The fair value of investment properties is disclosed in the notes to the financial statements at the end of each reporting period. It is based on the buildings' market value as appraised by independent valuers (Level 2).

3.15 Fees and commissions

Fees and commissions in respect of services are recorded as income and charges according to the nature of the services involved.
Fees and commissions linked directly to the grant of a loan are spread (see Note 3.1).
Fees and commissions remunerating a service provided on a continuous basis are recognized in profit or loss over the period during which the service is provided.
Fees and commissions remunerating a significant service are recognized in profit or loss in full upon execution of the service.

3.16 Income tax expense

The income tax expense includes all tax, both current and deferred, chargeable in respect of the income for the period under review.
Current income taxes are determined in accordance with applicable tax regulations.

The Territorial Economic Contribution (*Contribution Economique Territoriale* – CET), which is composed of the Business Real Property Contribution (*Cotisation Foncière des Entreprises* - CFE) and the Business Contribution on Added Value (*Cotisation sur la Valeur Ajoutée des Entreprises* - CVAE), is treated as an operating charge and, accordingly, the group does not recognize any deferred taxes in the consolidated financial statements.

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

Deferred taxes are calculated using the liability method, applying the corporation tax rate known at the end of the period and applicable to 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 of set off.

Deferred tax is not discounted.

3.17 Interest payable by the French government on certain loans

In the context of government measures to assist the agricultural and rural sector, and to assist with home purchases, certain group entities grant loans at reduced interest rates that are set by the French government. Such entities therefore receive government subsidies equivalent to the differential between the interest rate granted to the customer and a pre-determined benchmark rate. Accordingly, no discount is applied to these subsidized loans.

The terms and conditions of this compensation mechanism are periodically reviewed by the French government.

The government subsidies received are recognized under "Interest and similar income" and spread over the term of the relevant loans, in accordance with IAS 20.

3.18 Financial guarantees and financing commitments

A financial guarantee is treated as an insurance policy if it provides for a specific payment to be made to reimburse the holder of the guarantee for a loss incurred as the result of the failure of a specific debtor to make a payment on maturity of a debt instrument.

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 probable.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating or index, etc.) or a non-financial variable, provided that in this event the variable is not specific to one of the parties to the agreement, fall within the scope of application of IAS 39. These guarantees are thus treated as derivatives.

Financing commitments that are not considered as derivatives within the meaning of IAS 39 are not shown on the balance sheet. However, they give rise to provisions in accordance with the provisions of IAS 37.

3.19 Transactions denominated in foreign currencies

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

• Monetary financial assets and liabilities
Foreign exchange gains and losses arising on the translation of monetary assets and liabilities are recognized in profit or loss under "Net gains (losses) on portfolios at fair value through profit or loss".

• Non-monetary financial assets and liabilities
Foreign exchange gains and losses arising on the translation of non-monetary assets and liabilities are recognized in profit or loss under "Net gains (losses) on portfolios at fair value through profit or loss" if the item is classified at fair value through profit or loss, or under unrealized or deferred gains or losses if the item is classified under available-for-sale financial assets.

3.20 Non-current assets classified as 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 provided a sale is highly probable and likely to be completed 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 the costs to sell, and are no longer depreciated or amortized.

Any recognized impairment loss on such assets and liabilities is recognized in profit or loss.

Discontinued operations are a component of an entity that either has ceased to trade or is classified as held for sale, or correspond to a subsidiary 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".

3.21 Judgments and estimates used in preparation of the financial statements

The preparation of the group's financial statements necessitates the formulation of assumptions in order to effect the required measurements, which carries risks and uncertainties concerning these assumptions' future realization.

The future outcome of such assumptions may be influenced by several factors, in particular:
- the activities of national and international markets,
- changes in interest rates and foreign exchange rates,
- economic and political conditions in certain business sectors or countries, and
- regulatory and legislative changes.

Accounting estimates requiring the formulation of assumptions are used mainly for measurement of the following items:
- 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 *(see Note 3.4 "Securities"),*
- retirement plans and other future employee benefits,
- permanent impairment losses,
- impairment of receivables,
- provisions,
- impairment of intangible assets and goodwill, and
- deferred tax assets.

NOTE 4: SEGMENT REPORTING

In terms of segment reporting, the group has two levels of disclosure that are based on the group's own internal reporting system. Data by sector of activity is the primary level and data by geographic area is the secondary level.

• Segment reporting by activity (primary level)
Sector data for the Crédit Mutuel group is organized into five operating segments:
- Retail Banking
- Corporate and Investment Banking
- Insurance
- Asset Management and Private Banking
- Other

Retail banking covers the network of Crédit Mutuel's local mutual banks, CIC's regional banks as well as all the specialized activities whose products are marketed through the network: all business banking (i.e. micro-enterprises, small and medium-sized enterprises and companies, excluding large corporates), equipment and real estate leasing, factoring, real estate, etc.

Corporate and investment banking comprises the following activities:
- corporate banking, which covers banking and related services provided to large companies through a specific sales department or subsidiary; and
- investment banking, which covers capital markets activities, merchant banking, venture capital, private equity, financial intermediation and mergers and acquisitions.

Insurance comprises the life and non-life insurance activities (life insurance, property and casualty insurance and insurance brokerage).

Asset management and private banking comprises two activities:
- asset management: fund management (UCITS, real estate funds), employees savings schemes, custody and depositary services for its own customer base, as opposed to that of the network; and
- private banking: wealth management and estate planning.

Other activities comprise technical support subsidiaries that cannot be included in the retail banking segment (technology, electronic payments, training, media and travel).

Transactions between the different operating segments are carried out at market conditions.

• Segment reporting by geographic area (secondary level)

For the Crédit Mutuel group, three geographic areas have been defined for this secondary level of reporting:
- France
- Rest of Europe
- Rest of world.

The geographic analysis of assets and earnings is based on the country in which the activities are recorded for accounting purposes.

NOTE 5: RELATED PARTIES

Parties related to the Crédit Mutuel group are the consolidated companies, including companies accounted for using the equity method, and the third-level administrative entities (Caisse Centrale du Crédit Mutuel and the Confédération Nationale du Crédit Mutuel).
Transactions between the Crédit Mutuel group and related parties are carried out at the normal market conditions prevailing at the time of the transaction.

A list of the group's consolidated companies is provided in Note 0 in the financial data section below. As transactions carried out and any outstandings at the end of the period between group companies consolidated using the full method are totally eliminated on consolidation, only transactions between companies over which the group exercises joint control or significant influence (and which are consolidated using the equity method) are included in the tables in the notes for the portion not eliminated on consolidation.

NOTE 6: STANDARDS AND INTERPRETATIONS NOT YET APPLIED

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

• IFRS 9 – Financial Instruments

IFRS 9 is to replace IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules concerning:
- classifying and measuring financial instruments (phase 1),
- impairment provisions for expected credit losses on financial assets (phase 2), and
- hedge accounting, excluding macro-hedging (phase 3).

Its application will become mandatory as from January 1, 2018. The classification and measurement provisions, as well as the new IFRS 9 impairment model, are to be applied retrospectively by adjusting the opening balance sheet on the date of first application. There is no obligation to restate the fiscal years shown by way of comparison. The group will therefore present its 2018 financial statements without a comparative statement for 2017 in the IFRS 9 format and an explanation of the transition of the portfolios between the two standards and the impacts on shareholders' equity at January 1, 2018 will be included in the notes.

In the second quarter of 2015, the group launched an initiative that is currently in the project stage. It brings together the various departments concerned (finance, risk, IT, etc.) and is structured around the "national consolidation" steering committee coordinated by the Confédération's Financial Management Department. The project is organized into working groups, based on the various phases and instruments (credit, securities and derivatives), with the work on impairment models under the responsibility of the CNCM Risks Department. The necessary IT developments and modifications began in 2016 and continued in 2017.

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

Information for each of the initiative's phases is presented below.

• Phase 1 - Classification and measurement

Under IFRS 9, the classification and measurement of financial assets will depend on the business model and the contractual characteristics of the instruments, which could result in a category and measurement of certain financial assets which are different from those applied under IAS 39.

Loans, receivables and debt securities acquired will be classified:
- at amortized cost, if the business model involves holding the instrument in order to collect contractual cash flows, and if the cash flows are solely payments of principal and interest on the principal amount outstanding (analysis carried out via the solely payments of principal and interest (SPPI) test[(1)]), on the condition that they are not designated at fair value through profit or loss under the fair value option,
- at fair value through equity, if the business model is to hold the instrument in order to collect contractual cash flows and to sell the assets when opportunities arise, yet without trading in the instrument, and if the cash flows are solely payments of principal and interest, on the condition that they are not designated at fair value through profit or loss under the fair value option. If such instruments are sold, the unrealized gains or losses previously recognized in equity will be recognized in profit or loss, as is currently the case under IAS 39 when an instrument is classified as available for sale (AFS),
- at fair value through profit or loss, if they are not eligible for the two previous categories (as they do not meet the SPPI criterion and/or are managed according to the "other" business model) or if the group decides to exercise its option to classify them as such in order to reduce accounting mismatches.

Equity instruments acquired (shares, in particular) will be classified:
- at fair value through profit or loss, or
- at fair value through equity, if the election for such treatment is made. If these instruments are sold, the unrealized gains or losses previously recognized in equity will not be recycled to profit or loss, contrary to current practice when instruments are classified as available for sale (AFS) under IAS 39. Only dividends will be recognized in profit or loss.

Note that:
- embedded derivatives in financial assets may no longer be recognized separately from the host contract,
- the provisions of IAS 39 related to the derecognition of assets are replicated in IFRS 9 without amendment, as are those related to financial liabilities, except:
- the recognition of changes in fair value, resulting from the own credit risk of liabilities designated at fair value through profit or loss under the fair value option. They will need to be recognized as unrealized or deferred gains or losses through non-recyclable equity, and not through profit or loss. The group is marginally affected by the own credit risk issue,
- the recognition of the gain/loss arising on modification for financial assets which are not derecognized,
- in October, the IASB published an amendment on symmetric prepayment penalties, which is currently being adopted by the EU. It stipulates that assets that include prepayment options with a negative penalty for the bank may, as an exception, be treated as SPPI instruments (able to be measured at amortized cost or at fair value through equity), when the penalty calculation method is compatible with the notion of "reasonable compensation" provided by the standard. As a result of this change, recognition at fair value through profit or loss of loans containing this type of clause can be avoided. The group is marginally affected by this.

The operational work conducted within the group throughout 2017 sought to:
- finalize the SPPI tests for rates identified as risky (averaged, or where there is decorrelation between the term of the rate and its repricing frequency). It should be noted that the group has decided to stop producing loans at rates considered non-compliant and that the SPPI criterion must be met when new products are created,
- continue the work of documenting the various instruments, at the national and regional level, as regards both the characteristics of the instruments and the business models. With regard to the intake model, an acceptable sale threshold has been defined based on the duration of the portfolio to allow the classification of financial instruments at amortized cost, in addition to the cases stipulated in the standard. In practice, this threshold applies only to securities since the group does not sell its loans.

It is primarily units of UCITS and real estate funds (OPCIs), certain convertible bonds, structured debt securities and securitization tranches that will be reclassified at fair value through profit or loss. The impact of the reclassifications is moderate.

Crédit Mutuel has chosen not to issue "Group" principles regarding:
- the use of the fair value through equity option for equity instruments,
- the classification at amortized cost, or at fair value through equity, of debt instruments included in the liquidity portfolio.

Each regional group will classify its instruments according to its own business model.

• Phase 2 – Impairment

The section of IFRS 9 relating to credit risk impairment responds to the criticisms raised concerning the incurred credit loss model under IAS 39, i.e. that it causes accounting for credit losses to be delayed and the amounts of the credit losses recognized to be too low.
IFRS 9 allows provisioning for incurred credit loss to be replaced by provisioning for expected credit losses. Impairment provisions will be recognized, as regards financial assets for which there are no objective indications of losses on an individual basis, based not only on past losses observed but also on reasonable and justifiable cash flows forecasts.
This more forward-looking approach to credit risk is already taken into account, in part, when collective provisions are currently recognized on portfolios of financial assets with similar characteristics, pursuant to IAS 39.

Accordingly, the new impairment model under IFRS 9 will apply to all debt instruments measured at amortized cost or at fair value through equity, which will be divided into three categories:

(1) The aim of this test is therefore to ensure that the instruments are SPPI and that the cash flows do not cover anything other than consideration of the passage of time and the credit risk associated with repayment of the principal amount over the period of time in question.

- **Status 1**: loss allowance provided for on the basis of the 12-month expected credit losses (resulting from the 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**: loss allowance provided for on the basis of the lifetime expected credit losses (resulting from the default risks over the entire residual life of the instrument) if the credit risk has increased significantly since initial recognition, and
- **Status 3**: category comprising credit-impaired financial assets for which there is an objective indication of impairment related to an event that has occurred since the loan was granted. This category is the same as the scope of the loans currently provided for on an individual basis under IAS 39.

The assessment as to whether there has been a significant increase in the credit risk will be carried out by:
- taking into account all reasonable and justifiable information, and
- comparing the risk of default on the financial instrument as of the reporting date with the risk of default as of the initial recognition date.

For the group, this involves measuring the risk at the level of the borrower, but also assessing the change in the risk at the level of each contract.

To define the boundary between statuses 1 and 2:
- the group will rely on models developed for prudential purposes and on the measurement of the 12-month default risk:
  • for LDP portfolios (Low Default Portfolio, for which the rating model is based on an expert assessment), the boundary is based on an assignment matrix that relates the rating at origination and the rating at closing,
  • for HDP portfolios (High Default Portfolio, for which a statistical rating model can be created based on historical data), a boundary curve relates the default rate at origination and the default rate at closing.
- As well as this quantitative data, it will use qualitative criteria such as installments that are unpaid or overdue by more than 30 days, the concept of restructured loans, etc.
- methods based exclusively on qualitative criteria will be used for the entities or small portfolios that are classified prudentially under the standardized method and do not have rating systems.

The operational work conducted within the group throughout 2017 mainly sought to:
- define the boundaries between statuses 1 and 2 for the group's various exposure categories and the methodology for including forward-looking information in the parameters. For the probability of default, this methodology will include three scenarios (optimistic, neutral, pessimistic), which will be weighted based on the group's perception of changes in the economic cycle over five years.
- document the entire body of rules,
- complete the adaptation of the information system.

• Phase 3 – Hedge acco

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 Crédit Mutuel group has elected to continue to apply the current provisions. Additional information will, however, be disclosed in the notes to the financial statements on risk management and the effects of hedge accounting on the financial statements, in accordance with revised IFRS 7.

Furthermore, the provisions in IAS 39 for the fair value hedge of interest rate risk on a portfolio of financial assets or liabilities, as adopted in the European Union, will continue to apply.

• IFRS 15 – Revenue from Contracts with Customers
This standard will replace several standards and interpretations relating to revenue recognition (in particular IAS 18 - Revenue and IAS 11 - Construction Contracts). However, it does not affect revenue that falls within the scope of the standards covering leases, insurance contracts or financial instruments.

Revenue recognition under IFRS 15 must reflect the transfer of control of the asset (or service) to a customer, for the amount to which the seller expects to be entitled. To that end, the standard has developed a five-step model to determine when and for what amount the revenue from ordinary activities should be recognized:
- Identify the contract(s) with a customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contract, and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of the standard is mandatory for annual reporting periods starting from January 1, 2018 onwards.

Analysis of the standard and identification of its potential impacts were carried out in 2016 and 2017. This work was carried out by a dedicated confederal working group, of which the various CM groups were members, as were some subsidiaries, where relevant.

The main business lines/products to be analyzed were the packaged banking services, asset management (performance fees), telephony and IT activities.

In the absence of a material impact, the method used for recognition of revenue from these activities is not expected to change.

• IFRS 16 – Leases
This new standard, which was published in early 2016 and adopted by the EU on October 31, 2017, will take effect on January 1, 2019. IFRS 16 will replace IAS 17 and the interpretations relating to lease accounting.

Pursuant to 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 impact is expected to be limited since the provisions adopted remain substantially the same as those of the current IAS 17.

For the lessee, operating leases and finance leases will be accounted for based on a single model, with recognition of:
- an asset representing the right to use the leased item during the lease term,
- offset by a liability related to the lease payment obligation,
- straight-line depreciation of the asset and interest expenses in the income statement using the diminishing balance method.

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

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

Standards and interpretations not yet adopted by the European Union
These mainly include IFRS 17 – Insurance Contracts.

• IFRS 17 – Insurance Contracts
Starting in 2021, IFRS 17 will replace IFRS 4, which allows insurance companies to maintain their local accounting policies for their insurance contracts and other contracts within the scope of IFRS 4, which makes it difficult to compare the financial statements of entities in this sector.

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

NOTE 7:
EVENTS AFTER THE REPORTING PERIOD

None.

