INTERIM FINANCIAL REPORT
June 2019

Building the future in a changing world

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Building the future in a changing world

August 6, 2019

INTERIM FINANCIAL REPORT

JUNE 2019

**A leading bank both in France and abroad,
CIC promotes a universal banking model that combines
businesses covering all areas of finance and insurance,
financial solidity and a long-term growth strategy.**

A technologically advanced bank within reach of its customers,
CIC listens to its customers to provide products and services best tailored to their needs.
Flexible tools and adaptable products and services combined with the proximity
of the networks allow CIC to offer the responsiveness that customers expect,
regardless of their location.

Through its commitment to the economy and society, and with a strong corporate governance system, CIC acts as a responsible bank in a rapidly changing world.

High entrepreneurial standards with operations built around five areas of activity:

RETAIL BANKING,

CORPORATE BANKING,

CAPITAL MARKETS,

PRIVATE BANKING,

PRIVATE EQUITY.

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

The English language version of this report is a free translation from the original, which was prepared in French. All possible care has been taken, to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

CREDIT INDUSTRIEL ET COMMERCIAL (CIC) -Société anonyme (French Limited Company) with capital of €608,439,888
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A bank governed by Article L511-1 and seq. of the French Monetary and Financial Code for transactions carried out in its capacity as insurance broker

1. Interim Business Report, June 2019

1.1 – Economic Environment over the 1st half-year 2019

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

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

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

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

The United States continues to set itself apart from the rest of the world with growth that has once again proven to be very vigorous since the start of the year (+3.2% year-on-year in Q1-2019 vs. +3% in Q4-2018), thanks to sustained domestic demand related to a very tight job market and wage acceleration, a fact that has allowed Donald Trump to pursue trade and geopolitical wars (Iran, North Korea, Mexico). While hopes for an agreement with China had fed optimism on financial markets, the breakdown in negotiations in May followed by an increase in tariffs (from 10 to 25% on $200 billion worth of products imported from China), as well as new tensions with Mexico, has heightened concerns about the growth cycle. The trade war is starting to reflect in the latest business indicators (ISM Manufacturing, confidence, job creation), which contributed to the truce agreed between Washington and Beijing at the G20 Summit on June 28. Faced with a deterioration in the economic environment and with low inflation, the Fed has demonstrated greater caution since the start of the year. It implemented a major shift in monetary policy on June 19 by adjusting its message in order to prepare investors for a reduction in interest rates, prompting a sharp decline in American interest rates and, by arbitration, in world rates.

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

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

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

1.2 – CIC's activity and consolidated earnings

1.2.1 – Balance sheet and financial structure

(in € millions)	06/30/2019	12/31/2018
Financial structure and business activity		
Balance sheet total	**313,229**	294,704
Shareholders' equity (incl. profit/(loss) for the period before distribution)	**14,947**	15,101
Customer loans (including leases)	**187,944**	188,520
Total savings	**368,343**	349,353
- of which customer deposits	**159,180**	152,060
- of which insurance savings	**35,083**	34,101
- of which financial savings (managed and held in custody)	**174,080**	163,192

Outstanding deposits notched growth of 4.7% compared to December 31, 2018, at €159.2 billion, due in particular to considerable collections on ordinary passbook accounts and "Livrets A" (+ €1.1 billion). Demand accounts continued to increase (+ 5.9%).

Outstanding loans stood at €187.9 billion. Equipment loans grew by 6% to €57.9 billion and home loans by 3.5% to €81.5 billion.

The "loan-to-deposit" ratio – the ratio of total net loans to bank deposits expressed as a percentage- was 118.1% on June 30, 2019, compared to 120.7% a year earlier.

Bank financial savings reached €174.1 billion and outstanding insurance savings grew by 2.9% as compared to December 31, 2018, at €35.1 billion.

Equity stood at €14.9 billion.

At the end of March 2019, CIC's solvency remained solid, with a Common Equity Tier 1 (CET1) ratio of 13.2%[1], an increase of 19 basis points as compared to December 31, 2018. The Tier 1 ratio also stands at 13.2%[1] at the end of March 2019, and the overall solvency ratio stood at 15.4%[1].

Risk-weighted assets (RWA) stood at €103 billion on March 31, 2019 (compared to €100.4 billion at the end of December 2018, or + 2.7%). Risk-weighted assets in terms of credit risks represented 88% of the total, at €91 billion.

The leverage ratio[1] was 4.3% on March 31, 2019 (4.2% at the end of December 2018).

CIC's ratings replicate those of the Crédit Mutuel Alliance Fédérale - Banque Fédérative du Crédit Mutuel, which holds its equity.

	Contreparty LT / ST *	Issuer/LT Preferred senior debt	Outlook	ST Preferred senior debt	Date of most recent publication
Standard & Poor's	A+ / A-1	A	Stable	A-1	10/24/2018
Moody's	Aa2 / P-1	Aa3	Stable	P-1	4/29/2019
Fitch Ratings	A+	A+	Stable	F1	4/12/2019

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

[1] *Without transitory measures.*

1.2.2 – Analysis of the consolidated income statement

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**2,671**	**2,602**	**+2.7%**
General operating expenses	(1,688)	(1,634)	+3.3%
Gross operating profit / (loss)	**983**	**967**	**+1.6%**
Cost of risk	(131)	(27)	ns
Operating income	**852**	**940**	**-9.4%**
Net gains and losses on other assets and ECC [1]	91	86	+5.8%
Profit / (loss) before tax	**943**	**1,026**	**-8.1%**
Income tax	(208)	(247)	-15.9%
Net profit / (loss)	**735**	**779**	**-5.6%**
Non-controlling interests	4	5	-14.8%
Net profit / (loss) attributable to the group	**731**	**774**	**-5.6%**

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

Net Banking Income

Net banking income, at €2,671 million, increased by 2.7% as compared to the first half of 2018. This healthy increase in income, favorably drawn from capital markets, reflects the commercial momentum of retail banking activities.

Net Banking Income from operational business lines

(in € millions)	1st half-year 2019	1st half-year 2018	Change in %	Change in M€
Retail banking	**1,861**	**1,840**	**+1.1%**	**20**
Specialized business lines	**822**	**798**	**+3.0%**	**24**
Private banking	273	250	+9.3 % *	23
Corporate banking	179	173	+3.6%	6
Capital markets	194	154	+25.8%	40
Private equity	176	221	-20.6%	(46)

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

Despite the persistent effects of low interest rates on revenues, net banking income from retail banking grew by 1.1% over one year to €1,861 million. It represents 69% of the net banking income from operational business lines.

Capital markets achieved a solid performance with net banking income up by nearly 26% to €194 million.

Net banking income from private banking represented 10% of that of operational business lines. It grew by 9.3% over one year and amounted to €273 million. At comparable scope, the change would be 0.2%.

The decline in net banking income from private equity activity results from a base effect, the first half of 2018 having recorded significant capital gains as part of divestments.

General operating expenses

General operating expenses, at €1,688 million, increased by 3.3% in comparison to the first half of 2018. The growth in retail banking is in line with incomes. Certain specialized business lines continued to make significant investments in order to meet, in particular, new regulatory constraints.

Restated the impact of contributions to the Single Resolution Fund (SRF), which grew by €11 million to 95 million, and after neutralization of the entry of the Banque de Luxembourg Investments into the scope, general operating expenses increased by 2.4%.

Out of the SRF, CIC group's cost/income ratio remained more or less stable over one year at 59.7% (59.6% in the first half of 2018).

Gross operating income, at €983 million, recorded an increase of 1.6% due to healthy growth in net banking income.

Cost of risk

The cost of risk suffered a significant increase of €104 million due to:

- an exceptional provision on a corporate default ;
- a negative base effect related to a reversal recorded on a non-verified risk (application of IFRS 9) of €11 million in the first half of 2018.

The retail banking's cost of known risks increased by €6 million. It represents 8 basis points of outstandings at the end of June 2019 compared to 7 basis points at the end of June 2018 and confirms the good quality of assets.

Loan quality indicators continue to improve: the rate of non-performing loans stood at 2.7% at the end of June 2019 (or a decline of 0.1 point as compared to end of June 2018) and the coverage ratio stood at 57.9%.

Profit before tax

The proportionate share of results of equity consolidated companies (Groupe des Assurances du Crédit Mutuel) and the results on fixed assets reached €91 million compared to €86 million in the first half of 2018.

Profit before tax declined to €943 million compared to €1,026 million in the first half of 2018.

Net profit

After a decline in corporate income taxes of 15.9% to €208 million, the net profit for the first half of 2019 was €735 million, a decrease of 44 million as compared to profit on June 30, 2018.

1.2.3 - Analysis of results by business line

Description of business lines

Retail banking, CIC's core business line, concentrates all banking or specialized activities whose products are marketed by the branches : life insurance and non-life insurance, equipment leasing and leasing with option to purchase, real estate leasing, factoring, collective management, employee savings, real estate. The branches network is organized into five regional divisions – the regional banks - and CIC in Île-de-France. The insurance business line – which is consolidated using the equity method – is included in this business segment.

Corporate banking includes financing of large companies and institutional clients, value-added financing (exports, projects and assets, etc.), international operations and foreign branches.

Capital markets include investments in interest rate, equity and credit activities as well as stock market intermediation.

Private banking develops expertise in financial management and wealth organization, serving families of entrepreneurs and private investors both in France and abroad.

Private equity combines equity investments, merger and acquisition advising and financial and stock market engineering.

Holding includes all specific structural costs/products not assignable to other activities.

Each consolidated company is included in only one business segment, corresponding to its core business in terms of contribution to the group's results, with the exception of CIC, whose individual accounts are allocated on a cost accounting basis.

Retail banking

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**1,861**	**1,840**	**+1.1%**
General operating expenses	(1,212)	(1,201)	+0.9%
Gross operating profit / (loss)	**649**	**639**	**+1.5%**
Cost of risk	(63)	(52)	+22.6%
Operating income	**586**	**588**	**-0.3%**
Net gains and losses on other assets and ECC (1)	89	78	+14.3%
Profit / (loss) before tax	**675**	**666**	**+1.4%**
Income tax	(198)	(210)	-5.9%
Net profit / (loss)	**477**	**456**	**+4.8%**

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

Outstanding deposits grew by 6.4% over one year to €119.9 billion due to an increase in outstandings on passbook accounts (+7.2% to €32 billion) and current credit accounts (+11% to 62.1 billion).

Outstanding loans grew by 7.1% over one year to €152 billion. Investment loans grew by 12.5% to €40.2 billion, home loans by 6.5% to €75.8 billion and consumer loans by 3.4% to 5.7 billion.

Net banking income from retail banking insurance increased by 1.1% in comparison to the first half of 2018 and stood at €1,861 million. This increase resulted from the interest margin (+ 37 million) and other elements of NBI (+4 million) while commissions decreased.

General operating expenses grew slightly (+ 0.9%) and amounted to €1,212 million.

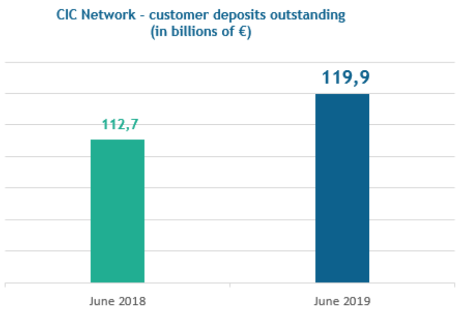
The cost of risk stood at €63 million, an increase of €11 million driven by growth of unverified risks (+6 million) and the cost of verified risks inherent in non-recurring costs on one file.

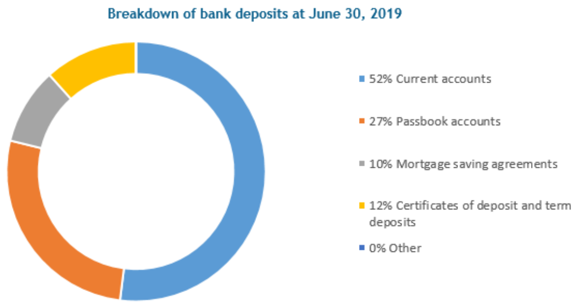
Net profit reached €477 million, an increase of 4.8%.

Banking network

The number of banking network **customers** is 5.185 million at the end of June 2019, an increase of 1.9% over one year. In the professional and business market, growth was 3% with 1.020 million customers at the end of June 2019 (20% of the total number of customers).

Outstanding deposits notched growth of 6.4% over one year to €119.9 billion, due in particular to the significant premium income on passbook accounts (+ 7.2% growth in outstandings). The increase in current loan accounts continued (+11%).

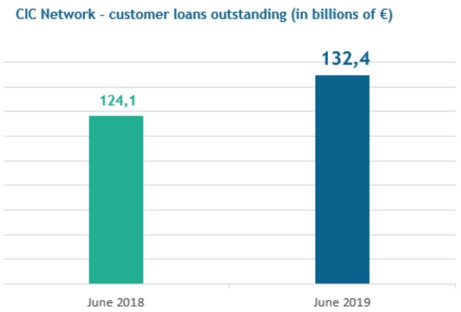


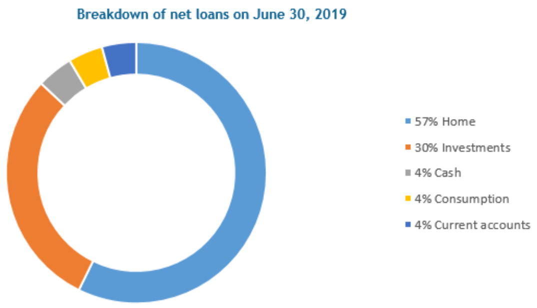


Managed savings, held in custody at €60.2 billion are stable in comparison to the end of June 2018. Market developments weigh on the outstandings of UCITS and securities while life insurance outstandings grew by 3%.

Serving customers continues with an 8.1% increase in the appropriation of loans.