II/ QUANTIFIED DATA

The notes are presented in millions of euros

NOTE 0 - CONSOLIDATION SCOPE - LOCATIONS AND ACTIVITIES BY COUNTRY

0a - Consolidation scope

Consolidated entities are presented according to the sectors used for preparing segment information under IFRS 8. Accordingly, for example, entities included under Retail Banking do not necessarily have the legal status of credit institutions.	Country	31.12.2017 %		Method	31.12.2016 %		Method	Comments
		Control	Interest	*	Control	Interest	*	
A. Retail Banking								
Consolidating entity								
Confédération Nationale du Crédit Mutuel	France	100.00	100.00	FC	100.00	100.00	FC	
Caisse Centrale du Crédit Mutuel	France	100.00	100.00	FC	100.00	100.00	FC	
Fédération Nationale du CMAR	France	100.00	100.00	FC	100.00	100.00	FC	
CM11								
- General Purpose **	France	100.00	100.00	FC	100.00	100.00	FC	
- Caisse Agricole du Crédit Mutuel	France	100.00	100.00	FC	100.00	100.00	FC	
CM Arkéa **	France	100.00	100.00	FC	100.00	100.00	FC	
CMNE **	France	100.00	100.00	FC	100.00	100.00	FC	
CMO **	France	100.00	100.00	FC	100.00	100.00	FC	
CMMABN *	France	100.00	100.00	FC	100.00	100.00	FC	
CMAG **	France	100.00	100.00	FC	100.00	100.00	FC	
CM11 * **								
AAdepi	France	100.00	100.00	FC	100.00	98.88	FC	
Bancas	France	50.00	50.00	EM	50.00	50.00	EM	
Banco Popular Español	Spain			NC	3.95	3.95	EM	Sold outside group
Banque du Groupe Casino	France	50.00	50.00	EM	50.00	50.00	EM	
Banque Européenne du Crédit Mutuel (BECM)	France	100.00	100.00	FC	100.00	100.00	FC	
Banque Européenne du Crédit Mutuel Monaco	Monaco	100.00	100.00	FC	100.00	100.00	FC	
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26.21	26.21	EM	26.21	26.21	EM	
Banque de Tunisie	Tunisia	34.00	34.00	EM	34.00	34.00	EM	
BECM Frankfurt (branch of BECM)	Germany	100.00	100.00	FC	100.00	100.00	FC	
BECM Saint Martin (branch of BECM)	Saint Martin (Dutch part)	100.00	100.00	FC	100.00	100.00	FC	
Cartes et Crédits à la Consommation	France	100.00	100.00	FC	100.00	100.00	FC	
CIC Est	France	100.00	100.00	FC	100.00	98.88	FC	
CIC Iberbanco	France	100.00	100.00	FC	100.00	100.00	FC	
CIC Lyonnaise de Banque (LB)	France	100.00	100.00	FC	100.00	98.88	FC	
CIC Nord Ouest	France	100.00	100.00	FC	100.00	98.88	FC	
CIC Ouest	France	100.00	100.00	FC	100.00	98.88	FC	
CIC Sud Ouest	France	100.00	100.00	FC	100.00	98.88	FC	
CM-CIC Asset Management	France	100.00	100.00	FC	99.98	99.72	FC	
CM-CIC Bail	France	99.99	99.99	FC	99.99	98.88	FC	
CM-CIC Bail Spain (branch of CM-CIC Bail)	Spain	100.00	99.99	FC	100.00	98.88	FC	
CM-CIC Caution Habitat SA	France	100.00	100.00	FC			NC	Created
CM-CIC Epargne Salariale	France	100.00	100.00	FC	100.00	98.88	FC	
CM-CIC Factor	France	100.00	100.00	FC	100.00	98.93	FC	
CM-CIC Gestion	France	99.99	99.99	FC	99.99	99.71	FC	
CM-CIC Home Loan SFH	France	100.00	100.00	FC	100.00	100.00	FC	
CM-CIC Immobilier	France	100.00	100.00	FC	100.00	100.00	FC	
CM-CIC Lease	France	100.00	100.00	FC	100.00	99.39	FC	
CM-CIC Leasing Benelux	Belgium	100.00	99.99	FC	100.00	98.88	FC	
CM-CIC Leasing GmbH	Germany	100.00	99.99	FC	100.00	98.88	FC	
CM-CIC Leasing Solutions SAS	France	100.00	100.00	FC	100.00	100.00	FC	
Cofidis Belgium	Belgium	100.00	70.63	FC	100.00	54.63	FC	
Cofidis Spain (branch of Cofidis France)	Spain	100.00	70.63	FC	100.00	54.63	FC	

* Method: FC = Full Consolidation, EM = Equity Method, NC = Not Consolidated.
*** Federal Banks, regional banks, interfederal banks, local banks, federations.*
**** Presentation by majority-owning Crédit Mutuel Group.*

Consolidated entities are presented according to the sectors used for preparing segment information under IFRS 8. Accordingly, for example, entities included under Retail Banking do not necessarily have the legal status of credit institutions.	Country	31.12.2017 %		Method	31.12.2016 %		Method	Comments
		Control	Interest	*	Control	Interest	*	
Cofidis France	France	100.00	70.63	FC	100.00	54.63	FC	
Cofidis Hungary (branch of Cofidis France)	Hungary	100.00	70.63	FC	100.00	54.63	FC	
Cofidis Italy	Italy	100.00	70.63	FC	100.00	54.63	FC	
Cofidis Portugal (branch of Cofidis France)	Portugal	100.00	70.63	FC	100.00	54.63	FC	
Cofidis Czech Republic	Czech Republic	100.00	70.63	FC	100.00	54.63	FC	
Cofidis SA Poland (branch of Cofidis France)	Poland	100.00	70.63	FC	100.00	54.63	FC	
Cofidis Slovakia	Slovakia			NC	100.00	54.63	FC	Merger with Cofidis France
Cofidis SA Slovakia (branch of Cofidis France)	Slovakia	100.00	70.63	FC	100.00	54.63	FC	
Cofacredit	France	64.00	64.00	FC	64.00	64.00	FC	
Creatis	France	100.00	70.63	FC	100.00	54.63	FC	
Factofrance	France	100.00	100.00	FC	100.00	100.00	FC	
Lyf SA (formerly Fivory)	France	43.50	43.50	EM	89.00	89.00	FC	Change in consolidation method
Gesteurop	France	100.00	100.00	FC	100.00	98.88	FC	
Margem-Mediação Seguros, Lda	Portugal	100.00	70.63	FC	100.00	54.63	FC	
Monabanq	France	100.00	70.63	FC	100.00	54.63	FC	
Quanta	Germany			NC	100.00	100.00	FC	Merger with Targobank AG & Co. KGaA
SCI La Tréflière	France	100.00	100.00	FC	100.00	100.00	FC	
Targo Commercial Finance AG	Germany	100.00	100.00	FC	100.00	100.00	FC	
Targo Factoring GmbH	Germany	100.00	100.00	FC	100.00	100.00	FC	
Targo Finanzberatung GmbH	Germany	100.00	100.00	FC	100.00	100.00	FC	
Targo Leasing GmbH	Germany	100.00	100.00	FC	100.00	100.00	FC	
Targobank AG & Co. KGaA	Germany	100.00	100.00	FC	100.00	100.00	FC	
Targobank Spain	Spain	100.00	100.00	FC	51.02	51.02	FC	
CM Arkéa * **								
ArkArkéa Banking Services	France	100.00	100.00	FC	100.00	100.00	FC	
Arkéa Banque Entreprises et Institutionnels	France	100.00	100.00	FC	100.00	100.00	FC	
Arkéa Crédit Bail	France	100.00	100.00	FC	100.00	100.00	FC	
Arkéa Direct Bank	France	100.00	99.99	FC	100.00	99.99	FC	
Arkéa Foncière	France	100.00	100.00	FC	100.00	100.00	FC	
Arkéa Home Loans SFH	France	100.00	100.00	FC	100.00	100.00	FC	
Arkéa Public Sector SCF	France	100.00	100.00	FC	100.00	100.00	FC	
Arkéa SCD	France	99.95	99.95	FC	99.95	99.95	FC	
Caisse de Bretagne de Crédit Mutuel Agricole	France	93.22	93.22	FC	93.06	93.06	FC	
Crédit Foncier et Communal d'Alsace et de Lorraine Banque	France	100.00	100.00	FC	100.00	100.00	FC	
Crédit Foncier et Communal d'Alsace et de Lorraine SCF	France			NC	100.00	100.00	FC	Merger with Crédit Foncier et Communal d'Alsace et de Lorraine Banque
FCT Collectivités	France	57.76	57.76	FC	57.76	57.76	FC	
Fédéral Equipements	France	100.00	100.00	FC	100.00	100.00	FC	
Fédéral Service	France	97.81	97.78	FC	97.29	97.26	FC	
Financo	France	100.00	100.00	FC	100.00	100.00	FC	
GICM	France	100.00	97.78	FC	100.00	97.26	FC	
Izimmo	France	100.00	100.00	FC			NC	Initial consolidation, already held
Keytrade Bank (branch of Arkéa Direct Bank) (formerly Keytrade Bank)	Belgium	100.00	99.99	FC	100.00	99.99	FC	
Keytrade Bank Luxembourg SA	Luxembourg	100.00	99.99	FC	100.00	99.99	FC	
Leasecom	France	100.00	100.00	FC	100.00	100.00	FC	
Leasecom Car	France	100.00	100.00	FC	100.00	100.00	FC	
Leetchi SA	France	100.00	100.00	FC	100.00	100.00	FC	
Mangopay SA	Luxembourg	100.00	100.00	FC	100.00	100.00	FC	
Monext	France	100.00	100.00	FC	100.00	100.00	FC	
Nextalk	France	100.00	100.00	FC			NC	Spin-off of Monext
Nouvelle vague	France	100.00	100.00	FC			NC	Created
Novelia	France	100.00	100.00	FC	100.00	100.00	FC	
Procapital	FRANCE/BELGIUM	99.98	99.96	FC	99.98	99.96	FC	
Pumpkin	France	100.00	100.00	FC			NC	Initial consolidation, already held
Société Civile Immobilière Interfédérale	France	100.00	100.00	FC	100.00	100.00	FC	
Strateo (branch of Arkéa Direct Bank) (formerly Strateo - branch of Keytrade Bank SA)	Switzerland	100.00	99.99	FC	100.00	99.99	FC	
Younited Credit	France	25.60	25.60	EM			NC	Initial consolidation, already held

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*** Federal Banks, regional banks, interfederal banks, local banks, federations.*
**** Presentation by majority-owning Crédit Mutuel Group.*

Consolidated entities are presented according to the sectors used for preparing segment information under IFRS 8. Accordingly, for example, entities included under Retail Banking do not necessarily have the legal status of credit institutions.	Country	31.12.2017 % Control	31.12.2017 % Interest	31.12.2017 Method *	31.12.2016 % Control	31.12.2016 % Interest	31.12.2016 Method *	Comments
CMNE * **								
Bail Actea	France	100.00	100.00	FC	100.00	100.00	FC	
BCMNE	France	100.00	100.00	FC	100.00	100.00	FC	
Beobank Belgium	Belgium	100.00	100.00	FC	100.00	100.00	FC	
BKCP Immo It SCRL	Belgium	96.01	96.01	FC	95.96	95.96	FC	
BKCP Securities SA	Belgium	-	-	NC	100.00	100.00	FC	Wound up
CMNE Belgium	Belgium	100.00	100.00	FC	100.00	100.00	FC	
CMNE Home Loans FCT	France	100.00	100.00	FC	100.00	100.00	FC	
Cumul SCI	France	100.00	100.00	FC	100.00	100.00	FC	
FCP Richebé Gestion	France	100.00	100.00	FC	100.00	100.00	FC	
FCT LFP Créances Immobilières	France	68.11	68.11	FC	68.11	68.11	FC	
GIE CMN Prestations	France	100.00	100.00	FC	100.00	100.00	FC	
LFP Multi Alpha	France	100.00	97.05	FC			NC	Initial consolidation, already held
L'Immobilière du CMN	France	100.00	100.00	FC	100.00	100.00	FC	
Mobilease	Belgium			NC	100.00	100.00	FC	Wound up
Nord Europe Lease	France	100.00	100.00	FC	100.00	100.00	FC	
OBK SCRL	Belgium	100.00	99.99	FC	100.00	99.99	FC	
SCI CMN 1	France	100.00	100.00	FC	100.00	100.00	FC	
SCI CMN 2	France	100.00	100.00	FC	100.00	100.00	FC	
SCI CMN 3	France	100.00	100.00	FC	100.00	100.00	FC	
SCI CMN Location	France	100.00	100.00	FC	100.00	100.00	FC	
SCI CMN Location 2	France	100.00	100.00	FC	100.00	100.00	FC	
SCI RICHEBE INKERMAN	France	100.00	100.00	FC	100.00	100.00	FC	
Société Foncière & Immobilière Nord Europe	France	100.00	100.00	FC			NC	Created
THEIA Viager	France	80.00	80.00	FC	80.00	80.00	FC	
Transactimmo	France	100.00	100.00	FC	100.00	100.00	FC	
CMO * **								
SCI Merlet Immobilier	France	100.00	100.00	FC	100.00	100.00	FC	
Union Immobilière Océan SCI	France	100.00	100.00	FC	100.00	100.00	FC	
CMMABN * **								
Acman	France	100.00	100.00	FC	100.00	100.00	FC	
Volney Bocage	France	100.00	100.00	FC	100.00	100.00	FC	
Zephyr Home Loans FCT	France	100.00	100.00	FC	100.00	100.00	FC	
B. Corporate and Investment Banking								
CM11 * **								
CIC Hong Kong (branch of CIC)	Hong Kong	100.00	100.00	FC			NC	Created
Cigogne Management	Luxembourg	100.00	100.00	FC	100.00	99.33	FC	
CM-CIC Capital (formerly CM-CIC Capital et participations)	France	100.00	100.00	FC	100.00	98.87	FC	
CM-CIC Conseil	France	100.00	100.00	FC	100.00	98.87	FC	
CM-CIC Innovation	France	100.00	100.00	FC	100.00	98.87	FC	
CM-CIC Investissement	France	100.00	100.00	FC	100.00	98.87	FC	
CM-CIC Investissement SCR	France	100.00	100.00	FC	100.00	98.87	FC	
CM-CIC Proximité	France			NC	100.00	98.87	FC	Merger with CM-CIC Investissement SCR
Cigogne CLO Arbitrage (formerly Diversified Debt Securities SICAV-SIF)	Luxembourg			NC	100.00	98.88	FC	Sold outside group
FCT CM-CIC HOME LOANS	France	100.00	100.00	FC	100.00	100.00	FC	
CM Arkéa * **								
Arkéa Capital Investissement	France	100.00	100.00	FC	100.00	100.00	FC	
Arkéa Capital Partenaire	France	100.00	100.00	FC	100.00	100.00	FC	
Compagnie Européenne d'Opérations Immobilières	France	100.00	100.00	FC	100.00	100.00	FC	

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**** Presentation by majority-owning Crédit Mutuel Group.*

Consolidated entities are presented according to the sectors used for preparing segment information under IFRS 8. Accordingly, for example, entities included under Retail Banking do not necessarily have the legal status of credit institutions.	Country	31.12.2017 % Control	31.12.2017 % Interest	31.12.2017 Method *	31.12.2016 % Control	31.12.2016 % Interest	31.12.2016 Method *	Comments
CMNE * **								
Nord Europe Partenariat	France	99.65	99.65	FC	99.65	99.65	FC	
Siparex Proximité Innovation	France	26.50	25.72	EM	26.50	25.93	EM	
CMO * **								
OcéOcéan Participations	France	100.00	100.00	FC	100.00	100.00	FC	
CMMABN * **								
Volney Développement	France	100.00	100.00	FC	100.00	100.00	FC	
C. Asset management and private banking								
CM11 * **								
Banque de Luxembourg	Luxembourg	100.00	100.00	FC	100.00	98.88	FC	
Banque Transatlantique (BT)	France	100.00	100.00	FC	100.00	98.88	FC	
Banque Transatlantique Belgium	Belgium	100.00	100.00	FC	100.00	98.88	FC	
Banque Transatlantique London (branch of BT)	United Kingdom	100.00	100.00	FC	100.00	98.88	FC	
Banque Transatlantique Luxembourg	Luxembourg	100.00	100.00	FC	100.00	98.88	FC	
CIC Suisse	Switzerland	100.00	100.00	FC	100.00	98.88	FC	
Dubly-Douilhet Gestion	France	100.00	100.00	FC	100.00	98.88	FC	
Transatlantique Gestion	France	100.00	100.00	FC	100.00	98.88	FC	
CM Arkéa * **								
Oiko Gestion (formerly Aibo Gestion)	France	8.59	23.92	EM	44.59	44.59	EM	
Altarocca AM AS	France	9.20	25.63	EM	38.82	31.21	EM	
Arkéa Capital (formerly Arkéa Capital Gestion)	France	100.00	100.00	FC	100.00	100.00	FC	
Aviafund Fund Facility Management GMBH	Germany	10.90	30.36	EM			NC	Acquired outside group
Aviafund Fund Solution Services GMBH	Germany	10.90	30.36	EM			NC	Acquired outside group
Aviafund Capital Management SARL	Luxembourg	10.90	30.36	EM			NC	Acquired outside group
Aviafund Invest AG	Germany	10.90	30.36	EM			NC	Acquired outside group
Halles a Fourrages SCCV	France	7.69	21.43	EM			NC	Created
Marseille Furniture SARL	France	7.38	20.56	EM			NC	Acquired outside group
Codabel Management	Belgium	4.49	12.50	EM	15.61	15.61	EM	
Derivatives Solutions	France	10.26	28.57	EM	35.67	35.67	EM	
EC Advisors GMBH	Germany	12.82	35.71	EM	22.74	22.74	EM	
Fédéral Finance	France	100.00	100.00	FC	100.00	100.00	FC	
Fédéral Finance Gestion	France	100.00	100.00	FC	100.00	100.00	FC	
Link by Primonial	France	12.82	35.71	EM	44.59	44.59	EM	
Mata Capital	France	5.13	14.28	EM	17.84	17.84	EM	
New Primonial Holding	France	36.26	36.62	EM			NC	Created
Parisii Gestion Privée	France			NC	44.59	44.59	EM	Sold outside group
PFP	France	13.15	36.62	EM			NC	Initial consolidation, already held
Primonial Partenaires	France	12.82	35.71	EM	44.59	100.00	EM	
Primonial	France	12.82	35.71	EM	44.59	44.59	EM	
Primonial Courtage	France			NC	44.59	44.59	EM	Merger with Primonial Holding
Primonial Holding	France	12.82	35.71	EM	44.59	44.59	EM	
Primonial Luxembourg	Luxembourg	12.82	35.71	EM	44.59	44.59	EM	
Primonial Management	France	12.50	34.82	EM			NC	Initial consolidation, already held
Primonial Management 2	France	13.15	36.62	EM			NC	Initial consolidation, already held
Primonial Reim	France	7.76	21.62	EM	29.72	26.99	EM	
Primonial TI	Canada	12.82	35.71	EM	44.59	44.59	EM	
Roche Brune AM SAS	France			NC	30.21	30.21	EM	Sold outside group
Roche Brune Investissement	France			NC	30.21	30.21	EM	Sold outside group
Schelcher Prince Gestion	France	100.00	100.00	FC	100.00	100.00	FC	
Sefal Property	France	12.66	35.27	EM	44.59	44.59	EM	
Sportinvest	France	12.82	35.71	EM	44.59	44.59	EM	
Stamina Asset Management	France	12.82	35.71	EM	44.59	44.59	EM	
Upstone SAS	France	12.82	35.71	EM	44.59	44.59	EM	
Voltaire Capital	France	12.82	35.71	EM	44.59	44.59	EM	

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**** Presentation by majority-owning Crédit Mutuel Group.*

Consolidated entities are presented according to the sectors used for preparing segment information under IFRS 8. Accordingly, for example, entities included under Retail Banking do not necessarily have the legal status of credit institutions.	Country	31.12.2017 % Control	31.12.2017 % Interest	31.12.2017 Method *	31.12.2016 % Control	31.12.2016 % Interest	31.12.2016 Method *	Comments
CMNE ***								
ALGER Management Ltd	United Kingdom	50.00	48.52	EM	50.00	48.91	EM	
CD Partenaire	France	74.87	72.66	FC	74.87	73.24	FC	
SNC Groupe La Française	France			NC	99.90	97.73	FC	Sold outside group
Groupe Cholet	France	33.73	32.74	EM	33.73	33.00	EM	
Groupe La Française	France	97.05	97.05	FC	97.83	97.83	FC	
Inflection Point Capital Management Ltd	United Kingdom	100.00	97.05	FC	49.00	47.66	EM	Change in consolidation method
JKC Capital Management Ltd	Hong Kong	50.00	48.53	EM	50.00	48.91	EM	
La Française AM	France	100.00	97.05	FC	100.00	97.83	FC	
La Française AM Finance Services	France	100.00	97.05	FC	100.00	97.83	FC	
La Française AM Iberia	Spain	66.00	64.06	FC	66.00	64.57	FC	
La Française AM International	Luxembourg	100.00	97.05	FC	100.00	97.83	FC	
La Française Global Investments (formerly La Française Bank)	France	100.00	98.23	FC	100.00	98.70	FC	
La Française Forum Real Estate Partners Korea	South Korea	100.00	97.17	FC	100.00	97.92	FC	
La Française Forum Real Estate Partners LLP	United Kingdom	100.00	97.17	FC	100.00	97.92	FC	
La Française Forum Real Estate Partners UK Finance Ltd	United Kingdom	100.00	97.17	FC	100.00	97.92	FC	
La Française Forum Real Estate Partners UK Ltd	United Kingdom	100.00	97.17	FC	100.00	97.92	FC	
La Française Forum Securities Limited	United States	100.00	97.05	FC	80.00	78.26	FC	
La Française Forum Securities UK Ltd	United Kingdom	100.00	97.05	FC	100.00	97.83	FC	
La Française Forum Securities Services Inc	United States	100.00	97.05	FC	100.00	97.83	FC	
La Française Forum Securities SG PTE Limited	Singapore	100.00	97.05	FC	100.00	97.83	FC	
La Française Global Real Estate Investment Management Limited	United Kingdom	100.00	97.05	FC	100.00	97.83	FC	
La Française Inflection Point	France	100.00	97.05	FC	74.97	74.97	FC	
La Française Investment Solutions	France	56.04	46.17	FC	56.04	46.54	FC	
La Française Real Estate Managers	France	100.00	97.17	FC	100.00	97.92	FC	
La Française Real Estate Partners	France	60.00	58.30	FC	65.00	63.65	FC	
La Française Real Estate Partners Limited	United Kingdom	100.00	97.17	FC	85.00	83.23	FC	
New Alpha Asset Management	France	85.00	82.50	FC	100.00	97.83	FC	
Tages Capital LLP	United Kingdom	25.00	24.26	EM	40.00	39.13	EM	
UFG PM	France			NC	100.00	97.92	FC	Merger with La Française Real Estate Managers
Union Générale des Placements	France	63.33	29.24	FC			NC	Created

D. Multi-sector

Entity	Country	31.12.2017 % Control	31.12.2017 % Interest	31.12.2017 Method *	31.12.2016 % Control	31.12.2016 % Interest	31.12.2016 Method *	Comments
CM11 ***								
Banque Fédérative du Crédit Mutuel (BFCM)	France	100.00	100.00	FC	100.00	100.00	FC	
Crédit Industriel et Commercial (CIC)	France	100.00	100.00	FC	98.88	98.88	FC	
CIC London (branch of CIC)	United Kingdom	100.00	100.00	FC	100.00	98.88	FC	
CIC New York (branch of CIC)	United States	100.00	100.00	FC	100.00	98.88	FC	
CIC Singapore (branch of CIC)	Singapore	100.00	100.00	FC	100.00	98.88	FC	

E. Insurance companies

Entity	Country	31.12.2017 % Control	31.12.2017 % Interest	31.12.2017 Method *	31.12.2016 % Control	31.12.2016 % Interest	31.12.2016 Method *	Comments
ACM GIE	France	100.00	100.00	FC	100.00	99.77	FC	
ACM IARD	France	100.00	100.00	FC	100.00	99.78	FC	
ACM RE	Luxembourg	100.00	100.00	FC	100.00	99.77	FC	
ACM Services	France	100.00	100.00	FC	100.00	99.77	FC	
ACM VIE SA	France	100.00	100.00	FC	100.00	99.77	FC	
ACM Vie, Société d'Assurance Mutuelle	France	100.00	100.00	FC	100.00	100.00	FC	
Agrupación pensiones, entidad gestora de fondos de pensiones, S.A. (formerly Agrupació Bankpyme Pensiones)	Spain	100.00	95.22	FC	100.00	95.00	FC	
Agrupació serveis administratius	Spain	100.00	95.22	FC	100.00	95.00	FC	
Amdif	Spain	100.00	95.22	FC	100.00	95.00	FC	
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100.00	100.00	FC	100.00	99.77	FC	
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95.22	95.22	FC	95.22	95.00	FC	
Amsyr	Spain	100.00	95.22	FC	100.00	95.00	FC	
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80.00	80.00	FC	80.00	79.82	FC	
Asistencia Avançada Barcelona	Spain	100.00	95.22	FC	100.00	95.00	FC	

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**** Presentation by majority-owning Crédit Mutuel Group.*

Consolidated entities are presented according to the sectors used for preparing segment information under IFRS 8. Accordingly, for example, entities included under Retail Banking do not necessarily have the legal status of credit institutions.	Country	31.12.2017 % Control	31.12.2017 % Interest	31.12.2017 Method *	31.12.2016 % Control	31.12.2016 % Interest	31.12.2016 Method *	Comments
Atlantis Asesores SL	Spain	80.00	80.00	FC	80.00	79.82	FC	
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60.00	60.00	FC	60.00	59.86	FC	
Atlantis vida, Compañía de Seguros y Reaseguros SA	Spain	88.06	88.06	FC	88.06	87.86	FC	
Astree Assurances	Tunisia	30.00	30.00	EM	30.00	29.93	EM	
Foncière Massena	France	100.00	100.00	FC	100.00	99.77	FC	
GACM España	Spain	100.00	100.00	FC	100.00	99.77	FC	
Groupe des Assurances du Crédit Mutuel (GACM)	France	100.00	100.00	FC	100.00	99.77	FC	
ICM Life	Luxembourg	100.00	100.00	FC	100.00	99.77	FC	
MTRL	France	100.00	100.00	FC	100.00	100.00	FC	
Partners	Belgium	100.00	100.00	FC	100.00	99.88	FC	
Procourtage	France	100.00	100.00	FC	100.00	99.77	FC	
Royale Marocaine d'Assurance (formerly RMA Watanya)	Morocco	22.02	22.02	EM	22.02	21.97	EM	
SCI ACM	France	100.00	100.00	FC	100.00	99.80	FC	
SCI Cotentin (formerly SCI Eurosic Cotention)	France	100.00	100.00	FC			NC	Entity deconsolidated in 2016 and reconsolidated in 2017
SCI Provence Bureaux	France	66.67	66.67	FC			NC	Initial consolidation, already held
SCI Rue de Londres	France	66.67	66.67	FC			NC	Initial consolidation, already held
SCI Saint Augustin	France	66.67	66.67	FC			NC	Initial consolidation, already held
SCI Tombe Issoire	France	100.00	100.00	FC			NC	Initial consolidation, already held
Serenis Assurances	France	99.60	99.60	FC	99.60	99.37	FC	
Voy Mediación	Spain	90.00	90.00	FC	90.00	89.80	FC	
CM Arkéa ***								
Suravenir	France	100.00	100.00	FC	100.00	100.00	FC	
Suravenir Assurances	France	100.00	100.00	FC	100.00	100.00	FC	
CMNE ***								
ACMN IARD	France	100.00	100.00	FC	100.00	99.89	FC	
ACMN Vie	France	100.00	100.00	FC	100.00	100.00	FC	
Courtage Crédit Mutuel Nord Europe	France			NC	100.00	100.00	FC	Merger with CMNE consolidating entity
CP-BK Reinsurance SA	Luxembourg	100.00	100.00	FC	100.00	100.00	FC	
SPV Jarna	Luxembourg	100.00	97.05	FC	100.00	97.83	FC	
Nord Europe Assurances	France	100.00	100.00	FC	100.00	100.00	FC	
Nord Europe Life Luxembourg	Luxembourg	100.00	100.00	FC	100.00	100.00	FC	
Nord Europe Retraite	France	100.00	100.00	FC	100.00	100.00	FC	
North Europe Life Belgium	Belgium	100.00	100.00	FC	100.00	100.00	FC	

F. Other

Entity	Country	31.12.2017 % Control	31.12.2017 % Interest	31.12.2017 Method *	31.12.2016 % Control	31.12.2016 % Interest	31.12.2016 Method *	Comments
CM11 ***								
Actimut	France	100.00	100.00	FC	100.00	100.00	FC	
Affiches d'Alsace Lorraine	France	100.00	98.66	FC	100.00	99.57	FC	
Alsacienne de Portage des DNA	France	100.00	98.66	FC	100.00	99.57	FC	
CIC Participations	France	100.00	100.00	FC	100.00	98.88	FC	
CM Akquisitions	Germany			NC	100.00	100.00	FC	Merger with BFCM
CM-CIC Services	France	100.00	100.00	FC	100.00	100.00	FC	
CMCP (Crédit Mutuel Cartes de Paiement)	France			NC	100.00	99.99	FC	Wound up
Cofidis Participations	France	70.63	70.63	FC	54.63	54.63	FC	
Cofisun	Belgium			NC	100.00	54.63	FC	Merger with Cofidis Belgium
Le Dauphiné Libéré	France	99.97	99.97	FC	99.97	99.97	FC	
Distripub	France			NC	100.00	98.79	FC	Merger with SAP Alsace
Documents AP	France			NC	100.00	100.00	FC	Merger with Est Bourgogne Médias
EI Telecom	France	95.00	95.00	FC	95.00	94.87	FC	
EIP	France	100.00	100.00	FC	100.00	100.00	FC	
Est Bourgogne Médias	France	100.00	100.00	FC	100.00	100.00	FC	
Euro Automatic Cash	Spain	50.00	50.00	EM	50.00	49.93	EM	
Euro Protection Surveillance	France	99.98	99.98	FC	99.98	99.87	FC	
Euro-Information	France	100.00	100.00	FC	100.00	99.86	FC	
Euro-Information Développement	France	100.00	100.00	FC	100.00	99.86	FC	
Lyf SAS (formerly Fivory SAS)	France	43.25	43.25	EM	82.78	82.66	FC	Change in consolidation method

* Method: FC = Full Consolidation, EM = Equity Method, NC = Not Consolidated.
*** Federal Banks, regional banks, interfederal banks, local banks, federations.*
**** Presentation by majority-owning Crédit Mutuel Group.*

Consolidated entities are presented according to the sectors used for preparing segment information under IFRS 8. Accordingly, for example, entities included under Retail Banking do not necessarily have the legal status of credit institutions.	Country	31.12.2017 % Control	31.12.2017 % Interest	31.12.2017 Method *	31.12.2016 % Control	31.12.2016 % Interest	31.12.2016 Method *	Comments
France Régie	France	100.00	98.66	FC	100.00	99.57	FC	
GEIE Synergie	France	100.00	70.63	FC	99.98	54.62	FC	
Groupe Dauphiné Media	France	100.00	99.97	FC	100.00	99.97	FC	
Groupe Républicain Lorrain Communication (GRLC)	France	100.00	100.00	FC	100.00	100.00	FC	
Groupe Progrès	France	100.00	100.00	FC	100.00	100.00	FC	
Groupe Républicain Lorrain Imprimeries (GRLI)	France	100.00	100.00	FC	100.00	100.00	FC	
Heller GmbH	Germany			NC	100.00	100.00	FC	Merger with Targo Deutschland GmbH
Jean Bozzi Communication	France			NC	100.00	100.00	FC	Merger with Est Bourgogne Médias
Journal de la Haute Marne	France	50.00	47.57	EM	50.00	46.06	EM	
La Liberté de l'Est	France	97.13	92.41	FC	97.13	89.47	FC	
La Tribune	France	100.00	99.97	FC	100.00	99.97	FC	
Le Républicain Lorrain	France	100.00	100.00	FC	100.00	100.00	FC	
Les Dernières Nouvelles d'Alsace	France	98.66	98.66	FC	99.76	99.57	FC	
L'Est Républicain	France	95.14	95.14	FC	92.11	92.11	FC	
Lumedia	Luxembourg	50.00	50.00	EM	50.00	50.00	EM	
Mediaportage	France	100.00	98.80	FC	100.00	98.79	FC	
Mutuelles investissement	France	100.00	100.00	FC			NC	Created
Publiprint Province n°1	France	100.00	100.00	FC	100.00	100.00	FC	
Presse Diffusion	France	100.00	100.00	FC	100.00	100.00	FC	
Républicain Lorrain Communication	France	100.00	100.00	FC	100.00	100.00	FC	
Républicain Lorrain - TV News	France	100.00	100.00	FC	100.00	100.00	FC	
SAP Alsace	France	98.80	98.80	FC	98.79	98.79	FC	
SCI Le Progrès Confluence	France	100.00	100.00	FC	100.00	100.00	FC	
Société Civile de Gestion des Parts dans l'Alsace (SCGPA)	France			NC	100.00	100.00	FC	Wound up
Société de Presse Investissement (SPI)	France	100.00	100.00	FC	100.00	99.81	FC	
Société d'Investissements Médias (SIM)	France	100.00	100.00	FC	100.00	100.00	FC	
Société d'Edition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100.00	100.00	FC	100.00	100.00	FC	
Targo Deutschland GmbH	Germany	100.00	100.00	FC	100.00	100.00	FC	
Targo Dienstleistungs GmbH	Germany	100.00	100.00	FC	100.00	100.00	FC	
Targo IT Consulting GmbH	Germany	100.00	100.00	FC	100.00	100.00	FC	
Targo IT Consulting GmbH Singapore (branch of Targo IT Consulting GmbH)	Singapore	100.00	100.00	FC	100.00	100.00	FC	
Targo Management AG	Germany	100.00	100.00	FC	100.00	100.00	FC	
Targo Realty Services GmbH	Germany	100.00	100.00	FC	100.00	100.00	FC	
Ventadour Investissement	France			NC	100.00	100.00	FC	Merger with BFCM
CM Arkéa * **								
Arkéa Bourse Retail	France	99.99	99.99	FC	99.99	99.99	FC	
Izimmo Holding	France	100.00	100.00	FC			NC	Initial consolidation, already held
NEW PORT	France	31.03	31.03	EM	31.03	31.03	EM	
SMSPG	France	100.00	100.00	FC	100.00	100.00	FC	
CMNE * **								
2A	FRANCE	20,00	19,41	MEE	20,00	19,45	MEE	
2A	France	20.00	19.41	EM	20.00	19.45	EM	
Actéa Environnement	France	100.00	100.00	FC	100.00	100.00	FC	
Financière Nord Europe	France	100.00	100.00	FC	100.00	100.00	FC	
Fininmad	France	100.00	100.00	FC	100.00	100.00	FC	
Immo W16	Belgium	100.00	100.00	FC	100.00	100.00	FC	
Nord Europe Participations et Investissements	France	100.00	100.00	FC	100.00	100.00	FC	
Nouvelles Expertises et Talents AM	France	100.00	97.05	FC	100.00	97.83	FC	
SCI Centre Gare	France	100.00	100.00	FC	100.00	100.00	FC	
Sicorfé Maintenance	France			NC	90.00	89.92	FC	Sold within group (deconsolidated)
CMMABN * **								
SAS Helloasso	France	84.99	84.99	FC			NC	Created
SAS Volney Habitat	France	100.00	100.00	FC			NC	Created

* Method: FC = Full Consolidation, EM = Equity Method, NC = Not Consolidated.
*** Federal Banks, regional banks, interfederal banks, local banks, federations.*
**** Presentation by majority-owning Crédit Mutuel Group.*