This translated into 6.6% growth in outstandings to 132.4 billion. Investment loans grew by 10.2% to 39.3 billion, home loans by 6.5% to 75.8 billion and consumer credit increased by 3.4%.





Continued expansion of insurance and services

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

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

Solid commercial dynamics have favored a 1.4% increase in the network's net banking income.

It reached €1,755 million compared to €1,731 million a year earlier. The net interest margin grew by 4.5% while commissions declined by 2.1% due to the effect of financial commissions, and because of the policy to freeze rates decided for 2019.

General operating expenses (€1,130 million) are well under control, their growth limited to 0.6%.

Gross operating income grew by 2.8% to €625 million and the banking network's cost/income ratio improved by 0.5 points to 64.4%.

The cost of risk stood at €70 million. It rose by €21 million under the effect of unverified risks (+ 13 million) and non-recurring costs on a file impacting verified risks.

The banking network posted a net profit of €369 million on June 30, 2019, compared to 361 million on June 30, 2018, an increase of 2.2%

Support services for retail bank insurance activities

They cleared net banking income of €106 million at the end of June 2019, a slight fall of 3.3%, the continued growth of factoring (+1.9% over one year) being offset by a drop in finance leasing.

Profit before tax was €121 million, compared to €107 million at the end of the first half of 2018, after taking into account the share of income of the Crédit Mutuel Alliance Fédérale's insurance business, which was €89 million compared to €77 million a year earlier.

Private banking

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

(1) At constant scope – see methodological details.

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

Savings managed by affiliates of private banking stood at €118 billion at the end of June 2019, an increase of 1.9%; deposits, which represent 22.5 billion of that amount grew by 8.4% and bank financial savings (€95.5 billion) were essentially stable at + 0.5% despite a change of +11% in life insurance (€3.9 billion).

Outstanding loans reached €13.6 billion, an increase of 9.3%.

Net banking income stood at €273 million, up by 0.2% in constant scope. The interest margin and other NBI items increased by 4.6%. Commissions declined by 3.1% due to the effect of a market downturn in the last quarter of 2018.

General operating expenses amounted to €204 million in the first half of 2019, compared to €179 million in the first half of 2018. Expenses include the effect of pursuing investments in order to adapt to new regulatory constraints and to improve transactional offerings and digital tools.

With regard to net provision allocations/reversals for loan losses, there was a reversal of €11 million at June 30, 2019, compared to an allocation of €5 million at June 30, 2018.

Profit before tax totaled €81 million compared to €73 million on June 30, 2018, and net income was €65 million.

These results do not include those of the CIC Banque Privée branches, which are integrated into the CIC banks. The net profit of CIC Banque Privée branches stood at €29.3 million on June 30, 2019 (+ 7.6%).

Corporate banking

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**179**	**173**	**+3.6%**
General operating expenses	(62)	(57)	+8.1%
Gross operating profit / (loss)	**117**	**116**	**+1.4%**
Cost of risk	(80)	29	ns
Profit / (loss) before tax	**38**	**145**	**-74.1%**
Income tax	6	(49)	ns
Net profit / (loss)	**43**	**95**	**-54.4%**

Outstandings loans in corporate banking rose by 14.4% to €21.2 billion. Customer deposits rose sharply, up by 35.1% to €7.8 billion in outstandings at the end of June 2019.

Net banking income for the 1st half-year 2019 stood at €179 million for steady growth of 3.6%, reflecting the development of synergies with the group's other entities.

General operating expenses grew by €5 million over one year and are in line with the increase in income; gross operating income stood at €117 million, up by 1.4%.

The cost of risk was impacted by the exceptional provision over one position file in the first half of 2019 and is comparable to a net reversal of €29 million for the first half of 2018.

Net profit was €43 million compared to 95 million over the same period last year.

Capital markets

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

Net banking income increased notably, by nearly 26%, reflecting the business line's strong ability to rebound after a difficult 4th quarter 2018.

General operating expenses, which shouldered a charge of €22 million for the Single Resolution Fund, grew by 4%, but the business line's gross operating income was doubled to €68 million.

The cost of risk was zero compared to a reversal for loan losses of €2 million on June 30, 2018. Net profit was therefore up sharply and stood at €43 million.

Private equity

(in € millions)	1st half-year 2019	1st half-year 2018	Change
Net Banking Income	**176**	**221**	**-20.6%**
General operating expenses	(23)	(24)	-2.5%
Gross operating profit / (loss)	**152**	**197**	**-22.8%**
Cost of risk	(0)	(1)	ns
Profit / (loss) before tax	**152**	**196**	**-22.4%**
Income tax	1.3	0.3	ns
Net profit / (loss)	**153**	**196**	**-21.9%**

In proprietary trading, a healthy level of €181 million was invested in the first half of 2019, including €110 million in 15 new investments. There were €100 million in divestments.

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

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

Net banking income declined by 20.6% due to an unfavorable base effect given that last year a significant amount of capital gains were recorded as a result of divestments carried out during the first half of 2018.

General operating expenses went from €24 million to €23 million on June 30, 2019, or a decrease of 2.5% over one year.

It resulted in net profit of €153 million compared to 196 million the previous year.

Holding company services

(in € millions)	1st half-year 2019	1st half-year 2018
Net Banking Income	**(11)**	**(37)**
General operating expenses	(61)	(52)
Gross operating profit / (loss)	**(72)**	**(88)**
Cost of risk	1	0
Profit / (loss) before tax	**(71)**	**(88)**
Income tax	23	44
Net profit / (loss)	**(48)**	**(44)**

Net banking income for the group's holding company stood at - €11 million compared to - €37 million on June 30, 2018.

General operating expenses amounted to €61 million compared to €52 million at the end of June 2018.

This resulted in a pre-tax loss of €71 million compared to a loss of €88 million in the first half of 2018.

€23 million was recorded in corporate income tax compared to €44 million on June 30, 2018.

As a consequence, net income was about the same as last year and amounted to - €48 million.

Methodology notes

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

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

In € millions	1st half-year 2019	1st half-year 2018			variation	
	published	published	variation in scope	at constant scope	gross	at constant scope
Net Banking Income	**273**	**250**	**23**	**272**	**+9.3%**	**+0.2%**
General operating expenses	(204)	(179)	(6)	(185)	+14.2%	+10.5%
Gross operating profit /(loss)	**68**	**71**	**16**	**87**	**-3.3%**	**-21.6%**
Cost of risk	11	(5)		(5)	ns	ns
Operating income	**79**	**65**	**16**	**82**	**+21.7%**	**-2.8%**
Net profit/loss on other assets and ECC	2	8		8	ns	ns
Profit/(loss) before tax	**81**	**73**	**16**	**90**	**+11.0%**	**-9.4%**
Income tax	(16)	(16)	(7)	(23)	+0.8%	-29.1%
Net profit/(loss)	**65**	**57**	**10**	**67**	**+13.9%**	**-2.6%**

Alternative performance measures

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

Name	Definition/calculation method	For ratios, reason for use
Cost/income ratio	Ratio calculated from items in the consolidated income statement: ratio of general operating expenses (sum of items "general operating expenses" and "allocations to/ reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets" of the consolidated income statement) to "IFRS net banking income"	Measure of the bank's operational efficiency
Overall cost of customer risk related to the outstanding loans (expressed in % or in basis points)	Cost of customer risk from the notes to the consolidated financial statements related to gross outstanding loans at the end of the period	Enables assessment of the level of risk as a percentage of credit commitments on the balance sheet
Cost of risk	Item "cost of risk" of the publishable consolidated income statement	Measures the risk level
Customer loans	Item "loans and receivables to customers at amortized cost" on the asset side of the consolidated balance sheet	Measure of customer activity in terms of loans
Cost of unrealized risk	Application of IFRS 9 (IAS 39 for 2017). Impairment is recognized for all financial assets that have not been objectively indicated as individual losses.	Measures the level of unverified risk
Customer deposits accounting deposits	Item "amounts due to customers at amortized cost" on the liabilities side of the consolidated balance sheet	Measure of customer activity in terms of balance sheet deposits
Insurance savings	Life insurance outstandings held by our customers - management data (insurance company).	Measurement of customer activity in matters of life insurance
Financial savings; managed savings held in custody	Off-balance sheet savings outstandings held by our customers or held in custody (securities accounts, UCITS, etc.) — management data (group entities).	Measurement representative of the activity in matters of off-balance-sheet resources (excluding life insurance)
Total savings	Sum of account deposits, insurance savings and bank financial savings	Measurement of customer activity in matters of savings

General operating expenses; management fees	Sum of lines “general operating expenses” and “allocations to/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets" from the publishable consolidated income statement	Measures the level of operating expenses
Margin of interest; net interest income	Calculated from items in the consolidated income statement: difference between interest received and interest paid: - interest received = item “interest and similar income” of the publishable consolidated income statement - interest paid = item “interest and similar expenses” of the publishable consolidated income statement	Representative measure of profitability
Production of loans	Amounts of new funds made available to customers — source: management data, sum of individual data for entities in the “retail banking - banking network” segment + COFIDIS.	Measurement of customer activity in matters of new loans
Total coverage ratio	Determined by calculating the ratio of provisions for credit risk (including collective provisions) to the gross outstandings identified as in default in accordance with regulations.	This hedge rate measures the maximum residual risk associated with loans in default (“non-performing”).
Share of non-performing loans in gross loans	Ratio between gross outstanding receivables subject to individual depreciation (S3) and gross customer loans (calculated from the notes “Loans and receivables to customers” to the consolidated financial statements: gross receivables +finance leases)	Asset quality indicator

Alternative performance measures, reconciliation with financial statements

(in € millions)

Cost/income ratio excluding SRF	**1st half-year 2019**	**1st half-year 2018**
General operating expenses	(1,688)	(1,634)
Contribution to the single resolution fund (SRF)	(95)	(84)
General operating expenses excluding SRF	(1,593)	(1,551)
Net Banking Income	2,671	2,602
Cost/income ratio (excluding SRF)	**59.7%**	**59.6%**

Total coverage ratio	**06/30/2019**	**06/30/2018**
Impairment of performing loans (S1/S2) + other impairments (S3)	2,918	2,885
Individually-impaired receivables, gross (S3)	5,038	4,898
Total coverage ratio	**57.9%**	**58.9%**

Rate of non-performing customer loans	**06/30/2019**	**06/30/2018**
Non-performing customer loans	5,038	4,898
Gross loans to customers (excluding repurchase agreements and collateral deposits)	186,234	171,924
Rate of non-performing loans	**2.7%**	**2.8%**

Cost of proven customer risk related to outstanding loans	**06/30/2019**	**06/30/2018**
Cost of proven customer risk	(58)	(52)
Customer loans (retail banking)	151,991	141,867
Cost of proven customer risk related to outstanding loans *	**0.08%**	**0.07%**

* annualized

1.3 – Related parties

Information about operations between related parties that took place during the first six months of the current fiscal year appear in Note **33** of the appendix to the consolidated financial statements of June 30, 2019.

1.4 - Principal risks and uncertainties for the 2nd half-year 2019

Risks

The nature and level of risks to which the group is subject with respect to risk factors have not undergone significant changes compared to the situation described on pages 54 to 206 in the Financial information chapter of the 2018 Registration Document and annual financial report, with the exception of credit risks and sovereign risks.

Risque de crédit

In accordance with the request of the market supervisor and the market regulator, note 7d of the appendix to the consolidated financial statements presents sensitive exposures based on the recommendations of the Financial Stability Board.

Sovereign risks

Outstandings and detailed information appear in note 7b of the appendix to CIC's consolidated financial statements.

Uncertainties

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

Several elements may, however, jeopardize our scenario:

- upward, with a quicker resolution of the conflict between China and the United States or an agreement to avoid a no-deal Brexit, which would clear the way to a quicker rebound in growth. This would incite central bankers to not relax monetary policy and as such would contribute to a rise in sovereign interest rates;
- downward, in case of an escalation of protectionism worldwide, triggering a sudden break in the growth cycle and/or in case of a surge in the price of oil caused by intensification of the conflict between the United States and Iran.

1.5 – Information of a general nature concerning CIC and shareholders

1.5.1 – Equity

Share capital remained unchanged at €608,439,888 on June 30, 2019.

Capital allocation on June 30, 2019, is the following:

Shareholders	**Number of shares**	**%**	**Voting rights**	**%**
BFCM	35,417,871	93.14%	35,417,871	93.71%
Mutuelles Investissement	2,377,911	6.25%	2,377,911	6.29%
Treasury shares	231,711	0.61%		
TOTAL	**38,027,493**	**100.00%**	**37,795,782**	**100.00%**

1.5.2 – Board of Directors and management bodies

Composition of management bodies as of June 30, 2019

Board of Directors

Nicolas Théry, Chairman

Éric Charpentier

Banque Fédérative du Crédit Mutuel, represented by Catherine Allonas-Barthe

Gérard Cormorèche

Etienne Grad

Catherine Millet

Ségolène Denavit, Director, representing employees

William Paillet, Director, representing employees

Non-voting directors

Luc Chambaud

Guy Cormier

Damien Lievens

Lucien Miara

Works Council representative

Gérard Fubiani

Executive Management

Daniel Baal, Chief Executive Officer and Effective Manager

Philippe Vidal, Deputy Chief Executive Officer and Effective Manager

René Dangel, Deputy Chief Executive Officer

Claude Koestner, Deputy Chief Executive Officer

Statutory auditors

ERNST & YOUNG et Autres

KPMG S.A

PricewaterhouseCoopers France

Conditions of preparation and organization of the Board

The provisions of Article L 225-37 of the French Commercial Code state that the Board of Directors shall present a corporate governance report alongside the management report referred to in Article L.225-37-4 to the Shareholders' Meeting mentioned in the same article. However, the corresponding information may be presented within a specific section of the management report.

CIC complies with the corporate governance regulations applicable to credit institutions. However, it does not refer to the Afep-Medef Code, which is not suited to its situation for a certain number of recommendations given the structure of its shareholding (100% owned by Crédit Mutuel group entities, of which 93.14% Banque Fédérative Crédit Mutuel and 6.25% Mutuelles Investissement, with the remaining 0.61% being treasury shares).