UCITS, REITs and OPCI real estate investment funds consolidated pursuant to the application of IFRS 10	Country	31.12.2017 Percentage of control	31.12.2017 Percentage of interest	31.12.2016 Percentage of control	31.12.2016 Percentage of interest
CM Arkéa					
Adage CBP Flex	FRANCE	36.6%	36.6%	-	-
Altarocca Rendement 2023	FRANCE	20%	20%	25.6%	25.6%
Arkea Capital 1	FRANCE	100%	100%	100%	100%
Autofocus Airbag Octobre 2015	FRANCE	93.8%	93.8%	93.9%	93.9%
Autofocus Croissance Mars 2015	FRANCE	78%	78%	78.2%	78.2%
Autofocus Rendement Decembre 2014	FRANCE	93.7%	93.7%	93.7%	93.7%
Autofocus Rendement Juin 2014	FRANCE	-	-	87.3%	87.3%
Autofocus Rendement Mars 2015	FRANCE	93.3%	93.3%	93.5%	93.5%
Autofocus Rendement Mars 2016	FRANCE	79.3%	79.3%	-	-
Autofocus Rendement Novembre 2016	FRANCE	92.4%	92.4%	-	-
Autofocus Rendement Octobre 2014	FRANCE	91.5%	91.5%	91.7%	91.7%
Autofocus Rendement Septembre 2015	FRANCE	-	-	93.9%	93.9%
Autofocus Rendement Septembre 2016	FRANCE	96.4%	96.4%	-	-
Autofocus Rendement Janvier 2016	FRANCE	92.5%	92.5%	-	-
Autofocus Croissance Juin 2015	FRANCE	93.8%	93.8%	93.9%	93.9%
BPE Rendement 2018	FRANCE	36.3%	36.3%	40.2%	40.2%
Diapazen Climat Septembre 2016	FRANCE	97.8%	97.8%	-	-
FCPI Swen Europa 4	FRANCE	-	-	46.5%	46.5%
FCPR Funéraire A	FRANCE	-	-	35.4%	35.4%
FCT SP Eurocréances	FRANCE	43.4%	43.4%	44%	44%
FCT Suravenir Privat	FRANCE	100%	100%	100%	100%
FED Capital INV	FRANCE	100%	100%	100%	100%
Federal Actions Éthiques	FRANCE	65.7%	65.7%	63.7%	63.7%
Federal Actions Rendement	FRANCE	96.8%	96.8%	96.6%	96.6%
Federal Apal	FRANCE	74.2%	74.2%	68.2%	68.2%
Federal Conviction Grande Asie	FRANCE	99.8%	99.8%	97.4%	97.4%
Federal Conviction ISR Euro	FRANCE	61%	61%	61.7%	61.7%
Federal Croissance	FRANCE	90.3%	90.3%	87.4%	87.4%
Federal Essor International	FRANCE	49.4%	49.4%	51.6%	51.6%
Federal Indiciel Japon	FRANCE	64.8%	64.8%	65.1%	65.1%
Federal Indiciel US	FRANCE	63.8%	63.8%	62.8%	62.8%
Federal Multi Actions Europe	FRANCE	73.7%	73.7%	71.9%	71.9%
Federal Multi L/S	FRANCE	50.9%	50.9%	-	-
Federal Multi Or et Matières 1ères	FRANCE	88.4%	88.4%	88.7%	88.7%
Federal Multi Patrimoine	FRANCE	90.7%	90.7%	89.3%	89.3%
Federal Multi PME	FRANCE	79.2%	79.2%	85%	85%
Federal Obligations Internationales ISR	FRANCE	36.3%	36.3%	40%	40%
Federal Opportunité Équilibre	FRANCE	99.7%	99.7%	99.7%	99.7%
Federal Opportunité Modéré	FRANCE	98.4%	98.4%	98.3%	98.3%
Federal Opportunité Tonique	FRANCE	98.8%	98.8%	98.9%	98.9%
Federal Optimal Plus	FRANCE	47.9%	47.9%	44.4%	44.4%
Federal Support Court Terme	FRANCE	42.2%	42.2%	-	-
Federal Support Trésorerie ISR	FRANCE	31.3%	31.3%	29.3%	29.3%
Formul Action 2017 FP	FRANCE	-	-	82.4%	82.4%
Formul'action 2017	FRANCE	-	-	94%	94%
Formul'action Securité	FRANCE	93.3%	93.3%	93.3%	93.3%
FPS Suravenir Actions Protect	FRANCE	100%	100%	-	-
FPS Compartiment 5	FRANCE	42.4%	42.4%	-	-
Kaleidoscope	FRANCE	98.3%	98.3%	98.5%	98.5%
LFP Multimmo Philoso	FRANCE	-	-	46.8%	46.8%
Opci Club FRANCE RET	FRANCE	46.3%	46.3%	46.3%	46.3%
Opci Preim Defense 2	FRANCE	35.5%	35.5%	35.5%	35.5%
Opci Preim Euros 2	FRANCE	100%	100%	100%	100%
Opci Preimium	FRANCE	83.7%	83.7%	100%	100%
Opci Preims Euros	FRANCE	100%	100%	100%	100%
Opci Tikehau Ret Pro	FRANCE	39.3%	39.3%	39.3%	39.3%
Primo Élite	FRANCE	100%	100%	100%	100%
Pro Federal Liquidites C	FRANCE	61.3%	61.3%	43.4%	43.4%
SCI Pérennité Pierre	FRANCE	-	-	81.8%	81.8%
SCI PR2 Preim RET 2	FRANCE	38%	38%	38%	38%
SCI Progrès Pierre	FRANCE	100%	100%	-	-
SCI Surav Pierre	FRANCE	100%	100%	-	-
SCI Cloverhome	FRANCE	50%	50%	-	-
SCI Le Vinci Holding	FRANCE	100%	100%	-	-
SCI Sofidy Conv Immo	FRANCE	56.9%	56.9%	-	-
SCI Usufruimmo	FRANCE	100%	100%	100%	100%
SCPI Patrimmo Croissance	FRANCE	36.3%	36.3%	54%	54%
SCPI Pierre Expansio	FRANCE	57%	57%	57%	57%
SCPI Primofamily	FRANCE	40.4%	40.4%	-	-
SCPI Primonia Cap IM	FRANCE	43.2%	43.2%	42.1%	42.1%
SP Convert. Global Europe	FRANCE	33.4%	33.4%	23.9%	23.9%
SP Convertibles Isr Europe	FRANCE	29.8%	29.8%	25.6%	25.6%
SP Haut Rendement	FRANCE	33.6%	33.6%	41.4%	41.4%
SP NS Famille	FRANCE	42.1%	42.1%	-	-

Ces entités sont comptabilisées à la juste valeur sur option.

UCITS, REITs and OPCI real estate investment funds consolidated pursuant to the application of IFRS 10	Country	31.12.2017		31.12.2016	
		Percentage of control	Percentage of interest	Percentage of control	Percentage of interest
Stéréo 3	FRANCE	97%	97%	96.9%	96.9%
Suravenir Initiative Actions	FRANCE	100%	100%	100%	100%
Suravenir Reference Actions	FRANCE	100%	100%	100%	100%
Synergie Finance Investissement	FRANCE	100%	100%	100%	100%
UBS Archmore Idf	FRANCE	-	-	53.2%	53.2%
We Positive Invest	FRANCE	100%	100%	100%	100%
West Web Valley	FRANCE	35.4%	35.4%	38.6%	38.6%
CMNE					
Alteram Arbitrages	FRANCE	-	-	0.15%	0.15%
Beobank Funds – Beobank Dynamic Fund	LUXEMBOURG	44.13%	44.13%	55.74%	55.74%
Convictions Multifac	LUXEMBOURG	39.37%	39.37%	45.63%	45.63%
Crown Multifund SEL	LUXEMBOURG	85.14%	85.14%	75.55%	75.55%
Diademe Global Selec	LUXEMBOURG	89.26%	89.26%	89.89%	89.89%
Europimmo Market	FRANCE	86.93%	86.93%	37.65%	37.65%
FCT LFP Créances Imm	FRANCE	-	-	53.76%	53.76%
Forum European Real	FRANCE	99.00%	99.00%	-	-
Forum Glb Invest Scs	FRANCE	99.40%	99.40%	-	-
Investcore 2021	LUXEMBOURG	93.42%	93.42%	83.95%	83.95%
JKC Fund - La Française Jkc Asia Equity	FRANCE	47.92%	47.92%	39.12%	39.12%
La Française Absolute Emerging Debt - Part I	LUXEMBOURG	-	-	76.21%	76.21%
La Française Actions Euro Couvertes	LUXEMBOURG	96.96%	96.96%	95.37%	95.37%
La Française Actions Monde	FRANCE	57.76%	57.76%	55.66%	55.66%
La Française Allocation - Part F	FRANCE	40.56%	40.56%	57.04%	57.04%
La Française Euro Inflation- Part B	FRANCE	52.26%	52.26%	50.23%	50.23%
La Française Euro Souverains	FRANCE	-	-	35.36%	35.36%
La Française Index Variable - Part C	LUXEMBOURG	57.69%	57.69%	47.09%	47.09%
La Française Inflection Point Multi Trends	FRANCE	46.02%	46.02%	41.45%	41.45%
La Française Lux - Absolute Emerging Debt	FRANCE	42.95%	42.95%	48.18%	48.18%
La Française Lux - Forum Global Real Estate Securities	FRANCE	65.55%	65.55%	43.63%	43.63%
La Française Lux - Inflection Point European Equity	FRANCE	69.03%	69.03%	70.82%	70.82%
La Française Lux - Inflection Point Global Equity	LUXEMBOURG	-	-	63.34%	63.34%
La Française Lux - Inflection Point Leaders Emergents	FRANCE	99.06%	99.06%	99.25%	99.25%
La Française Lux - Inflection Point Zero Carbon	FRANCE	46.68%	46.68%	81.00%	81.00%
La Française Lux - JKC Asia Bond	FRANCE	92.55%	92.55%	99.67%	99.67%
La Française Lux - Multi-Asset Income	FRANCE	93.93%	93.93%	99.82%	99.82%
La Française Multistratégies Obligataires - Part I	FRANCE	48.07%	48.07%	41.22%	41.22%
La Française Patrimoine Flexible - Part F	LUXEMBOURG	74.55%	74.55%	68.12%	68.12%
La Française Profil Performance	LUXEMBOURG	75.06%	75.06%	74.76%	74.76%
La Française Rendement 4X4	FRANCE	60.50%	60.50%	45.67%	45.67%
La Française Séréni Flex	FRANCE	60.25%	60.25%	60.76%	60.76%
La Française Tages Event	FRANCE	51.62%	51.62%	99.99%	99.99%
La Française Tages Stratégie Actions	FRANCE	95.48%	95.48%	89.95%	89.95%
LF Europimmo	FRANCE	94.96%	94.96%	-	-
LF Grands Vignobles De France	FRANCE	57.72%	57.72%	57.72%	57.72%
LF Lux SU ES SEC	LUXEMBOURG	85.85%	85.85%	-	-
LF Opsis Patrimoine	FRANCE	-	-	41.99%	41.99%
LF Premium EM R	FRANCE	63.67%	63.67%	-	-
LF Rend Glob 2018	FRANCE	40.29%	40.29%	-	-
LF Tages Mult Arb Ii	FRANCE	77.33%	77.33%	-	-
LFIS Perspective FCP - I	FRANCE	-	-	100.00%	100.00%
LFIS Vision - Credit Opportunities	LUXEMBOURG	65.64%	65.64%	65.58%	65.58%
LFIS Vision - Premia Opportunities	LUXEMBOURG	-	-	60.03%	60.03%
LFIS Vision Ucits - Credit	LUXEMBOURG	38.51%	38.51%	90.73%	90.73%
LFIS Vision Ucits - Equity Defender	LUXEMBOURG	96.60%	96.60%	99.33%	99.33%
LFIS Vision Ucits - Premia Access	LUXEMBOURG	89.48%	89.48%	-	-
LFP Alloc Classi Eur	LUXEMBOURG	-	-	22.88%	22.88%
LFP Coussin Opportunites	LUXEMBOURG	99.73%	99.73%	99.82%	99.82%
LFP European Fund Of Funds	LUXEMBOURG	91.97%	91.97%	91.49%	91.49%
LFP Fd Multi Stra OB	LUXEMBOURG	-	-	30.55%	30.55%
LFP Op Delff E H R	LUXEMBOURG	-	-	26.38%	26.38%
LFP Pierre	FRANCE	51.90%	51.90%	46.83%	46.83%
LFP R2p I Hedge	LUXEMBOURG	-	-	61.11%	61.11%
LFP S&P Capital Iq Fund - LFP R2p Global Credit	LUXEMBOURG	76.56%	76.56%	-	-
LFP S&P Capital Iq Fund - LFP R2p Global High Yield	LUXEMBOURG	91.66%	91.66%	67.18%	67.18%
Multimark SPP OPCI	FRANCE	36.54%	36.54%	-	-
Multimmobilier 2	FRANCE	85.66%	85.66%	-	-
Newalpha Fintech	FRANCE	-	-	60.03%	60.03%
Quilvest European	FRANCE	38.00%	38.00%	-	-
Tages Anavon GB EQ	LUXEMBOURG	35.13%	35.13%	35.19%	35.19%
Tages Int Funds UC	LUXEMBOURG	63.00%	63.00%	63.03%	63.03%
Transition Energeti	FRANCE	61.97%	61.97%	-	-
UFG IC Fund	LUXEMBOURG	41.36%	41.36%	-	-
UFG Pixel 1	FRANCE	-	-	80.86%	80.86%

These entities are recognized under the fair value option.

0b - Locations and activities by country

Crédit Mutuel carries out its activities mainly in France, which accounts for 82% of net banking income and 88% of net income attributable to owners of the company. Since 2008, the group has opted for controlled development of its international operations, acquiring a second, and possibly a third, domestic market. Its main subsidiaries made up of network banks have been acquired primarily in Belgium, Germany and Spain. Other subsidiaries or branches have been started up to support the international expansion of the group's corporate customers.

Country	Net banking income	Income (loss) before tax	Current tax	Deferred tax	Other tax	Workforce
Germany	1,555	589	(165)	(1)	(83)	7,328
Belgium	455	106	(32)	19	(60)	1,884
Canada	-	-	-	-	-	-
Spain	366	45	(29)	(1)	(19)	2,430
United States	102	77	(21)	(12)	(9)	89
France	14,445	6,671	(1,971)	(55)	(2,317)	67,507
Hong Kong	4	2	-	-	-	7
Hungary	46	9	-	-	(3)	265
Italy	42	6	-	-	(4)	225
Luxembourg	322	137	(27)	10	(25)	902
Morocco	-	65	-	-	-	-
Monaco	3	1	-	-	-	9
Netherlands	-	-	-	-	-	-
Poland	1	-	-	-	-	27
Portugal	163	95	(27)	1	(5)	643
Republic Of Korea	-	-	-	-	-	1
Czech Republic	7	(2)	-	-	(1)	142
United Kingdom	54	26	(4)	(2)	(5)	83
Saint Martin (Dutch part)	3	(1)	-	-	-	9
Singapore	64	25	(5)	1	-	252
Slovakia	1	(3)	-	-	-	43
Switzerland	115	34	(6)	1	(10)	331
Tunisia	-	17	-	-	-	-
Total	**17,748**	**7,899**	**(2,287)**	**(39)**	**(2,541)**	**82,177**

(*) Entities consolidated using the equity method.

1. NOTES TO THE BALANCE SHEET

NOTE 1 - CASH ON HAND, BALANCES WITH CENTRAL BANKS

1a - Loans and advances to credit institutions

	31.12.2017	31.12.2016
Cash on hand, balances with central banks		
Balances with central banks	63,237	66,571
of which mandatory reserves	3,475	3,185
Cash on hand	1,488	1,454
Total	**64,724**	**68,025**
Loans and advances to credit institutions		
Crédit Mutuel network accounts [1]	27,134	26,136
Other current accounts	3,034	2,923
Loans	1,936	2,379
Other receivables	647	662
Securities not listed on an active market	289	489
Repos	10,384	10,241
Gross receivables subject to individual impairment	0	0
Accrued interest	242	250
Impairment	0	0
Total	**43,666**	**43,080**

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

1b - Amounts due to credit institutions

	31.12.2017	31.12.2016
Balances with central banks	**285**	**0**
Amounts due to credit institutions	**52,716**	**55,667**
Other current accounts	3,305	3,318
Loans	13,536	17,138
Other debt	3,393	3,002
Repos	32,431	32,135
Accrued interest	51	74

NOTE 2 - FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

2a - Financial assets at fair value through profit or loss

	31.12.2017			31.12.2016		
	Trading	Fair value option	Total	Trading	Fair value option	Total
.Securities	**8,945**	**56,141**	**65,086**	**8,014**	**45,952**	**53,966**
- Government securities	865	366	1,231	865	347	1,212
- Bonds and other fixed-income securities	6,989	10,514	17,503	6,284	9,842	16,126
. Listed	6,989	9,529	16,518	6,284	9,102	15,386
. Unlisted	0	985	985	0	740	740
- Shares and other variable-income securities	1,091	45,261	46,352	865	35,763	36,628
. Listed	1,091	35,085	36,176	865	27,874	28,739
. Unlisted	0	10,176	10,176	0	7,889	7,889
. Derivative instruments	**3,732**	**0**	**3,732**	**4,909**	**0**	**4,909**
. Other financial assets		**11**	**11**		**67**	**67**
of which repurchase agreements		*0*	*0*		*0*	*0*
Total	**12,677**	**56,152**	**68,829**	**12,923**	**46,019**	**58,942**

The maximum exposure to credit risk on assets classified at fair value through profit or loss amounted to €54.735 billion during the year.

2b - Financial liabilities at fair value through profit or loss

	31.12.2017	31.12.2016
Financial liabilities held for trading	6,039	7,108
Financial liabilities at fair value through profit or loss	4,506	5,597
Total	**10,545**	**12,705**

Financial liabilities held for trading

	31.12.2017	31.12.2016
.Short sales of securities	**2,111**	**1,839**
- Bonds and other fixed-income securities	917	864
- Shares and other variable-income securities	1,194	975
. Trading derivatives	**3,831**	**5,193**
. Other financial liabilities held for trading	**97**	**76**
Total	**6,039**	**7,108**

Financial liabilities at fair value through profit or loss

	31.12.2017 Carrying Amount	Amount due at maturity	Difference	31.12.2016 Carrying Amount	Amount due at maturity	Difference
. Securities issued	230	218	12	116	102	14
. Interbank debt	4,271	4,271	0	5,397	5,397	0
. Amounts due to customers	5	5	0	84	84	0
Total	**4,506**	**4,494**	**12**	**5,597**	**5,583**	**14**

NOTE 3 - HEDGING

3a - Hedging derivative instruments

	31.12.2017 Assets	Liabilities	31.12.2016 Assets	Liabilities
. Cash flow hedges	2	30	2	39
. Fair value hedges (change recognized through profit or loss)	3,808	3,747	5,113	5,580
Total	**3,810**	**3,777**	**5,115**	**5,619**

- Hedge ineffectiveness recognized in profit or loss amounted to a loss of €34 million reported under "*Net gains on financial instruments at fair value through profit or loss*" (see Note 26).
- The amount arising on the re-measurement of cash flow hedging derivatives reclassified to profit or loss was immaterial.

3b - Difference arising on re-measurement of interest-rate-hedged portfolios

	31.12.2017	31.12.2016	Change
Fair value of interest rate risk by portfolio			
. Financial assets	727	1,042	(315)
. Financial liabilities	(452)	(1,095)	643

NOTE 4 - BREAKDOWN OF DERIVATIVES

	12/31/2017 Notional	Assets	Liabilities	12/31/2016 Notional	Assets	Liabilities
Trading derivatives						
Interest rate instruments						
Swaps	79,706	2,423	2,273	81,464	3,284	3,250
Other firm contracts	248,324	7	7	112,999	5	1
Options and conditional instruments	33,573	116	322	29,831	95	333
Exchange rate instruments						
Swaps	91,406	45	53	96,220	73	69
Other firm contracts	12,371	705	682	9,619	622	576
Options and conditional instruments	27,513	125	119	26,386	228	215
Other than interest rate and currency instruments						
Swaps	12,995	132	162	12,733	76	129
Other firm contracts	5,526	42	75	1,157	14	89
Options and conditional instruments	5,201	137	138	12,922	512	531
Subtotal	**516,615**	**3,732**	**3,831**	**383,331**	**4,909**	**5,193**
Hedging derivative instruments						
Fair value hedges						
Swaps	100,063	3,812	3,746	140,317	5,113	5,580
Other firm contracts	55,106	0	0	19,345	0	0
Options and conditional instruments	340	(4)	1	426	0	0
Cash flow hedges						
Swaps	689	2	30	809	2	39
Other firm contracts	30	0	0	0	0	0
Options and conditional instruments	0	0	0	0	0	0
Subtotal	**156,228**	**3,810**	**3,777**	**160,897**	**5,115**	**5,619**
Total	**672,842**	**7,541**	**7,608**	**544,228**	**10,024**	**10,812**

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 5 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

5a - Available-for-sale financial assets

	31.12.2017	31.12.2016
. Government securities	30,642	32,449
. Bonds and other fixed-income securities	99,039	101,731
- Listed	95,800	98,752
- Unlisted	3,239	2,979
. Shares and other variable-income securities	15,512	14,298
- Listed	12,673	12,571
- Unlisted	2,839	1,727
. Long-term investments	3,745	4,369
- Investments in associates	2,302	3,092
- Other long-term investments	832	724
- Investments in subsidiaries and associates	611	553
. Accrued interest	621	801
Total	**149,559**	**153,648**
o/w total unrealized gains or losses gross of deferred tax recognized in equity	3,141	3,014
o/w impaired fixed-income securities	194	208
o/w impairment	(1,641)	(1,706)
o/w listed investments in associates	953	1,035

5b - List of main non-consolidated investments

		% held	Shareholders' equity	Balance sheet total	Net banking income or revenue	Net income or loss
Crédit Logement*	Unlisted	< 10%	1,857	10,601	218	108
Caisse de Refinancement de l'Habitat (CRH)	Unlisted	< 40%	564	39,626	2	0
Foncière des Régions	Listed	< 10%	8,468	19,500	815	1,119

** Other long-term investments.*

The above information, except for percentages held, relates to 2016.