For that reason, it should be noted that the European Banking Authority issued internal governance guidelines on September 26, 2017 (EBA/GL/2017/11), with which the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) intends to comply fully. The European Banking Authority and the European Securities and Markets Authority also issued guidelines for the assessment of the fitness of members of the management body and holders of key positions on September 26, 2017 (EBA/GL/2017/12), with which the ACPR intends to comply partially, as stated in the notice published on June 4, 2018, an excerpt of which is reproduced below:

"Without prejudice to the powers of the European Central Bank, the ACPR intends to comply partially with the fitness assessment guidelines of September 26, 2017. The ACPR intends to comply with the guidelines, with the exception of provisions for assessment by the supervisory authority of the fitness of holders of key positions at each appointment or renewal. The declaration of non-compliance applies to paragraphs 162 and 176 (transmission of results to the competent authority and documentation relating to internal assessment) and paragraphs 171 and 172 (assessment of the fitness of persons responsible for internal control functions and of the Chief Financial Officer by the competent authority). This statement does not call into question the procedures already in place, which will continue to apply for the assessment of persons responsible for internal control at approval and in the event of a change of control.

In addition, the ACPR intends to apply the guidelines relating to attendance and the definition of independent members in the supervisory bodies with two reservations of interpretation:

- *formal independence is not an obligatory test of fitness under the regulations, which would be enforceable in the context of a review of an individual application. In French law, the implementation of the guidelines cannot therefore result in the rejection on this sole basis of an individual application for "fit and proper" reasons;*
- *mere non-compliance with one or more of the criteria listed in the guidelines (paragraph 91) does not disqualify a member from being defined as independent. These assumptions alone do not define independence and analysis of this attribute must also take into account other criteria, especially those that might be developed by French companies pursuant to the French Commercial Code that could make it possible to achieve the same goal.*

Pursuant to paragraph 89) b) of the fitness assessment guidelines, the ACPR also intends not to require the attendance of independent members in CRD institutions wholly owned by a CRD institution and in CRD institutions of insignificant importance that are investment firms."

This corporate governance report explains how CIC has implemented these guidelines.

Preparation and organization of the work of the Board

Composition of the Board

Rules of operating of the Board of Directors

The functioning of the Board of Directors is governed by Articles 10 to 16 of the Articles of Association.

Composition of the Board of Directors

The company is administered by a Board of Directors comprising no fewer than three and no more than 18 members elected for renewable three-year terms, who may be natural persons or legal entities representing members.

The Board of Directors also includes two directors representing employees, in accordance with Article L.225-27-1 of the French Commercial Code, who are elected for renewable six-year terms.

The Board of Directors may appoint non-voting directors for three-year terms. They participate in the deliberations of the Board of Directors in an advisory capacity. They may, by a decision of the majority of non-voting directors present or represented, request a second deliberation by the Board.

Age limit

The individual age limit is set at seventy for directors and seventy-five for non-voting directors. When those ages are reached, terms of office shall end at the Shareholders' Meeting following the date of the birthday.

Cumulative validity with an employment contract

No director shall have an employment contract with the company and its controlled subsidiaries (with the exception of employee directors, who are not affected by the rules for combining a directorship with an employment contract).

Application of the principle of balanced representation of women and men on the Board of Directors

The Copé – Zimmermann Act N° 2011-103 of January 27, 2011, amended in 2014, applies to CIC. If the Board of Directors is composed of eight members or fewer, the difference between the numbers of directors of each gender may not be greater than two[2]. At CIC, appointments have brought the composition of the board to 2 female directors and 3 male directors.

The Board can also count on the participation of one female director and one male director representing employees.

Directors skills and training

CIC attaches great importance to the skills of its directors. A special module for the training of directors has been put in place under the impetus of the Interfederal Committee for the Training of Elected Officials. It is designed to consolidate the knowledge and skills of CIC voting and non-voting directors with regard to the regulatory skills required since the transposition into French law of the CRD4 Directive.

Conflicts of interest concerning the administrative, management and supervisory bodies

To date, there has been no mention of potential conflicts of interest for the members of the Board of Directors and the Chief Executive Officer with respect to CIC. The code of conduct applicable to CIC aims to prevent and, if necessary, manage conflict of interest situations.

[2] Determination of this difference shall not include employee directors.

Work of the board during the first half-year 2019

The Board of Directors meets at least three times a year according to a pre-established schedule.

Each item on the agenda has its own separate file or presentation, depending on its breadth, to more fully inform the members of the Board. The minutes give a detailed record of deliberations, decisions and votes.

On June 30, 2019, the board of directors met once. The attendance rate was 79%.

Meeting of February 19, 2019

The board meeting of February 19, 2019, was mainly devoted to the review and closing of accounts as well as to preparation of the Ordinary Shareholders' Meeting, which was held on May 10. The board reviewed the financial statements for fiscal year 2018, after having heard the report from the group's Audit and Accounting Committee from February 18, 2019, listened to the observations of the statutory auditors and reviewed control and oversight activities. It took note of the reports of the regulatory committees and of the presentation of the annual internal control report and points of contact with supervisors. The board approved the report on corporate governance and also reviewed and authorized continuation of related party agreements. Furthermore, the board reviewed the mandates and composition of the Board of Directors and approved the co-opting of Mr. Etienne Grad together with the renewal of Mr. Nicolas Théry as chairman of the Board of Directors. Finally, the board approved the body of rules of CM-CIC Marchés and the Group's cash management for the fiscal year 2019. It also approved sectoral policies.

Executive Management

General management of the company

In accordance with Article L.511-13 §2 of the French Monetary and Financial Code, banking regulations require the separation of the functions of Chairman of the supervisory body and Effective Manager of the institution. The effective management of the institution is assumed by at least two people. The effective management enjoys all powers attached to it by banking and financial laws and regulations, both internally and with respect to third parties.

Composition of Executive Management

CIC’s Executive Management is comprised of:

Daniel Baal, Chief Executive Officer and Effective Manager,

Philippe Vidal, Deputy Chief Executive Officer and Effective Manager,

René Dangel, Deputy Chief Executive Officer

Claude Koestner, Deputy Chief Executive Officer

Prerogatives of Executive Management

The Board meetings of December 11, 2014 and May 24, 2017 did not limit the powers of the two Effective Managers as defined by law and the articles of association and by-laws.

Membership in the regulatory committees Crédit Mutuel Alliance Fédérale

For the sake of consistency throughout Crédit Mutuel Alliance Fédérale, on November 17, 2017, the Board of Directors of Caisse Fédérale de Crédit Mutuel unanimously approved the amendment of the by-laws of the appointments committee and the compensation committee, and the extension of the scope of these “parent” committees to all Crédit Mutuel Alliance Fédérale subsidiaries in France and abroad, regardless of their activities and the regulations applicable to them.

All of the Board of Directors of those Crédit Mutuel Alliance Fédérale subsidiaries delegate their appointment and compensation powers to the “parent” committees of Caisse Fédérale de Crédit Mutuel. The delegations of the Board of Directors took effect starting in early 2018.

The Board of Directors of Caisse Fédérale de Crédit Mutuel also set up a Group risk monitoring committee and a Group auditing and accounting committee. All of these committees form the regulatory committees of Caisse Fédérale de Crédit Mutuel, which must make proposals to the Board of Directors or Supervisory Board of Crédit Mutuel Alliance Fédérale institutions in their areas of expertise.

The “parent” committees report on their work:

- for the Group risk monitoring committee and a Group auditing and accounting committee, to the Board of Directors of Caisse Fédérale de Crédit Mutuel and the Crédit Mutuel Alliance Fédérale federations;
- for the appointment committee, and for the information that concerns them, to the Board of Directors of Caisse Fédérale, the Board of Directors of the federations or the Board of Directors of the subsidiaries.

As a result, on November 17, 2017, CIC’s Board of Directors approved the membership of Caisse Fédérale de Crédit Mutuel and, more generally, all regulatory committees of Crédit Mutuel Alliance Fédérale on the appointments committee and the compensation committee.

The information relating to Crédit Mutuel Alliance Fédérale’s regulatory committees is provided in the Caisse Fédérale de Crédit Mutuel corporate governance report.

Ethics

The Crédit Mutuel Alliance Fédérale code of conduct was approved by the Board of Directors at its meeting on March 7, 2008.

This reference document, which includes all regulatory requirements relating to ethics, reiterates the principles that must be obeyed by each entity and employee of Crédit Mutuel Alliance Fédérale in the exercise of their activities. It is part of the group’s overall objectives in terms of quality of customer service, integrity and rigor in the processing of transactions and compliance with regulations. It is intended to serve as a reference in this area and to be adopted by the various entities.

Compliance with rules of ethics applies not only to employees in the context of their duties, but also to the entity to which they belong. That entity must apply the principles set forth above, which refer to values subscribed to by all of Crédit Mutuel Alliance Fédérale.

This code is supplemented by anti-corruption provisions and two specific texts on the security of information systems and the fight against violence and harassment at work.

The code of conduct is available from the Group General Secretariat.

Persons possessing inside information are regularly reminded of their obligations.

Principles and rules of compensation of identified individuals (Articles L.511-71 et seq. of the French Monetary and Financial Code)

CIC applies the principles and rules of compensation of identified individuals decided by the Caisse Fédérale de Crédit Mutuel, which are presented in its report on corporate governance.

Principles for determining the compensation granted to corporate officers

Guiding principles

Non-executive corporate officers, i.e., all directors other than the Chairman of the Board of Directors, are subject to the provisions of the charter governing the exercise of office of members of the Board of Caisse Fédérale de Crédit Mutuel.

Implementation

The officers concerned are the Chairman of the Board and the Chief Executive Officer.

The employment contract between the Chairman of the Board of Directors and Banque Fédérative du Crédit Mutuel has been suspended since November 14, 2014 and contract between it and the Chief Executive Officer has been suspended since June 1, 2017.

On December 11, 2014, CIC’s Board of Directors decided, on a proposal from the remuneration committee, to award Nicolas Théry an annual indemnity of €250,000 as compensation for his term of office as Chairman of the Board of Directors. It also decided to create for Nicolas Théry severance pay equivalent to one year of corporate officer compensation for his term of office as Chairman of the Board of Directors. The payment of this indemnity is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of Crédit Mutuel Alliance Fédérale for the period from January 1, 2015 to the date of termination of his term of office. This agreement, which concerns the termination indemnity, was submitted to the approval of CIC’s Shareholders’ Meeting of May 27, 2015, following a special report by the statutory auditors.

On February 26, 2015, the Board of Directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the remuneration committee, to maintain the current amount of compensation of Nicolas Théry at Banque Fédérative de Crédit Mutuel (gross annual indemnity of €450,000), but effective December 1, 2014, compensate the corporate office of Chairman of the Board of Directors. It also decided to set up an unemployment insurance policy specific to corporate officers with effect from December 1, 2014. In addition, the Board of Directors set a one-year indemnity for corporate officers calculated on the basis of the average of the last twelve months preceding the end of their term of office, and such termination indemnity shall be paid to Nicolas Théry. The payment of this indemnity is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of Crédit Mutuel Alliance Fédérale for the period from January 1, 2015 to the date of termination of his term of office. For that term of office, the indemnity set above is without prejudice to the indemnity he may receive as an employee pursuant to the contractual provisions in force at Crédit Mutuel Alliance Fédérale. To that end, it should be noted that Nicolas Théry has been an employee of Crédit Mutuel Alliance Fédérale since September 1, 2009 and that his employment contract was suspended effective November 14, 2014. Nicolas Théry is, in his capacity as an employee, subject to the supplementary pension schemes of January 1, 2008. Consequently, the compensation committee has proposed that these pension schemes be applied for compensation to Nicolas Théry in his capacity as Chairman of the Board, under the same conditions as for all group employees. As part of the reform of the Crédit Mutuel Alliance Fédérale Retraite supplementary pension plan, and pursuant to the amendment to the pension agreement, the sum of €25,509.78 in gross salary compensation has been allocated to Nicolas Théry since January 1, 2017.

This agreement concerning severance pay and retirement benefits was submitted to the approval of the Banque Fédérative du Crédit Mutuel Shareholders' Meeting of May 13, 2015, following the special report of the statutory auditor.

In addition, on April 6, 2017, the Board of Directors of Banque Fédérative du Crédit Mutuel decided, on a proposal from the compensation committee, to set the gross annual fixed compensation of Daniel Baal at €700,000 in addition to compensation under Article 39 relating to the supplementary pension of €9,505.68 annually, insurance scheme contributions of €4,474.80 annually, health expenses of €3,595.80 annually, and benefits in kind (company car) of €3,880.56 annually. It also decided to create for Daniel Baal a termination indemnity equal to one year's gross salary, calculated on the basis of the average of the last twelve months preceding the end of his term of office. The payment of this indemnity is subject to the achievement of a performance condition relating to an increase in the overall consolidated equity of Crédit Mutuel Alliance Fédérale for the period from January 1, 2017 to the date of termination of his term of office. For that term of office, the indemnity set above is without prejudice to the indemnity he may receive as an employee pursuant to the contractual provisions in force at Crédit Mutuel Alliance Fédérale. This agreement, which concerns the termination indemnity, was submitted to the approval of the Banque Fédérative du Crédit Mutuel Shareholders' Meeting of May 3, 2017, following a special report by the statutory auditors.

The compensation received by the group's key executives is detailed in the tables below.

Group executives also benefited from Credit Mutuel Alliance Fédérale retirement savings plans and supplementary pension plan during the fiscal year.

However, the group's key executives did not benefit from any other specific benefits.

The compensation plan referred to above and the termination indemnities for corporate officers expires on June 1, 2019.