ANC regulation 2016-09 :
https://www.creditmutuel.com/fr/presse-et-publications/publications

NOTE 6 - FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

31.12.2017	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale	135,348	8,483	5,728	149,559
- Government and equivalent securities – AFS	30,265	624	0	30,889
- Bonds and other fixed-income securities - AFS	91,795	5,651	1,959	99,405
- Shares and other variable-income securities - AFS	12,188	2,198	1,132	15,518
- Investments in subsidiaries and other long-term investments – AFS	1,100	4	2,032	3,136
- Investments in subsidiaries and associates - AFS	0	6	605	611
Trading / Fair value option	47,505	11,559	9,765	68,829
- Government and equivalent securities - Trading	732	133	0	865
- Government and equivalent securities - Fair value option	366	0	0	366
- Bonds and other fixed-income securities - Trading	6,411	312	266	6,989
- Bonds and other fixed-income securities - Fair value option	1,463	8,191	860	10,514
- Shares and other variable-income securities - Trading	1,091	0	0	1,091
- Shares and other variable-income securities - Fair value option	36,380	957	7,924	45,261
- Loans and receivables due from credit institutions - Fair value option	0	2	0	2
- Loans and receivables due from customers - Fair value option	0	9	0	9
- Derivatives and other financial assets - Trading	105	2,912	715	3,732
Hedging derivative instruments	0	3,767	43	3,810
Total	**181,896**	**24,766**	**15,536**	**222,198**
Financial liabilities				
Trading / Fair value option	2,311	7,493	741	10,545
- Due to credit institutions - Fair value option	0	4,271	0	4,271
- Due to customers - Fair value option	0	5	0	5
- Debt securities - Fair value option	0	230	0	230
- Subordinated debt - Fair value option	0	0	0	0
- Derivatives and other financial liabilities - Trading	2,311	2,987	741	6,039
Hedging derivative instruments	0	3,767	10	3,777
Total	**2,311**	**11,260**	**751**	**14,322**

There was no transfer between levels 1 and 2 in an amount exceeding 10% of the amount of the “Total” line for the respective asset or liability category.

31.12.2016	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale	140,354	7,504	5,790	153,648
- Government and equivalent securities – AFS	32,580	179	0	32,759
- Bonds and other fixed-income securities - AFS	94,741	5,434	2,030	102,205
- Shares and other variable-income securities - AFS	11,704	1,472	1,129	14,305
- Investments in subsidiaries and other long-term investments – AFS	1,329	413	2,077	3,819
- Investments in subsidiaries and associates - AFS	0	6	554	560
Trading / Fair value option	38,343	12,725	7,874	58,942
- Government and equivalent securities - Trading	750	115	0	865
- Government and equivalent securities - Fair value option	347	0	0	347
- Bonds and other fixed-income securities - Trading	5,232	782	270	6,284
- Bonds and other fixed-income securities - Fair value option	2,150	7,113	579	9,842
- Shares and other variable-income securities - Trading	865	0	0	865
- Shares and other variable-income securities - Fair value option	28,524	873	6,366	35,763
- Loans and receivables due from credit institutions - Fair value option	0	54	0	54
- Loans and receivables due from customers - Fair value option	0	13	0	13
- Derivatives and other financial assets - Trading	475	3,775	659	4,909
Hedging derivative instruments	0	5,067	48	5,115
Total	**178,697**	**25,296**	**13,712**	**217,705**
Financial liabilities				
Trading / Fair value option	2,389	9,561	755	12,705
- Due to credit institutions - Fair value option	0	5,397	0	5,397
- Due to customers - Fair value option	0	84	0	84
- Debt securities - Fair value option	0	116	0	116
- Subordinated debt - Fair value option	0	0	0	0
- Derivatives and other financial liabilities - Trading	2,389	3,964	755	7,108
Hedging derivative instruments	0	5,605	14	5,619
Total	**2,389**	**15,166**	**769**	**18,324**

There was no transfer between levels 1 and 2 in an amount exceeding 10% of the amount of the "Total" line for the respective asset or liability category.

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

Fair value hierarchy - Details of level 3

31.12.2017	Opening balance	Purchases	ISSUES	Sales	Redemptions	Transfers	Gains and losses to P&L	Gains and losses to equity	Other movements	Closing balance
Shares and other variable-income securities - Fair value option	6,366	2,054	0	(900)	(9)	(40)	648	0	(195)	7,924

31.12.2016	Opening balance	Purchases	ISSUES	Sales	Redemptions	Transfers	Gains and losses to P&L	Gains and losses to equity	Other movements	Closing balance
Shares and other variable-income securities - Fair value option	3,963	2,648	0	(880)	(3)	543	239	0	(144)	6,366

Transfers from level 1 to level 3 totaled €417 million. They concern UCITS for which the valuation meets the criteria defined for level 3.

NOTE 7 - COMPENSATION DES ACTIFS ET PASSIFS FINANCIERS

31.12.2017				AMOUNTS LINKED BUT NOT OFFSET IN BALANCE SHEET			
	Gross value of financial assets	Gross value of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Impact of master offsetting agreements	Financial instruments received as guarantee	Cash collateral received	Net amount
Financial assets							
Derivatives	7,504	-	7,504	(2,378)	-	(2,927)	2,199
Repos	17,828	-	17,828	(357)	(17,274)	(58)	139
Total	**25,332**	**-**	**25,332**	**(2,735)**	**(17,274)**	**(2,985)**	**2,338**

31.12.2017				AMOUNTS LINKED BUT NOT OFFSET IN BALANCE SHEET			
	Gross value of financial assets	Gross value of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Impact of master offsetting agreements	Financial instruments received as guarantee	Cash collateral received	Net amount
Financial liabilities							
Derivatives	7,569	-	7,569	(2,419)	-	(4,081)	1,069
Repos	38,743	-	38,743	(357)	(38,133)	(241)	12
Total	**46,312**	**-**	**46,312**	**(2,776)**	**(38,133)**	**(4,322)**	**1,081**

31.12.2016				AMOUNTS LINKED BUT NOT OFFSET IN BALANCE SHEET			
	Gross value of financial assets	Gross value of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Impact of master offsetting agreements	Financial instruments received as guarantee	Cash collateral received	Net amount
Financial assets							
Derivatives	9,724	-	9,724	(2,867)	-	(5,747)	1,110
Repos	16,562	-	16,562	(351)	(14,473)	(80)	1,658
Total	**26,286**	**-**	**26,286**	**(3,218)**	**(14,473)**	**(5,827)**	**2,768**

31.12.2016				AMOUNTS LINKED BUT NOT OFFSET IN BALANCE SHEET			
	Gross value of financial assets	Gross value of financial liabilities offset in balance sheet	Net amounts shown on balance sheet	Impact of master offsetting agreements	Financial instruments received as guarantee	Cash collateral received	Net amount
Financial liabilities							
Derivatives	10,512	-	10,512	(2,876)	(2)	(5,559)	2,075
Repos	39,128	-	39,128	(351)	(38,183)	(323)	271
Total	**49,640**	**-**	**49,640**	**(3,227)**	**(38,185)**	**(5,882)**	**2,346**

These disclosures, required by an amendment to IFRS 7, seek to provide a basis for comparison with the treatment under generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IFRS.
Pursuant to IAS 32, the group does not offset carrying amounts, which is why there are no figures in the second column.
The column entitled "impact of master offsetting agreements" corresponds to outstanding transactions under enforceable contracts that are not offset for accounting purposes. These include transactions for which the right to offset is exercised in case of the default, insolvency or bankruptcy of one of the parties to the contracts. They relate to derivatives and repurchase agreements, whether or not processed via clearing houses.
The "Financial instruments received/given in guarantee" column comprises the market value of securities exchanged as collateral.
The "Cash collateral received/paid" column includes guarantee deposits received or given in respect of positive or negative market values of financial instruments. They are recognized as "Other assets or liabilities" in the balance sheet.

NOTE 8 - CUSTOMERS

8a - Customer loans and receivables

	31.12.2017	31.12.2016
Performing loans	412,318	392,673
. Commercial loans	15,024	13,276
. Other customer loans and advances	396,211	378,269
- Home loans	217,697	207,838
- Other loans and receivables including resale/repurchase agreements	178,514	170,431
. Accrued interest	774	788
. Securities not listed on an active market	309	340
Insurance and reinsurance receivables	448	418
Gross receivables subject to individual impairment	14,251	16,098
Gross receivables	**427,017**	**409,189**
Individual impairment	(7,966)	(9,520)
Collective impairment	(633)	(591)
Subtotal I	**418,418**	**399,078**
Finance leases (net investment)	16,870	16,262
. Equipment	11,120	10,473
. Real estate	5,200	5,209
. Gross receivables subject to individual impairment	550	580
Individual impairment	(262)	(288)
Subtotal II	**16,608**	**15,974**
Total	**435,026**	**415,052**
o/w participating loans	18	21
o/w subordinated loans	14	15

Finance leases with customers

	31.12.2016	Increase	Decrease	Other	31.12.2017
Gross carrying amount	16,262	2,616	(1,958)	(50)	16,870
Impairment of uncollectible lease payments	(288)	(120)	142	4	(262)
Net carrying amount	15,974	2,496	(1,816)	(46)	16,608

8b - Amounts due to customers

	31.12.2017	31.12.2016
. Regulated savings deposit accounts	169,355	161,630
- Demand	117,817	113,159
- Term	51,538	48,471
. Accrued interest on savings accounts	268	278
Subtotal	**169,623**	**161,908**
. Demand accounts	148,531	131,387
. Term accounts and borrowings	53,327	62,411
. Repos	2,017	1,575
. Accrued interest	436	693
. Insurance and reinsurance liabilities	242	221
Subtotal	**204,553**	**196,287**
Total	**374,176**	**358,195**

NOTE 9 - FINANCIAL ASSETS HELD TO MATURITY

	31.12.2017	31.12.2016
.Securities	11,471	12,849
- Government securities	626	921
- Bonds and other fixed-income securities	10,845	11,928
. Listed	8,427	8,798
. Unlisted	2,418	3,130
. Translation	0	0
. Accrued interest	10	15
Total – gross	**11,481**	**12,864**
o/w impaired assets	34	27
Impairment	(25)	(16)
Total – net	**11,456**	**12,848**

NOTE 10 - CHANGE IN IMPAIRMENT

	31.12.2016	Charges	Write-backs	Other	31.12.2017
Loans and receivables - Credit institutions	0	0	0	0	0
Loans and advances to customers	(10,399)	(2,312)	2,488	1,362	(8,861)
Fixed-income available-for-sale securities	(48)	0	6	3	(39)
Variable-income available-for-sale securities	(1,658)	(133)	337	(148)	(1,602)
Held-to-maturity securities	(16)	(12)	5	(2)	(25)
Total	**(12,121)**	**(2,457)**	**2,836**	**1,215**	**(10,527)**

NOTE 11 - RECLASSIFICATIONS OF FINANCIAL INSTRUMENTS

The information below concerns reclassifications in 2008. There has been no reclassification since then.

	31.12.2017		31.12.2016	
Reclassified assets	Carrying amount	Fair value	Carrying amount	Fair value
Portfolio of loans and receivables	378	417	626	658
Portfolio of available-for-sale financial assets	1,297	1,297	2,236	2,236
Total	**1,675**	**1,714**	**2,862**	**2,894**

	31.12.2017	31.12.2016
. Profit (loss) that would have been recognized at fair value through profit or loss if the assets had not been reclassified	(242)	92
. Unrealized gains (losses) that would have been recognized in equity if the assets had not been reclassified	46	(146)
. Profit (loss) recognized through profit or loss related to reclassified assets	211	62

NOTE 12 - DEBT SECURITIES

	31.12.2017	31.12.2016
Certificates of deposit	605	950
Interbank market securities and negotiable debt securities	63,672	69,470
Bonds	64,772	59,488
Accrued interest	1,009	1,770
Total	**130,058**	**131,678**

NOTE 13 - TAXES

13a - Current taxes

	31.12.2017	31.12.2016
Assets (through profit or loss)	2,304	1,986
Liabilities (through profit or loss)	1,089	965

13b - Deferred taxes

	31.12.2017	31.12.2016
Assets (through profit or loss)	1,307	1,376
Assets (through equity)	179	188
Liabilities (through profit or loss)	709	697
Liabilities (through equity)	816	839

Breakdown of deferred taxes by main category

	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
. Tax losses carried forward	12	0	21	0
. Temporary differences	1,585	1,636	1,946	1,939
- Deferred capital gains or losses on available-for-sale securities	165	847	178	877
- Other unrealized or deferred gains or losses	45	0	49	0
- Provisions	750	2	828	6
- Latent finance leasing reserve	0	264	0	293
- Earnings of tax-transparent entities	0	0	0	0
- Other temporary differences	625	523	891	763
. Offsetting	(111)	(111)	(403)	(403)
- to equity	(31)	(31)	(39)	(39)
- to profit or loss	(80)	(80)	(364)	(364)
Total deferred tax assets and liabilities	**1,486**	**1,525**	**1,564**	**1,536**

Deferred tax is calculated using the liability method at a rate of 34.43%.

NOTE 14 - ACCRUAL ACCOUNTS AND OTHER ASSETS AND LIABILITIES

14a - Prepayments, accrued income and other assets

	31.12.2017	31.12.2016
Prepayments and accrued income		
Securities collection accounts	1,122	930
Currency adjustment accounts	57	1,021
Accrued income	775	661
Misc. accruals	2,841	2,455
Subtotal	**4,795**	**5,067**
Other assets		
Settlement accounts on securities transactions	182	213
Guarantee deposits paid	6,316	7,117
Other debtors	5,250	5,307
Inventories and similar	24	30
Other	53	42
Subtotal	**11,825**	**12,709**
Other assets of insurance companies		
Technical reserves - Reinsurers' share	428	422
Other	139	141
Subtotal	**567**	**563**
Total	**17,187**	**18,339**

14b - Accrued charges, deferred income and other liabilities

	31.12.2017	31.12.2016
Accrued charges and deferred income		
Blocked accounts on collection transactions	811	705
Currency adjustment accounts	62	64
Accrued expenses	1,669	1,608
Deferred income	1,969	1,903
Misc. accruals	2,315	2,418
Subtotal	**6,826**	**6,698**
Other liabilities		
Settlement accounts on securities transactions	896	484
Payments to be made on securities	556	661
Other creditors	11,547	11,729
Subtotal	**12,999**	**12,874**
Other liabilities of insurance companies		
Deposits and guarantees received	228	225
Other	0	0
Subtotal	**228**	**225**
Total	**20,053**	**19,797**

14c - Non-current assets and liabilities held for sale

Pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the following are classified as "Net gains/ (losses) on activities held for sale":
- In 2017: the proceeds from the sale of the Private Banking business of the Singapore branch and the profit/loss of this business up to the sale date on December 2, 2017.
- In 2016: the profit/loss of Banque Pasche up to the sale date in May 2016 and the recycling from Banque Pasche's translation reserve to profit or loss.

NOTE 15 - INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

15a - hare in net income or loss of companies accounted for using the equity method

31.12.2017	Country	% interest	Investment value	Share of net income (loss)	Dividends received [1]	Fair value of investment (if listed)
Entities over which significant influence is exercised						
Banque Marocaine du Commerce Extérieur	Morocco	26.21	870	(130)	42	897
Banco Popular Español	Spain	3.95	0	(246)	0	0
Banque de Tunisie	Tunisia	34.00	165	15	7	166
RMA Watanya	Morocco	22.02	114	20	11	NC*
Euro Automatic Cash	Spain	50.00	48	9	0	NC*
New Port	France	31.03	41	3	0	0
Younited Credit	France	25.60	11	(4)	0	NC*
Astrée Assurance	Tunisia	30.00	14	2	1	23
Other			30	(9)	4	
Total [1]			**1,293**	**(340)**	**65**	
Joint ventures						
Banque Casino	France	50.00	48	(4)	0	NC*
Bancas	France	50.00	1	0	0	NC*
Total [2]			**49**	**(4)**	**0**	
TOTAL [1]+[2]			**1,342**	**(344)**	**65**	

(1) in cash and shares.
** NC: unlisted.*

31.12.2016	Country	% interest	Investment value	Share of net income (loss)	Dividends received [1]	Fair value of investment (if listed)
Entities over which significant influence is exercised						
Banque Marocaine du Commerce Extérieur	Morocco	26.21	1,038	52	47	984
Banco Popular Español	Spain	3.95	245	(262)	4	152
Banque de Tunisie	Tunisia	34.00	173	14	6	198
RMA Watanya	Morocco	21.97	102	33	10	NC*
Euro Automatic Cash	Spain	49.93	39	13	14	NC*
New Port	France	31.03	33	2	0	NC*
Astrée Assurance	Tunisia	29.93	18	2	1	18
Other			29	3	2	
Total [1]			**1,677**	**(143)**	**84**	
Joint ventures						
Primonial Holding	France	44.59	51	6	0	NC*
Banque Casino	France	50.00	47	(2)	0	NC*
Bancas	France	50.00	1	0	0	NC*
Total [2]			**99**	**4**	**0**	
TOTAL [1]+[2]			**1,776**	**(139)**	**84**	

(1) in cash and shares.
** NC: unlisted.*

15b - Data of main entities accounted for using the equity method

31.12.2017	Total assets	NBI or revenue	Operating income before provisions	Net income (loss)	OCI	Shareholders' equity in foreign currency
Entities over which significant influence is exercised						
Banque Marocaine du Commerce Extérieur (1)	305,923	12,990	5,615	2,835	(6)	23,583
Banque de Tunisie (2)	4,718	236	129	101	NC	730
RMA Watanya (1)	342,166	17,756	4,551	905	4,997	5,529
Groupe Cholet Dupont	308	21	5	3	0	41
Astrée Assurance (2)	441	146	23	14	39	155
Joint ventures						
Banque Casino	978	118	53	6	0	97

(1) Individual financial data in local currency, i.e. Moroccan dirham.
(2) Individual financial data in local currency, i.e. Tunisian dinar.
** NC: not communicated.*

31.12.2016	Total assets	NBI or revenue	Operating income before provisions	Net income (loss)	OCI	Shareholders' equity in foreign currency
Entities over which significant influence is exercised						
Banque Marocaine du Commerce Extérieur (1) / (3)	279,422	11,817	4,884	2,655	73	22,110
Banco Popular Español	147,926	2,826	798	(3,485)	(289)	11,088
Banque de Tunisie (2) / (3)	4,366	213	104	90	NC*	673
RMA Watanya (1) / (3)	314,114	5,047	3,622	466	3,424	4,627
NEW PORT	169	7	7	7	45	107
Astrée Assurance (2)	424	131	20	14	50	160
Joint ventures						
Primonial Holding	306	147	37	23	0	128
Banque Casino	866	106	50	5	0	81

(1) Individual financial data in local currency, i.e. Moroccan dirham.
(2) Individual financial data in local currency, i.e. Tunisian dinar.
(3) 2015 data.
** NC: not communicated.*

Banco Popular Español (BPE):

As a reminder, at December 31, 2016 BPE was consolidated as an associate in light of the significant influence relationship between it and the group: Crédit Mutuel - CIC is represented on BPE's Board of Directors, the two groups have a banking joint venture, and there are numerous cross-commercial agreements on the Franco-Spanish retail and corporate markets.