No capital securities or securities giving access to capital or the right to acquire capital securities of Banque Fédérative du Crédit Mutuel or CIC was allocated to them. In addition, they do not receive attendance fees because of their office, whether in the Crédit Mutuel Alliance Fédérale companies or in other companies, but because of their functions within Crédit Mutuel Alliance Fédérale.

The group's key executives may also hold assets or loans in Crédit Mutuel Alliance Fédérale banks, under the conditions offered to all employees. At June 30, 2019, they did not hold any such loans.

1.5.3 – Statutory auditors

Statutory auditors

The statutory auditors, PricewaterhouseCoopers Audit and Ernst & Young et Autres, and KPMG S.A., belong to the regional association of independent auditors of Versailles (*la compagnie régionale des commissaires aux comptes de Versailles*).

Principal statutory auditors

PricewaterhouseCoopers Audit
63, rue de Villiers 92208 Neuilly-sur-Seine Cedex
Represented by Jacques Lévi
Start date of first term of office: May 25, 1988
Current term of office: 6 fiscal years with effect from May 4, 2018
Expiration of current term of office: at the end of the Shareholders' Meeting called to rule on the financial statements for the fiscal year ending December 31, 2023.

Ernst & Young et Autres
Tour First - 1, place des Saisons, 92400 Courbevoie
Represented by Hassan Baaj
Start date of first term of office: May 26, 1999
Current term of office: 6 fiscal years with effect from May 24, 2017
Expiration of current term of office: at the end of the Shareholders' Meeting called to rule on the financial statements for the fiscal year ending December 31, 2022.

KPMG S.A.
Tour Eqho - 2 avenue Gambetta,
92066 Paris La Défense Cedex
Represented by Sophie Sotil-ForguesStart date of first term of office: May 25, 2016.
Current term of office: 6 fiscal years with effect from May 25, 2016
Expiration of current term of office: at the end of the Shareholders' Meeting called to rule on the financial statements for the fiscal year ending December 31, 2021.

Alternate statutory auditors

KPMG AUDIT FS I.

2. Condensed consolidated financial statements

Crédit Industriel et Commercial

CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30. 2019

FINANCIAL STATEMENTS

Balance sheet (assets)

(in € millions)	Notes	06/30/2019	12/31/2018
Cash, central banks	4	37 171	31 709
Financial assets at fair value through profit or loss	5a	33 022	16 760
Hedging derivatives	6a	852	547
Financial assets at fair value through other comprehensive income	7a	11 651	11 423
Securities at amortized cost	8a	2 691	2 650
Loans and receivables to credit institutions and similar, at amortized cost	8b	27 821	32 180
Loans and receivables to customers at amortized cost	8c	187 944	188 520
Revaluation adjustment on rate-hedged books	6b	1 046	623
Current tax assets	10a	603	767
Deferred tax assets	10b	293	360
Accruals and other assets	11	6 558	5 745
Non-current assets held for sale		0	0
Investments in equity consolidated companies	12	1 737	1 888
Investment properties	13	46	46
Property, plant and equipment	14a	1 574	1 270
Intangible assets	14b	187	183
Goodwill	15	33	33
Total assets		**313 229**	**294 704**

Balance sheet (liabilities)

In € millions	Notes	06/30/2019	12/31/2018
Due to central banks		0	0
Financial liabilities at fair value through profit or loss	16	21 227	4 131
Hedging derivatives	6a	1 952	1 624
Due to credit and similar institutions at amortized cost	17a	73 247	84 945
Amounts due to customers at amortized cost	17b	159 180	152 060
Debt securities at amortized cost	17c	31 692	26 904
Revaluation adjustment on rate-hedged books	6b	9	8
Current tax liabilities	10a	236	243
Deferred tax liabilities	10b	249	259
Deferred income, accrued charges and other liabilities	18	7 244	6 163
Debt related to non-current assets held for sale		0	0
Provisions	19a	1 013	1 032
Subordinated debt at amortized cost	20	2 233	2 234
Total shareholders' equity		**14 947**	**15 101**
Shareholders' equity attributable to the group		**14 900**	**15 052**
Subscribed capital		608	608
Additional paid-in capital		1 088	1 088
Consolidated reserves		12 360	12 001
Gains and losses recognized directly in equity	21a	113	-30
Profit (loss) for the fiscal year		731	1 385
Shareholders' equity – Non-controlling interests		**47**	**49**
Total liabilities		**313 229**	**294 704**

Income statement

In € millions	Notes	06/30/2019	06/30/2018 Restated
Interest and similar income	23	4 323	3 792
Interest and similar expenses	23	-3 206	-2 739
Commissions (income)	24	1 302	1 322
Commissions (expenses)	24	-272	-308
Net gains on financial instruments at fair value through profit or loss	25	471	456
Net gains or losses on financial assets at fair value through shareholders' equity	26	37	60
Net gains or losses resulting from derecognition of financial assets at amortized cost		0	0
Income from other activities	27	54	58
Expenses on other activities	27	-38	-39
Net Banking Income		**2 671**	**2 602**
Employee benefits expense	28a	-924	-889
Other general operating expenses	28c	-681	-687
Movements in depreciation, amortization and provisions for property and equipment and intangible assets	28d	-83	-59
Gross operating income/(loss)		**983**	**967**
Cost of counterparty risk	29	-131	-27
Operating income		**852**	**940**
Share of net profit/(loss) of equity consolidated companies	12	90	78
Net gains/(losses) on disposals of other assets	30	1	8
Profit/(loss) before tax		**943**	1 026
Income tax	31	-208	-247
Post-tax gains/(losses) on discontinued operations		**0**	0
Net profit/(loss)		**735**	**779**
Net profit/(loss) – Non-controlling interests		4	5
Net profit/(loss) attributable to the group		**731**	**774**
Earnings per share (in euros)	32	19,33	20,47
Diluted earnings per share (in euros)	32	19,33	20,47

Statement of net profit/(loss) and profits and losses recognized in equity

(in € millions)	06/30/2019	06/30/2018 Restated
Net profit/(loss)	**735**	**779**
Translation adjustments	6	27
Remeasurement of financial assets at fair value through equity – capital instruments	17	27
Remeasurement of hedging derivatives	-1	-0
Share of unrealized or deferred gains and losses of equity consolidated companies	91	-21
Total recyclable gains and losses recognized directly in equity	**113**	**33**
Revaluation of financial assets at fair value through equity – capital instruments at closing	-8	18
Remeasurement of financial assets at fair value through equity – capital instruments sold during the fiscal year	29	0
Actuarial gains and losses on defined benefit plans	-10	0
Share of non-recyclable gains and losses of equity consolidated companies	18	-9
Total non-recyclable gains and losses recognized directly in equity	**29**	**9**
Net profit/(loss) and gains and (losses) recognized directly in equity	**877**	**821**
o/w attributable to the group	873	816
o/w percentage of non-controlling interests	4	5

The sections pertaining to gains and losses recognized directly as shareholders' equity are presented for their net tax amount.