As a result of significant liquidity constraints, on June 6, 2017 the European Central Bank decided that Banco Popular was likely to fail and informed the Single Resolution Board accordingly.

The Single Resolution Board and the Spanish resolution authority (FROB) decided that the sale of Banco Popular to Banco Santander would serve the public interest by protecting all its depositors and ensuring its financial stability.

The resolution plan took effect on June 7, 2017 and the Single Resolution Board transferred all of Banco Popular's shares and capital instruments to Banco Santander for one euro.

The Crédit Mutuel CM11 Group, which owned 3.95% of Banco Popular shares, recognized a capital loss net of impairment of €232 million already booked in net income (loss) of associates in its consolidated financial statements at December 31, 2017. This capital loss resulted from setting the equity-accounted value to zero at December 31, 2017 (€405.6 million) and reversing the impairment (€174 million).

Banque Marocaine du Commerce Extérieur (BMCE)

LThe investment in BMCE was tested for impairment on December 31, 2017, which resulted in the recognition of a €175 million impairment provision.

NOTE 16 - INVESTMENT PROPERTY

	31.12.2016	Increase	Decrease	Other	31.12.2017
Historical cost	3,164	1,019	(38)	(125)	4,020
Depreciation and impairment	(619)	(63)	21	21	(640)
Net amount	**2,545**	**956**	**(17)**	**(104)**	**3,380**

The fair value of property recognized at cost was €3.646 billion at December 31, 2016 and €4.502 billion at December 31, 2017.

NOTE 17 - PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

17a - Property and equipment

	31.12.2016	Increase	Decrease	Other	31.12.2017
Historical cost					
Land used in operations	569	9	(3)	29	604
Buildings used in operations	5,822	229	(158)	90	5,983
Other property and equipment	3,151	368	(328)	(23)	3,168
Total	**9,542**	**606**	**(489)**	**96**	**9,755**
Depreciation and impairment					
Land used in operations	(5)	(2)	0	0	(7)
Buildings used in operations	(3,586)	(237)	137	(32)	(3,718)
Other property and equipment	(2,421)	(239)	176	2	(2,482)
Total	**(6,012)**	**(478)**	**313**	**(30)**	**(6,207)**
Net amount	**3,530**	**128**	**(176)**	**66**	**3,548**

Of which buildings leased under finance leases

	31.12.2016	Increase	Decrease	Other	31.12.2017
Gross carrying amount	152	0	0	0	152
Depreciation and impairment	(33)	0	0	(2)	(35)
Total	**119**	**0**	**0**	**(2)**	**117**

17b - Intangible assets

	31.12.2016	Increase	Decrease	Other	31.12.2017
Historical cost					
. Non-current assets produced internally	468	43	(18)	9	502
. Non-current assets acquired	2,582	197	(105)	(8)	2,666
- Software	869	53	(21)	(5)	896
- Other	1,713	144	(84)	(3)	1,770
Total	**3,050**	**240**	**(123)**	**1**	**3,168**
Depreciation and impairment					
. Non-current assets produced internally	(340)	(57)	16	(2)	(383)
. Non-current assets acquired	(1,594)	(114)	38	13	(1,657)
- Software	(800)	(38)	21	9	(808)
- Other	(794)	(76)	17	4	(849)
Total	**(1,934)**	**(171)**	**54**	**11**	**(2,040)**
Net amount	**1,116**	**69**	**(69)**	**12**	**1,128**

NOTE 18 - GOODWILL

	31.12.2016	Increase	Decrease	Other	31.12.2017
Gross goodwill	5,376	31	0	(9)	5,399
Impairment	(476)	(15)	0	0	(491)
Net goodwill	**4,900**	**16**	**0**	**(9)**	**4,907**

FILIALES	Goodwill at 12/31/2016	Increase	Decrease	Impairment	Other	Goodwill at 12/31/2017
Targobank Germany	2,787					2,787
CIC Group	515					515
Cofidis Group	466					466
o/w Cofidis Participations	*457*					*457*
o/w Cofidis SGPS	*0*					*0*
o/w Cofidis Italy	*9*					*9*
Targobank Spain	0					0
Groupe La Française	178					178
Procapital	63					63
Arkea Direct Bank (formerly Fortuneo)	166					166
Monext	100					100
Factofrance SAS	80				(12)	68
El Télécom	78					78
Heller GmbH and Targo Leasing GmbH	75				(12)	63
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	53	2			(2)	53
CFCAL Banque	38					38
Leasecom	33					33
Leetchi	26					26
Keytrade Bank (formerly Fortuneo Belgium)	94					94
Other	148	31				179
Total	**4,900**	**33**	**0**	**0**	**(26)**	**4,907**

The recoverable amount of the cash-generating units to which goodwill has been allotted is tested each year. If the recoverable amount is less than the carrying amount, the difference is recognized as goodwill impairment.
The recoverable amount is determined using two methods:
- by reference to fair value less selling costs, which is based on observing valuation multiples for comparable transactions or market parameters used by analysts for entities carrying on similar activities;
- by reference to useful value, which is the present value of the expected future cash flows.

For the determination of the useful value, cash flows are based on the business plans determined by management, covering a maximum period of five years, then a projection to infinity based on a long-term growth rate. This rate is set at 2% for all European entities, an assumption determined in comparison to the observed very-long-term inflation rate.
The discount rate applied to cash flows corresponds to the cost of capital, which is determined from a long-term risk-free rate, to which is added a risk premium. The risk premium is determined through the observation of the sensitivity of the share price to the market when the asset is listed, or based on an estimate by an analyst when the asset is unlisted.
In the case of the useful value, the main factors affecting the sensitivity of the recoverable amount are the discount rate and expected future cash flows. When useful value was the method used to perform the impairment test, the parameters and their sensitivity were as follows:

	Targobank Germany	Cofidis
Cost of capital	9.00%	9.00%
Effect of a 50-basis point increase in the cost of capital	(304)	(213)
Effect of a 1% decrease in future cash flows	(46)	(32)

NOTE 19 - INSURANCE TECHNICAL RESERVES

	31.12.2017	31.12.2016
Life	125,400	123,748
Non-life	4,066	3,779
Unit-linked	22,191	17,922
Other	455	446
Total	**152,112**	**145,895**
Of which: Deferred profit-sharing - liability	17,201	15,739
Deferred profit-sharing - asset	0	0
Reinsurers' share of technical reserves	428	422
Net technical reserves	**151,684**	**145,473**

Details regarding the results of the insurance activity are provided in Note 28.

NOTE 20 - PROVISIONS AND CONTINGENT LIABILITIES

20a - Provisions

	31.12.2016	Increases during the year	Reversals during the year (used)	Reversals during the year (not used)	Other changes	31.12.2017
Provisions for risks	**457**	**389**	**(45)**	**(110)**	**6**	**697**
Commitments by signature	169	65	(3)	(58)	1	174
Loan and guarantee commitments	11	0	0	(6)	1	6
Country risks	0	0	0	0	0	0
Tax	53	13	(3)	(13)	0	49
Litigation	112	63	(35)	(25)	31	146
Misc. receivables risk	112	248	(4)	(8)	(26)	322
Other provisions	**1,270**	**446**	**(246)**	**(210)**	**(18)**	**1,242**
Home savings accounts and schemes	241	13	0	(25)	1	230
Misc. contingencies	609	315	(227)	(158)	107	646
Other provisions	420	118	(19)	(27)	(126)	366
Retirement commitments	**1,785**	**109**	**(40)**	**(15)**	**(74)**	**1,765**
Total	**3,512**	**944**	**(331)**	**(335)**	**(86)**	**3,704**

	31.12.2015	Increases during the year	Reversals during the year (used)	Reversals during the year (not used)	Other changes	31.12.2016
Provisions for risks	**384**	**194**	**(37)**	**(103)**	**19**	**457**
Commitments by signature	159	75	(12)	(55)	2	169
Loan and guarantee commitments	8	3	(1)	(1)	2	11
Country risks	0	0	0	0	0	0
Tax	42	24	(1)	(13)	1	53
Litigation	98	38	(19)	(19)	14	112
Misc. receivables risk	77	54	(4)	(15)	0	112
Other provisions	**1,149**	**414**	**(211)**	**(69)**	**(13)**	**1,270**
Home savings accounts and schemes	200	42	0	(1)	0	241
Misc. contingencies	579	260	(197)	(30)	(3)	609
Other provisions	370	112	(14)	(38)	(10)	420
Retirement commitments	**1,485**	**78**	**(50)**	**(6)**	**278**	**1,785**
Total	**3,018**	**686**	**(298)**	**(178)**	**284**	**3,512**

Provisions for home savings schemes and accounts

	0-4 years	4-10 years	+10 years	Total
Deposits taken on home savings schemes during the savings phase	6,893	19,626	14,774	41,292
Provisions for home savings schemes	14	110	84	207
Deposits taken on home savings accounts during the savings phase				(1,648)
Provisions for home savings accounts				17
Provisions set aside for home savings products				(13)
Reversal of provisions set aside for home savings products				25
Outstanding loans granted in respect of home savings schemes and accounts				(72)
Provisions for home savings loans				5

Deposits in respect of home savings schemes excluding the Capital range.

Retirement commitments and similar benefits

	31.12.2016	Increases during the year	Reversals during the year	Other changes [(1)]	31.12.2017
Commitments related to defined benefit and similar retirement plans, excluding pension funds					
Retirement indemnities	1,182	55	(32)	(55)	1,150
Supplementary retirement benefits	335	20	(19)	6	342
Long service awards (other long-term benefits)	173	21	(4)	2	192
Total recognized	**1,690**	**96**	**(55)**	**(47)**	**1,684**
Supplementary defined benefit retirement plans covered by the group's pension funds					
Commitments to employees and retired employees	31	6	0	(26)	11
Fair value of assets					
Total recognized	**31**	**6**	**0**	**(26)**	**11**
Other commitments	**64**	**7**	**0**	**(1)**	**70**
Total recognized	**64**	**7**	**0**	**(1)**	**70**
Total	**1,785**	**109**	**(55)**	**(74)**	**1,765**

	31.12.2015	Increases during the year	Reversals during the year	Other changes [(1)]	31.12.2016
Commitments related to defined benefit and similar retirement plans, excluding pension funds					
Retirement indemnities	1,025	48	(36)	145	1,182
Supplementary retirement benefits	215	21	(13)	112	335
Long service awards (other long-term benefits)	164	7	(4)	6	173
Total recognized	**1,404**	**76**	**(53)**	**263**	**1,690**
Supplementary defined benefit retirement plans covered by the group's pension funds					
Commitments to employees and retired employees	15	2	0	14	31
Fair value of assets					
Total recognized	**15**	**2**	**0**	**14**	**31**
Other commitments	**66**	**0**	**(3)**	**1**	**64**
Total recognized	**66**	**0**	**(3)**	**1**	**64**
Total	**1,485**	**78**	**(56)**	**278**	**1,785**

[(1)] Mainly concerns the restatement of benefits covered by internal contracts (reclassification of technical reserves as retirement commitments).

Defined benefit plan: Main actuarial assumptions

	31.12.2017	31.12.2016
Discount rate [1]	1.20% to 1.54%	1.20% to 1.84%
Expected rate of increase in salaries	0.66% to 3.26%	2.00% to 2.19%

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

Retirement indemnities

Change in actuarial liability	31.12.2016	Interest charges	Cost of services rendered during the period	Cost of past services	Insurance premiums	Actuarial gains and losses arising from changes in demographic assumptions	Actuarial gains and losses arising from changes in financial assumptions	Payment to beneficiaries	Translation differences	Other (business combinations, liquidations)	31.12.2017
Commitments	1,693	20	72	(1)	0	(14)	0	(67)	0	(3)	1700
Insurance contract outside the group and assets managed externally	511	6	0	0	19	0	21	(7)	0	0	550
Provision	**1,182**	**14**	**72**	**(1)**	**(19)**	**(14)**	**(21)**	**(60)**	**0**	**(3)**	**1,150**

Change in actuarial liability	31.12.2015	Interest charges	Cost of services rendered during the period	Cost of past services	Insurance premiums	Actuarial gains and losses arising from changes in demographic assumptions	Actuarial gains and losses arising from changes in financial assumptions	Payment to beneficiaries	Translation differences	Other (business combinations, liquidations)	31.12.2016
Commitments	1,497	30	66	0	0	(5)	163	(65)	0	7	1693
Insurance contract outside the group and assets managed externally	472	10	0	0	14	0	8	(9)	0	16	511
Provision	**1,025**	**20**	**66**	**0**	**(14)**	**(5)**	**155**	**(56)**	**0**	**(9)**	**1,182**

A 50-basis point increase in the discount rate would lead to a €103 million decrease in commitments, while a 50-basis point decrease would lead to a €116 million increase in commitments.

Changes in fair value of plan assets	31.12.2016	Discounting effect	Yield on plan assets in excess of interest income	Insurance premiums	Payment to beneficiaries	Translation differences	Other (business combinations, liquidations)	31.12.2017
Fair value of plan assets	1,105	9	10	55	(54)	0	0	1,125

Changes in fair value of plan assets	31.12.2015	Discounting effect	Yield on plan assets in excess of interest income	Insurance premiums	Payment to beneficiaries	Translation differences	Other (business combinations, liquidations)	31.12.2016
Fair value of plan assets	1,036	7	39	49	(43)	0	16	1,105

	31.12.2017			
Details of fair value of plan assets	Debt instruments	Equity instruments	Real estate	Other
Assets listed in an active market	69%	17%	0%	9%
Assets not listed in an active market	1%	0%	2%	3%
Total	**70%**	**17%**	**2%**	**11%**

	31.12.2016			
Details of fair value of plan assets	Debt instruments	Equity instruments	Real estate	Other
Assets listed in an active market	73%	20%	0%	1%
Assets not listed in an active market	1%	0%	2%	3%
Total	**74%**	**20%**	**2%**	**4%**

Retirement commitments arising from defined benefit plans	Average duration*
Retirement indemnities	16.72

** Excluding foreign entities of CM11 group.*

20b - Contingent liabilities

None

NOTE 21 - SUBORDINATED DEBT

	31.12.2017	31.12.2016
Subordinated debt	9,169	7,184
Participating loans	25	27
Undated subordinated debt	1,242	1,249
Other debt	0	0
Accrued interest	117	84
Total	**10,553**	**8,544**

Principales dettes subordonnées

(in € millions)	Type	Issue date	Amount issued	Amount at year-end	Maturity
Banque Fédérative du Crédit Mutuel	Subordinated, redeemable	December 2011	1,000	992	December 2018
Banque Fédérative du Crédit Mutuel	Subordinated, redeemable	October 2010	1,000	913	October 2020
Banque Fédérative du Crédit Mutuel	Subordinated, redeemable	May 2014	1,000	994	May 2024
Banque Fédérative du Crédit Mutuel	Subordinated, redeemable	September 2015	1,000	1,000	September 2025
Banque Fédérative du Crédit Mutuel	Subordinated, redeemable	March 2016	1,000	1,000	March 2026
Banque Fédérative du Crédit Mutuel	Subordinated, redeemable	November 2016	**700**	**700**	November 2026
Banque Fédérative du Crédit Mutuel	Subordinated, redeemable	March 2017	**500**	**500**	March 2027
Banque Fédérative du Crédit Mutuel	Subordinated, redeemable	November 2017	**500**	**500**	November 2027
Banque Fédérative du Crédit Mutuel	Super-subordinated, undated	December 2004	**750**	**726**	Undated
Banque Fédérative du Crédit Mutuel	Super-subordinated, undated	February 2005	**250**	**250**	Undated
Banque Fédérative du Crédit Mutuel	Super-subordinated, undated	April 2005	-	-	Undated
Banque Fédérative du Crédit Mutuel	Super-subordinated, undated	October 2008	700	-	Undated
Crédit Mutuel Nord Europe	Super-subordinated, undated	January 2004	150	136	Undated
Crédit Mutuel Nord Europe	Subordinated, redeemable	March 2014	119	119	06/27/26
Crédit Mutuel Nord Europe	Subordinated, redeemable	December 2014	55	55	12/22/26
Crédit Mutuel Nord Europe	Subordinated, redeemable	December 2015	50	50	December 2030
Crédit Mutuel Nord Europe	Subordinated, redeemable	December 2016	300	300	September 2026
Crédit Mutuel Arkéa	Super-subordinated, undated	July 2004	97	97	Undated
Crédit Mutuel Arkéa	Subordinated, redeemable	September 2008	300	42	September 2018
Crédit Mutuel Arkéa	Subordinated, redeemable	June 2016	500	498	June 2016
Crédit Mutuel Arkéa	Subordinated, redeemable	February 2017	500	497	February 2029
Crédit Mutuel Arkéa	Subordinated, redeemable	October 2017	500	496	October 2029

NOTE 22 - SHAREHOLDERS' EQUITY AND RESERVES

22a - Shareholders' equity - attributable to owners of the company (excluding net income and unrealized gains and losses)

	31.12.2017	31.12.2016
. Capital and capital reserves	10,083	10,023
- Share capital	10,052	9,992
- Share premium and other similar amounts	31	31
. Consolidated reserves	37,368	34,390
- Legal reserve	0	0
- Regulatory and contractual reserves	0	0
- Regulated reserves	11	11
- Other reserves (including impact of first-time application)	37,235	34,251
- Retained earnings	122	128
Total	**47,451**	**44,413**

22b - Unrealized or deferred gains or losses - attributable to owners of the company

	31.12.2017	31.12.2016
Unrealized or deferred gains or losses* on:		
- Available-for-sale assets	2,365	2,226
- Cash flow hedging derivatives	(14)	(54)
- Other	(410)	(298)
Total	**1,941**	**1,874**

* *Net of corporation tax and after adjustment for shadow accounting.*

22 c - Fully consolidated entities with significant non-controlling interests

31.12.2017	Amounts attributable to non-controlling interests in the consolidated financial statements				Financial information regarding the fully consolidated entity*			
	% interest	Net income (loss) attributable to non-controlling interests	Non-controlling interests recognized in shareholders' equity	Dividends paid to non-controlling interests	Total assets	Net income (loss)	OCI reserves	Net banking income
Cofidis Group	70.60%	62	469	0	12,592	220	0	1,254

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

31.12.2016	Amounts attributable to non-controlling interests in the consolidated financial statements				Financial information regarding the fully consolidated entity*			
	% interest	Net income (loss) attributable to non-controlling interests	Non-controlling interests recognized in shareholders' equity	Dividends paid to non-controlling interests	Total assets	Net income (loss)	OCI reserves	Net banking income
CIC Group	1.12%	13	138	3	269,316	1,361	255	4,985
Cofidis Group	45.37%	80	625	16	12,059	186	(2)	1,211
Targobank Spain	48.98%	(70)	92	0	2,511	(144)	0	62

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

NOTE 23 - COMMITMENTS GIVEN AND RECEIVED

Commitments given	31.12.2017	31.12.2016
Financing commitments		
Commitments given to credit and similar institutions	1,323	1,464
Commitments given to customers	74,347	70,842
Guarantee commitments		
Commitments given to credit and similar institutions	3,393	2,696
Commitments given to customers	20,471	19,392
Commitments on securities		
Other commitments given	1,867	348

Commitments received	31.12.2017	31.12.2016
Financing commitments		
Commitments received from credit and similar institutions	28,100	28,374
Commitments received from customers	0	56
Guarantee commitments		
Commitments received from credit and similar institutions	50,240	47,339
Commitments received from customers	55,755	51,655
Commitments on securities		
Other commitments received	1,914	2,288

Securities given under repurchase agreements	31.12.2017	31.12.2016
Assets given under repurchase agreements	38,576	38,146
Related liabilities	38,719	39,107

Other assets given as guarantees for liabilities	31.12.2017	31.12.2016
Loaned securities	470	270
Guarantee deposits for market transactions	6,316	7,117
Total	**6,786**	**7,387**

For its refinancing activity, the group assigns debt instruments and/or equity instruments under repurchase agreements. This results in the transfer of ownership of securities which the transferee may in turn lend. Coupons and dividends accrue to the borrower. These transactions are subject to margin calls and the group is exposed to the risk that these securities may not be returned.
The other assets given as guarantees for liabilities concern derivatives for which margin calls are paid when their fair value is negative. These amounts include the initial margins and those paid subsequently.

2. NOTES TO THE INCOME STATEMENT

NOTE 24 - INTEREST AND SIMILAR INCOME AND EXPENSE

	31.12.2017		31.12.2016	
	Income	Expense	Income	Expense
. Credit institutions and central banks	453	(471)	431	(481)
. Customers	14,976	(6,055)	15,440	(6,372)
- o/w finance and operating leases	3,835	(3,382)	3,581	(3,177)
. Hedging derivative instruments	2,865	(3,400)	1,978	(2,528)
. Available-for-sale financial assets	697		650	
. Held-to-maturity financial assets	113		184	
. Debt securities		(2,033)		(2,383)
. Subordinated debt		(21)		(20)
Total	**19,104**	**(11,980)**	**18,683**	**(11,784)**
o/w interest income and expense calculated at the effective interest rate	*16,239*	*(8,580)*	*16,705*	*(9,256)*
o/w accrued interest on impaired financial assets	*317*		*298*	
o/w interest on liabilities at amortized cost		*(8,580)*		*(9,256)*

NOTE 25 - FEES AND COMMISSIONS

	31.12.2017		31.12.2016	
	Income	Expense	Income	Expense
Credit institutions	21	(17)	19	(13)
Customers	2,003	(30)	1,869	(30)
Securities	1,029	(45)	939	(66)
o/w activities managed on behalf of third parties	*682*		*621*	
Derivative instruments	10	(5)	11	(5)
Foreign exchange	27	(2)	27	(2)
Financing and guarantee commitments	92	(7)	123	(10)
Services rendered	2,580	(1,423)	2,354	(1,277)
Total	**5,762**	**(1,529)**	**5,342**	**(1,403)**

NOTE 26 - NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2017	31.12.2016
Trading instruments	417	526
Instruments under the fair value option	463	400
Ineffective portion of hedges	(34)	8
. On cash flow hedges	0	0
. On fair value hedges	(34)	8
. Change in fair value of hedged items	(411)	(458)
. Change in fair value of hedging items	377	466
Foreign exchange gain (loss)	84	55
Total changes in fair value	**930**	**989**

o/w estimated based on a valuation model using as input non-observable market data: €648 million at December 31, 2017.

NOTE 27 - NET GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2017			
	Dividends	Realized capital gains/losses	Impairment	Total
. Government securities, bonds and other fixed-income securities		275	0	275
. Shares and other variable-income securities	98	180	142	420
. Long-term investments [1]	64	40	(224)	(120)
. Other	0	(1)	0	(1)
Total	**162**	**494**	**(82)**	**574**

(1) Includes profit on the sale of the VISA shares.

	31.12.2016			
	Dividends	Realized capital gains/losses	Impairment	Total
. Government securities, bonds and other fixed-income securities		235	0	235
. Shares and other variable-income securities	95	(7)	(12)	76
. Long-term investments	44	541	(13)	572
. Other	0	0	0	0
Total	**139**	**769**	**(25)**	**883**

NOTE 28 - INCOME AND EXPENSES ON OTHER ACTIVITIES

	31.12.2017	31.12.2016
Income from other activities		
. Insurance contracts	21,853	20,990
. Investment property:	16	8
- Provisions and impairment losses reversed	3	4
- Capital gains on disposals	13	4
. Rebilled expenses	101	100
. Other income	2,464	2,250
Subtotal	**24,434**	**23,348**
Expenses on other activities		
. Insurance contracts	(18,280)	(17,874)
. Investment property:	(72)	(71)
- Provisions and depreciation	(65)	(67)
- Capital losses on disposals	(7)	(4)
. Other expenses	(1,194)	(1,289)
Subtotal	**(19,546)**	**(19,234)**
Total net other income and expenses	**4,888**	**4,114**

Net income from insurance activities

	31.12.2017	31.12.2016
Earned premiums	15,787	15,969
Cost of benefits	(8,815)	(8,368)
Changes in reserves	(3,334)	(3,962)
Other technical and non-technical income and expenses	(5,251)	(4,665)
Net investment income	5,188	4,142
Total	**3,575**	**3,116**

NOTE 29 - GENERAL OPERATING EXPENSES

	31.12.2017	31.12.2016
Payroll costs	(6,436)	(6,184)
Other expenses	(4,633)	(4,491)
Total	**(11,069)**	**(10,675)**

29a - Payroll costs

	31.12.2017	31.12.2016
Wages and salaries	(3,956)	(3,833)
Social security contributions	(1,567)	(1,521)
Short-term employee benefits	(2)	(2)
Employee profit-sharing and incentives	(458)	(390)
Payroll and other similar taxes	(447)	(436)
Other	(6)	(2)
Total	**(6,436)**	**(6,184)**

Average staff numbers

	31.12.2017	31.12.2016
Operational staff	48,486	48,623
Executives	33,691	33,034
Total	**82,177**	**81,657**
France	67,507	67,187
Rest of world	14,670	14,470

29b - Other operating expenses

	31.12.2017	31.12.2016
Taxes and levies and regulatory contributions	(554)	(552)
External services	(3,257)	(3,049)
Other misc. expenses	(182)	(169)
Total	**(3,992)**	**(3,770)**

29c - Depreciation, amortization and provisions for property and equipment and intangible assets recognized and reversed

	31.12.2017	31.12.2016
Depreciation and amortization:	(631)	(626)
- Property and equipment	(478)	(465)
- Intangible assets	(153)	(161)
Impairment:	(10)	(95)
- Property and equipment	1	0
- Intangible assets	(11)	(95)
Total	**(641)**	**(721)**

NOTE 30 - NET ADDITIONS TO/REVERSALS FROM PROVISIONS FOR LOAN LOSSES

31.12.2017	Additions	Reversals	Irrecoverable receivables covered	Irrecoverable receivables not covered	Recovery of receivables previously written off	TOTAL
Credit institutions	0	16	0	(1)	2	17
Customers	(2,191)	2,352	(943)	(375)	197	(960)
. Finance leases	(66)	80	(27)	(8)	5	(16)
. Other - customers	(2,125)	2,272	(916)	(367)	192	(944)
Subtotal	**(2,191)**	**2,368**	**(943)**	**(376)**	**199**	**(943)**
Held-to-maturity financial assets	(12)	5	0	0	0	(7)
Available-for-sale financial assets	(2)	9	(2)	(12)	6	(1)
Other	(110)	106	(10)	0	0	(14)
Total	**(2,315)**	**2,488**	**(955)**	**(388)**	**205**	**(965)**

31.12.2016	Additions	Reversals	Irrecoverable receivables covered	Irrecoverable receivables not covered	Recovery of receivables previously written off	TOTAL
Credit institutions	0	9	0	(1)	0	8
Customers	(1,821)	1,956	(915)	(322)	165	(937)
. Finance leases	(29)	28	(11)	(5)	0	(17)
. Other - customers	(1,792)	1,928	(904)	(317)	165	(920)
Subtotal	**(1,821)**	**1,965**	**(915)**	**(323)**	**165**	**(929)**
Held-to-maturity financial assets	0	0	0	0	0	0
Available-for-sale financial assets	(3)	4	(4)	(16)	17	(2)
Other	(89)	91	(6)	(2)	0	(6)
Total	**(1,913)**	**2,060**	**(925)**	**(341)**	**182**	**(937)**

NOTE 31 - GAINS OR LOSSES ON OTHER ASSETS

	31.12.2017	31.12.2016
Property and equipment and intangible assets	6	13
. Capital losses on disposals	(24)	(17)
. Capital gains on disposals	30	30
Net gains or losses on disposals of consolidated securities	(3)	30
Total	**3**	**43**

NOTE 32 - CHANGES IN GOODWILL

	31.12.2017	31.12.2016
Goodwill impairment	(15)	(187)
Negative goodwill charged to profit and loss	0	0
Total	**(15)**	**(187)**

NOTE 33 - INCOME TAX

Breakdown of tax expense

	31.12.2017	31.12.2016
Current tax	(2,284)	(1,746)
Deferred tax	(41)	54
Adjustments for prior years	(1)	(3)
Total	**(2,326)**	**(1,695)**

Reconciliation of actual tax expense and theoretical tax expense

	31.12.2017	31.12.2016
Theoretical tax rate	34.45%	34.43%
Impact of special tax regime for venture capital companies (SCR) and commercial real property leasing companies (SICOMI)	-1.19%	-1.03%
Impact of reduced tax rate on long-term capital gains	-0.19%	-3.26%
Impact of specific tax rates paid by foreign entities	-0.77%	0.55%
Impact of the carryback	-0.11%	-0.22%
Permanent differences	0.68%	1.66%
Other	7.92%	1.32%
Effective tax rate	**40.79%**	**33.45%**
Taxable income	5,702	5,068
Tax expense	**(2,326)**	**(1,695)**

The extraordinary corporate income tax surcharge provided for in the 2017 amending finance law (€337 million for the group) represented three-fourths of the "Other" line item for the year.

3. NOTES TO THE STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

NOTE 34 - RECLASSIFICATION OF GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY

	31.12.2017 Movements	31.12.2016 Movements
Translation gains and losses		
Reclassification to profit and loss	0	0
Other movements	(109)	(65)
Subtotal	***(109)***	***(65)***
Re-measurement of available-for-sale financial assets		
Reclassification to profit and loss	(97)	(262)
Other movements	203	186
Subtotal	***106***	***(76)***
Re-measurement of hedging derivative instruments		
Reclassification to profit and loss	0	0
Other movements	40	11
Subtotal	***40***	***11***
Re-measurement of non-current assets	0	0
Actuarial gains (losses) on defined benefit plans	34	(138)
Share of unrealized or deferred gains or losses in companies accounted for using the equity method	(3)	(1)
Total	**68**	**(269)**

NOTE 35 - TAX IN RESPECT OF EACH CATEGORY OF GAINS AND LOSSES RECOGNIZED DIRECTLY TO EQUITY

	31.12.2017			31.12.2016		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation gains and losses	(109)	0	(109)	(65)	0	(65)
Re-measurement of available-for-sale financial assets	160	(55)	105	(116)	40	(76)
Re-measurement of hedging derivative instruments	54	(13)	41	17	(6)	11
Re-measurement of non-current assets	0	0	0	0	0	0
Actuarial gains (losses) on defined benefit plans	63	(22)	41	(206)	68	(138)
Share of unrealized or deferred gains or losses in companies accounted for using the equity method	(3)	0	(3)	(1)	0	(1)
Total change in gains and losses recognized directly in equity	**165**	**(90)**	**75**	**(371)**	**102**	**(269)**

4. INFORMATION CONCERNING UNCONSOLIDATED STRUCTURED ENTITIES

A **structured entity** is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only or when the relevant activities are directed by means of contractual arrangements.

The group works with unconsolidated structured entities in the course of its activities and to meet its customers' needs.

The main categories of unconsolidated structured entities sponsored by the group are:
- special-purpose vehicles (SPV) in limited amounts
- asset financing: the group grants loans to structured entities solely for the purpose of the latter holding assets for lease and using the related lease payments to repay its loans. These entities are dissolved when the financing operation is completed. The group is generally the sole shareholder.

  For these two categories, the maximum loss exposure on the structured entities is the carrying amount of the asset being financed.
- collective investment undertakings and funds: the group acts as an asset manager and custodian. It proposes funds to customers in which it does not invest itself. The group markets and manages these funds, which may be special investors' funds or general public funds, for which it is remunerated in the form of commissions.

An interest in an unconsolidated structured entity, whether or not on a contractual basis, exposes the group to variability of returns associated with the entity's performance.
The group's risk is mainly an operational risk of failure to perform its management or custodial mandate and, where applicable, includes risk exposure in the amount of the sums invested.
No financial support was given to the group's structured entities during the year.
The main categories of unconsolidated structured entities sponsored by the group are provided in the table below.

31.12.2017	Special-purpose vehicles (SPV)	Asset management (UCITS/REITs) (*)	Other structured entities (**)
Total assets	178	24,854	2,237
Carrying amount of financial assets (1)	48	10,857	954
Carrying amount of financial liabilities (1)	0	0	0
Maximum exposure to risk of loss	33	649	0

(1) Carrying amount of the assets recognized by the reporting entity in respect of these structured entities.
(*) Mainly UCITS under management by the group
(**) Other structured entities correspond to asset financing entities.

5. SEGMENT REPORTING

BREAKDOWN OF TOTAL ASSETS BY BUSINESS LINE

(in € millions)	Retail Banking	Insurance	Corporate and Investment Banking	Asset Management / Private Banking	Other	Total	Inter-businesses	Total
2017	980,056	183,458	76,589	29,840	96,049	1,365,992	(552,794)	813,198
Total assets	**71.7%**	**13.4%**	**5.6%**	**2.2%**	**7.0%**	**100%**		
2016	950,280	176,477	163,047	31,187	21,384	1,342,375	(548,853)	793,522
Total assets	**70.8%**	**13.1%**	**12.1%**	**2.3%**	**1.6%**	**100%**		

ANALYSIS OF INCOME STATEMENT BY BUSINESS LINE

31.12.2017	Retail Banking	Insurance	Corporate and Investment Banking	Asset Management / Private Banking	Other	Inter-businesses	Total
Net banking income	12,846	2,374	1,152	829	1,458	(911)	17,748
General operating expenses	(8,684)	(690)	(378)	(571)	(1,657)	911	(11,069)
Operating income before provisions	**4,162**	**1,684**	**774**	**258**	**(199)**	**0**	**6,679**
Net additions to/reversals from provisions for loan losses	(942)	0	(7)	(8)	(8)		(965)
Gains (losses) on other assets [1]	(11)	22	0	6	(373)		(356)
Income before tax	**3,209**	**1,706**	**767**	**256**	**(580)**		**5,358**
Corporate and other taxes	(1,156)	(710)	(159)	(54)	(225)		(2,304)
Net income (loss)	**2,053**	**996**	**608**	**202**	**(805)**		**3,054**
Non-controlling interests	62	0	(1)	13	2		76
Net income (loss) attributable to owners of the company	**1,991**	**996**	**609**	**189**	**(807)**		**2,978**

(1) Including net income or loss of companies accounted for using the equity method and goodwill impairment.

31.12.2016	Retail Banking	Insurance	Corporate and Investment Banking	Asset Management / Private Banking	Other	Inter-businesses	Total
Net banking income	12,354	2,047	1,089	769	1,412	(847)	16,824
General operating expenses	(8,394)	(664)	(354)	(559)	(1,551)	847	(10,675)
Operating income before provisions	**3,960**	**1,383**	**735**	**210**	**(139)**	**0**	**6,149**
Net additions to/reversals from provisions for loan losses	(913)	0	(15)	(4)	(5)		(937)
Gains (losses) on other assets [1]	25	35	0	21	(364)		(283)
Income before tax	**3,072**	**1,418**	**720**	**227**	**(508)**		**4,929**
Corporate and other taxes	(1,109)	(440)	(182)	(79)	159		(1,651)
Net income (loss)	**1,963**	**978**	**538**	**148**	**(349)**		**3,278**
Non-controlling interests	19	2	5	7	(8)		25
Net income (loss) attributable to owners of the company	**1,944**	**976**	**533**	**141**	**(341)**		**3,253**

(1) Including net income or loss of companies accounted for using the equity method and goodwill impairment.

BREAKDOWN OF TOTAL ASSETS BY GEOGRAPHIC AREA

ASSETS	31.12.2017				31.12.2016			
	France	Europe excluding France	Rest of world	Total	France	Europe excluding France	Rest of world	Total
Cash on hand, balances with central banks	57,828	5,907	989	64,724	58,946	6,596	2,483	68,025
Financial assets at fair value through profit or loss	64,838	2,525	1,466	68,829	56,469	1,633	840	58,942
Hedging derivative instruments	3,797	9	4	3,810	5,103	7	5	5,115
Available-for-sale financial assets	138,467	7,221	3,871	149,559	141,593	8,662	3,393	153,648
Loans and advances to credit institutions	41,141	1,658	867	43,666	39,985	2,270	825	43,080
Loans and advances to customers	387,832	41,870	5,324	435,026	368,413	38,968	7,671	415,052
Held-to-maturity financial assets	11,407	49	0	11,456	12,800	47	1	12,848
Investments in companies accounted for using the equity method	541	125	676	1,342	671	459	646	1,776
LIABILITIES	**31.12.2017**				**31.12.2016**			
	France	Europe excluding France	Rest of world	Total	France	Europe excluding France	Rest of world	Total
Balances with central banks	285	0	0	285	0	0	0	0
Financial liabilities at fair value through profit or loss	10,206	154	185	10,545	12,210	281	214	12,705
Hedging derivative instruments	3,661	115	1	3,777	5,437	173	9	5,619
Amounts due to credit institutions	51,803	(4,068)	4,981	52,716	53,927	(5,539)	7,279	55,667
Amounts due to customers	324,450	49,027	699	374,176	307,603	49,244	1,348	358,195
Debt securities	121,564	2,662	5,832	130,058	122,814	3,288	5,576	131,678

ANALYSIS OF INCOME STATEMENT BY GEOGRAPHIC AREA

	31.12.2017				31.12.2016			
	France	Europe excluding France	Rest of world	Total	France	Europe excluding France	Rest of world	Total
Net banking income	14,445	3,130	173	17,748	13,828	2,783	213	16,824
General operating expenses	(9,026)	(1,952)	(91)	(11,069)	(8,639)	(1,916)	(120)	(10,675)
Operating income before provisions	5,419	1,178	82	6,679	5,189	867	93	6,149
Net additions to/reversals from provisions for loan losses	(626)	(350)	11	(965)	(599)	(331)	(7)	(937)
Gains (losses) on other assets [*]	(439)	0	83	(356)	(270)	(111)	98	(283)
Income before tax	4,354	828	176	5,358	4,320	425	184	4,929
Total net income (loss)	2,328	565	161	3,054	2,903	213	162	3,278
Net income (loss) attributable to owners of the company	**2,296**	**524**	**158**	**2,978**	**2,870**	**226**	**157**	**3,253**

** Including net income or loss of companies accounted for using the equity method and goodwill impairment.*

6. OTHER INFORMATION

NOTE I.1 - FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS VALUED AT AMORTIZED COST OR COST ON THE BALANCE SHEET

The fair values presented are estimates based on observable data at December 31, 2017. They are obtained by calculating estimated discounted future cash flows using a yield curve that includes the debtor's inherent signature risk.

The financial instruments presented in this note are loans and borrowings. They do not include non-monetary instruments (equities), trade payables, other assets, other liabilities and accruals. Non-financial instruments are not covered by this note.
The fair value of financial instruments payable on demand and of regulated customer savings contracts is the amount due to the customer, i.e. the carrying amount.

Some group entities may also apply assumptions, for example that the market value is the carrying amount for contracts indexed on a variable rate or whose residual life is one year or less.

Note that, except for held-to-maturity financial assets, financial instruments carried at amortized cost are not transferable or are not in practice sold before maturity. Accordingly, gains or losses are not recognized.

However, if financial instruments carried at amortized cost were to be sold, the selling price could be significantly different from the fair value calculated at December 31.

	31.12.2017					
	Market value	Balance sheet value	Unrealized gains or losses	Level 1 of hierarchy	Level 2 of hierarchy	Level 3 of hierarchy
Assets	**506,116**	**490,148**	**15,968**	**11,860**	**54,911**	**439,345**
Loans and receivables due from credit institutions	43,384	43,667	(283)	0	43,382	2
- Debt securities	289	289	0	0	289	0
- Loans and advances	43,094	43,377	(283)	0	43,092	2
Loans and receivables due from customers	448,964	435,025	13,939	60	9,561	439,343
- Debt securities	304	309	(4)	60	18	226
- Loans and advances	448,660	434,717	13,943	0	9,543	439,116
Held-to-maturity financial assets	13,768	11,456	2,312	11,800	1,968	0
Liabilities	**575,899**	**567,503**	**(8,395)**	**0**	**345,464**	**229,478**
Amounts due to credit institutions	53,123	52,716	(407)	0	53,123	0
Amounts due to customers	376,364	374,176	(2,187)	0	148,796	227,567
Debt securities	134,794	130,058	(4,737)	0	132,884	1,910
Subordinated debt	11,618	10,553	(1,065)	0	10,660	0

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

	31.12.2016					
	Market value	Balance sheet value	Unrealized gains or losses	Level 1 of hierarchy	Level 2 of hierarchy	Level 3 of hierarchy
Assets	**494,621**	**470,980**	**23,641**	**13,318**	**53,766**	**427,537**
Loans and receivables due from credit institutions	42,550	43,080	(530)	44	42,505	1
- Debt securities	489	489	0	44	444	1
- Loans and advances	42,061	42,591	(530)	0	42,061	0
Loans and receivables due from customers	437,464	415,052	22,412	91	9,837	427,536
- Debt securities	339	340	(1)	91	14	234
- Loans and advances	437,125	414,712	22,413	0	9,823	427,302
Held-to-maturity financial assets	14,607	12,848	1,759	13,183	1,424	0
Liabilities	**565,264**	**554,084**	**(11,180)**	**965**	**334,949**	**229,350**
Amounts due to credit institutions	56,956	55,667	(1,289)	0	56,956	0
Amounts due to customers	361,026	358,195	(2,831)	0	131,676	229,350
Debt securities	138,166	131,678	(6,488)	0	138,166	0
Subordinated debt	9,116	8,544	(572)	965	8,151	0

NOTE I.2 - DIVIDENDS

The consolidating entity intends to pay €149 million in dividends outside Crédit Mutuel Group.

NOTE I.3 - RELATED PARTIES

	31.12.2017 Companies accounted for using the equity method	31.12.2016 Companies accounted for using the equity method
Assets		
Loans and receivables due from credit institutions	859	759
o/w current accounts	*29*	*0*
Loans and receivables due from customers	90	4
Assets at fair value through profit or loss	0	0
Available-for-sale assets	0	52
Held-to-maturity assets	0	0
Hedging derivative instruments	0	0
Other assets	3	40
Liabilities		
Amounts due to credit institutions	9	0
o/w current accounts	*0*	*0*
Hedging derivative instruments	0	0
Liabilities at fair value through profit or loss	0	0
Amounts due to customers	29	51
Debt securities	0	0
Subordinated debt	0	0
Interest and similar income	9	9
Interest and similar expense	0	0
Fees and commissions (income)	5	7
Fees and commissions (charges)	0	(20)
Net gains (losses) on available-for-sale financial assets at fair value through profit or loss	27	44
Other income (charges)	12	9
Net banking income	**53**	**49**
General operating expenses	**10**	**9**
Financing commitments given	470	390
Guarantee commitments given	0	0
Financing commitments received	0	0
Guarantee commitments received	0	0

NOTE I.4 - REMUNERATION OF CORPORATE OFFICERS

in € thousands	Salary Fixed component	Salary Variable component	Employer contributions for supplementary benefits	Benefits in kind	Total
Main corporate officers*	1,035	-	14	17	1,066
Review 2016**	1,367	-	16	18	1,401

** Chief Executive Officer, Deputy Chief Executive Officer.*
*** Chairman, Chief Executive Officer, Deputy Chief Executive Officer (from March 21, 2016).*

NOTE I5 - EXPOSURE TO SOVEREIGN RISK

I] Exposure to Greek sovereign risk

The group had no exposure to Greek sovereign risk at December 31, 2017.

II] Other sovereign exposure related to the PIIGS countries

II-1] Other countries benefiting from support packages

NET EXPOSURE IN €M - BANKINSURANCE	Portugal	Ireland
31.12.2017		
Assets at fair value through profit or loss	8	0
Available-for-sale assets	452	140
Held-to-maturity assets	0	0
Total	**460**	**140**
31.12.2016		
Assets at fair value through profit or loss	31	0
Available-for-sale assets	668	179
Held-to-maturity assets	0	0
Total	**699**	**179**

II-2] Spain - Italy

NET EXPOSURE IN €M - BANKING ONLY	Spain	Italy
31.12.2017		
Assets at fair value through profit or loss	42	98
Available-for-sale assets	571	964
Held-to-maturity assets	0	0
Total	**613**	**1,062**
31.12.2016		
Assets at fair value through profit or loss	35	353
Available-for-sale assets	748	1,459
Held-to-maturity assets	0	0
Total	**783**	**1,812**

NOTE I.6 - SHARE-BASED PAYMENTS

IFRS 2 covers transactions for which payments are share-based, particularly payments to employees in return for services provided. Excluded from the scope are transactions whereby the company acquires goods that represent net assets at the time of business combinations, which are covered by IFRS 3, and certain transactions covered by IAS 32 and IAS 39 relating to financial instruments (contracts for the purchase and sale of non-financial assets).

IFRS 2 defines three categories of transactions for which payment is share-based:
- transactions settled in equity instruments of the entity (for example, shares or stock options);
- transactions settled in cash whereby the entity acquires goods or services by incurring a debt that represents the obligation to transfer cash or other assets to the supplier of such goods or services in amounts based on the price (or value) of the entity's shares or any other equity instrument; and
- transactions settled either in equity instruments or in cash, at the discretion of the entity or the supplier of the goods or services, depending on the agreements.

The main payments applicable to the group involve cash-settled transactions. For these transactions, the fair value of the liability, measured initially on the grant date, must be re-measured on each closing date until the settlement date of the debt. Changes in fair value are recognized through profit or loss until the debt is settled.
For transactions settled in equity, an expense is recognized through equity. This expense is spread out over the vesting period.

AT 12/31/2017	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7
Type of plan	*Cash settled*	*Cash settled*	*Cash settled*	*Equity settled*	*Cash settled*	*Cash settled*	*Cash settled*
Grant date	15/10/2015	18/09/2015	01/04/2014	09/03/2017	30/06/2015	14/02/2012	15/04/2013
Exercise period	Q1 2018 / Q1 2020	HY1 2019	From Q4 2016 to Q3 2017	03/09/2018	Q4 2020	Minimum 2 years following the 2-year vesting period	
Impact on 2017 income	(1.8)	(2.6)	3.3	(1.6)	1.0	(0.3)	(0.3)
Liabilities on balance sheet	10.1	7.1	0.0		18.4	3.8	3.5
Impact on 2016 income	(3.1)	(2.1)	(1.2)	0.0	(1.4)	(0.1)	(0.1)
Liabilities on balance sheet	11.9	4.8	3.3		19.5	3.5	3.2

AT 12/31/2017	Plan 8	Plan 9	Plan 10	Plan 11	Plan 12	Plan 13	Plan 14
Type of plan	*Cash settled*	*Cash settled*	*Cash settled*	*Cash settled*	*Cash settled*	*Cash settled*	*Cash settled*
Grant date	01/04/2014	16/09/2015	16/09/2016	29/11/2017	12/07/2017	30/11/2017	04/09/2017
Exercise period	Minimum 2 years following the 2-year vesting period			Q1 2021	Q3 2020	Q1 2020 / Q1 2023	Minimum 2 years following the 2-year vesting period
Impact on 2017 income	(0.4)	(0.8)	(2.4)	(1.5)	(0.4)	0.0	(0.8)
Liabilities on balance sheet	5.5	5.4	3.0	5.1	0.4	1.4	0.8
Impact on 2016 income	(0.5)	(3.8)	(0.6)				
Liabilities on balance sheet	5.0	4.6	0.6				

NOTE I7 - STATUTORY AUDITORS' FEES

	31.12.2017			
	ERNST & YOUNG et Autres		MAZARS	
Amount in € millions excluding VAT	Amount	%	Amount	%
Certification of the financial statements	4.30	89%	3.75	93%
Services other than certification of the financial statements*	0.55	11%	0.28	7%
Total	**4.85**	**100%**	**4.03**	**100%**
of which statutory auditors' fees paid in France for certification of the financial statements	2.29		3.75	
of which statutory auditors' fees paid in France for services other than certification of the financial statements	0.20		0.28	

** In 2017, services other than certification of the financial statements included comfort letters in connection with market transactions and reports and certifications required for regulatory purposes.*

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

CRÉDIT MUTUEL GROUP
Year ended December 31, 2017

MAZARS
Tour Exaltis
92400 Courbevoie
Joint-stock company with capital of €8,320.000
Statutory Auditors
Member of the Versailles
regional institute of accountants

ERNST & YOUNG ET AUTRES
Tour First
TSA 14444
92037 Paris-La Défense Cedex
Simplified joint-stock company with variable capital
Nanterre Trade and Companies Register 438 476 913
Statutory Auditors
Member of the Versailles
regional institute of accountants

To the Shareholders' Meeting,

OPINION

En fulfillment of the assignment entrusted to us by your Shareholders' Meetings, we have audited the consolidated financial statements of the Crédit Mutuel Group for the year ended December 31, 2017, as appended to this report.

In our opinion, the consolidated financial statements give a true and fair view of the results of the operations during the year under review and of the financial position and assets and liabilities, at year-end, of the group, in accordance with International Financial Reporting Standards as adopted by the European Union.

BASIS OF THE OPINION

Audit standards
We have conducted our audit in accordance with auditing standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Our responsibilities pursuant to these standards are indicated in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements".

Independence
We have conducted our audit in compliance with the rules regarding independence applicable to us, for the period from January 1, 2017 to the date of issuance of our report and, in particular, we have not provided any of the services prohibited by the code of ethics for statutory auditors.

BASIS FOR OUR ASSESSMENTS

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the basis for our assessments, we inform you of the following assessments which, in our professional judgment, were the most significant for the audit of the consolidated financial statements.

These assessments formed part of the audit of the consolidated financial statements as a whole and enabled us to form our opinion expressed above. We have no opinion regarding elements of these consolidated financial statements taken separately.

- The group uses internal models and methods for valuing certain financial instruments that are not traded on an active market and for determining certain provisions, as described in Note I-3 "Accounting policies and methods" to the consolidated financial statements. We examined the control systems applied to these models and methods, the parameters used and the identification of the financial instruments to which they apply.
- The group recognizes impairment losses and provisions to cover the credit and counterparty risks inherent in its business (Note 1.3 "Accounting policies and methods" and Notes II 1a, II-8a, II-9, II-10, II-20a and II-30 to the consolidated financial statements). We examined the control systems applicable to the monitoring of credit and counterparty risk, the impairment methodologies and the coverage of losses in value by individual and collective impairment provisions.
- The group carried out impairment tests on goodwill and investments held, which resulted, where relevant, in the recognition of impairment provisions in respect of this year (Note I-2 "Consolidation policies and methods" and Notes II-15a, II-18 and II-32 to the consolidated financial statements). We examined the methods used to implement these tests, the main assumptions and parameters used and the resulting estimates that led, where applicable, to impairment losses.
- As explained in Note I-3 "Accounting policies and methods" and Note II-20a to the consolidated financial statements, the group records provisions for employee benefit obligations. We examined the method used to assess these obligations, as well as the main assumptions and calculation methods used.

VERIFICATION OF THE REPORT ON THE GROUP'S MANAGEMENT

As required by law, we have also verified, in accordance with professional standards applicable in France, the specific information required by law to be presented in the Board of Directors' report on the group's management.
We have no comments regarding the fairness of this information or its consistency with the consolidated financial statements

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH CORPORATE GOVERNANCE REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with the IFRS as adopted by the European Union and to implement internal control as it deems necessary for the preparation of consolidated financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

When preparing the consolidated financial statements, management must assess the group's ability to continue to operate, present in its financial statements, where applicable, the necessary information regarding continued operation and apply the going concern accounting convention, unless there are plans to liquidate the group or discontinue its business.

The consolidated financial statements have been approved by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS REGARDING THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to prepare a report regarding the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements, as a whole, contain no material misstatements. Reasonable assurance is a high level of assurance, yet without guaranteeing that an audit conducted in accordance with generally accepted auditing standards always leads to the detection of all material misstatements. Misstatements may result from fraud or errors and are considered material when there is a reasonable expectation that they can, when taken individually or combined, influence the economic decisions made by users of the financial statements on the basis of these financial statements.

As set out in Article L. 823-10-1 of the French Commercial Code, our task of certifying the financial statements does not entail guaranteeing the viability or quality of your group's management.

When conducting an audit in accordance with auditing standards applicable in France, the statutory auditor exercises his/her professional judgment throughout the audit. Moreover, he/she:

- identifies and assesses the risk that the consolidated financial statements contain material misstatements, whether such misstatements result from fraud or errors, defines and implements audit procedures to address these risks, and collects information that he/she considers a sufficient and appropriate basis for such opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from an error, as fraud may involve collusion, forgery, deliberate omissions, false statements or the override of internal control.
- reviews internal control relevant to the audit in order to define appropriate audit procedures under the circumstances, and not to express an opinion on the effectiveness of internal control;
- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as related information provided in the consolidated financial statements;
- assesses the appropriateness of management's application of the going concern accounting convention and, based on the information collected, whether or not significant uncertainty exists regarding events or circumstances likely to call into question the group's ability to continue to operate. This assessment is based on information collected up to the date of his/her report, it being noted however that subsequent circumstances or events could call into question the company's continued operation. If the statutory auditor concludes that significant uncertainty exists, he/she brings the information provided in the consolidated financial statements regarding such uncertainty to the attention of readers of his/her report or, if such information is not provided or is not relevant, the statutory auditor issues a qualified opinion or a denial of opinion;
- assesses the overall presentation of the consolidated financial statements and determines whether they fairly present the underlying transactions and events;
- concerning the financial information of the persons or entities included in the scope of consolidation, he/she collects information that he/she considers sufficient and appropriate to express an opinion on the consolidated financial statements. He/she is responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on the financial statements.

Courbevoie and Paris-La Défense, April 27, 2018

The Statutory Auditors

MAZARS
Pierre Masieri

ERNST & YOUNG ET AUTRES
Olivier Durand

LEARN MORE ABOUT THE CRÉDIT MUTUEL GROUP:

www.creditmutuel.com

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Communication institutionnelle

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