CIC
June 30, 2019

In € millions	Shareholders' equity, attributable to the group										Interest controlling inte	Total Shareholders equity, consolidated
	Capital	Premiums	Disposal of treasury shares	Reserves (1)	Recognized gains and losses directly in equity				Net profit/(loss	Total		
					Translation adjustments	Assets at FVOCI (2)	Instr. for hedging	Actuarial gains and losses				
Balance on 31.12.2017	**608**	**1 088**	**(56)**	**11 822**	**(12)**	**370**	**0**	**(37)**	**1 275**	**15 058**	**65**	**15 123**
Impact of first application of IFRS 9				(109)		(233)				(342)	(8)	(350)
Balance on 01.01.2018	**608**	**1 088**	**(56)**	**11 713**	**(12)**	**137**	**0**	**(37)**	**1 275**	**14 716**	**57**	**14 773**
Appropriation of earnings from previous year				1 275					(1 275)	0		0
Distribution of dividends				(945)						(945)	(7)	(952)
Acquisition of additional shareholdings or partial disposals				51		(19)				32	(4)	28
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**381**	**0**	**(19)**	**0**	**0**	**(1 275)**	**(913)**	**(11)**	**(924)**
Consolidated income for the period									774	774	5	779
Changes in gains and (losses) recognized directly in equity				(25)	25	35				35		35
Sub-total	**0**	**0**	**0**	**(25)**	**25**	**35**	**0**	**0**	**774**	**809**	**5**	**814**
Other variations				5	2	(1)		(1)		5		5
Balance on 06/30/2018	**608**	**1 088**	**(56)**	**12 074**	**15**	**152**	**0**	**(38)**	**774**	**14 617**	**51**	**14 668**
Impact of first application of IFRS 9				6		3				9		9
Balance on 01.07.2018	**608**	**1 088**	**(56)**	**12 080**	**15**	**155**	**0**	**(38)**	**774**	**14 626**	**51**	**14 677**
Distribution of dividends										0	(6)	(6)
Acquisition of additional shareholdings or partial disposals				(33)						(33)		(33)
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**(33)**	**0**	**0**	**0**	**0**	**0**	**(33)**	**(6)**	**(39)**
Consolidated income for the period									611	611	5	616
Changes in gains and (losses) recognized directly in equity				31	16	(164)		(11)		(128)		(128)
Sub-total	**0**	**0**	**0**	**31**	**16**	**(164)**	**0**	**(11)**	**611**	**483**	**5**	**488**
Other variations				(21)		(3)				(24)	(1)	(25)
Balance on 12/31/2018	**608**	**1 088**	**(56)**	**12 057**	**31**	**(12)**	**0**	**(49)**	**1 385**	**15 052**	**49**	**15 101**
Appropriation of earnings from previous year				1 385					(1 385)	0		0
Distribution of dividends				(994)						(994)	(6)	(1 000)
Subtotal of movements related to relations with shareholders	**0**	**0**	**0**	**391**	**0**	**0**	**0**	**0**	**(1 385)**	**(994)**	**(6)**	**(1 000)**
Consolidated income for the period									731	731	4	735
Changes in gains and (losses) recognized directly in equity				(30)	6	147		(10)		113		113
Sub-total	**0**	**0**	**0**	**(30)**	**6**	**147**	**0**	**(10)**	**731**	**844**	**4**	**848**
Other variations				(2)						(2)		(2)
Balance on 06/30/2019	**608**	**1 088**	**(56)**	**12 416**	**37**	**135**	**0**	**(59)**	**731**	**14 900**	**47**	**14 947**

(1) As at June 30, 2019, reserves consisted of legal reserves of €61 million, special reserves from long-term capital gains of €287 million, retained earnings of €27 million, other CIC reserves of €5,668 million and consolidated reserves of €6,373 million.

(2) FVOCI: Fair value through other comprehensive income

CIC capital as at June 30, 2019 consisted of 38,027,493 shares of a nominal value of €16, of which 231,711 were treasury shares.

STATEMENT OF NET CASH FLOWS

In € millions	1st half-year 2019	1st half-year 2018
Net profit/(loss)	735	779
Taxes	208	247
Profit/(loss) before tax	**943**	**1 026**
+/- Net depreciation and amortization of property, plant and equipment and intangible assets	83	60
- Impairment of goodwill and other fixed assets	0	
+/- Net provisions and impairments	29	(106)
+/- Share of income from companies consolidated using the equity method	(90)	(78)
+/- Net loss/gain from investing activities	28	(20)
+/- (Income)/expenses from financing activities		
+/- Other movements	(860)	(159)
Total non-monetary items included in profit/(loss) before tax and other adjustments	**(810)**	**(303)**
+/- Flows related to transactions with credit institutions	(10 435)	9 842
+/- Flows related to client transactions	7 603	(3 838)
+/- Flows related to other transactions affecting financial assets or liabilities	4 874	(1 466)
+/- Flows related to other transactions affecting non-financial assets or liabilities	352	2 323
- taxes paid	(68)	(50)
Net decrease/(increase) in assets and liabilities from operating activities	**2 326**	**6 811**
Total net cash flow generated by operating activity (A)	**2 459**	**7 534**
+/- Flows related to financial assets and investments	112	84
+/- Flows related to investment property	(3)	(1)
+/- Flows related to property, plant and equipment and intangible assets	(64)	(34)
Total net cash flow generated from investing activities (B)	**45**	**49**
+/- Cash flow to or from shareholders (1)	(652)	(889)
+/- Other net cash flows from financing activities (2)	870	451
Total net cash flow generated from financing transactions (C)	**218**	**(438)**
Effect of foreign exchange rate changes on cash and cash equivalents (D)	**31**	**38**
Net increase/(decrease) in cash and cash equivalents (A + B+ C + D)	**2 753**	**7 183**
Net cash flow generated by operating activity (A)	2 459	7 534
Net cash flow generated from investing activities (B)	45	49
Net cash flow generated from financing transactions (C)	218	(438)
Effect of foreign exchange rate changes on cash and cash equivalents (D)	31	38
Cash and cash equivalents at opening	**38 118**	**29 550**
Cash, central banks (assets & liabilities)	31 710	28 046
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	6 408	1 504
Cash and cash equivalents at closing	**40 871**	**36 733**
Cash, central banks (assets & liabilities)	37 172	35 991
Accounts (assets and liabilities) with and demand loans/borrowings from credit institutions	3 699	742
Change in net cash position	**2 753**	**7 183**

(1) Cash flow to or from shareholders includes:
- dividends paid by CIC to its shareholders for -€994 million for 2018;
- dividends paid to non-controlling interests for -€6 million;
- dividends received from companies consolidated using the equity method for €348 million.

(2) Other net cash flows from financing activities include:
- issues and repayments of bonds for a net amount of €870 million.

Note 1 Accounting principles, methods of assessment and presentation

Pursuant to Regulation (EC) 1606/2002 for the application of international accounting standards, and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2018 [(1)].

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

The group's business activities are not subject to seasonal or cyclical fluctuations. Estimates and assumptions may have been made in the measurement of certain balance sheet items.

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

✓ IFRS 16

Adopted by the European Union on October 31, 2017, it replaces IAS 17 and the interpretations related to lease accounting.
Under IFRS 16, for a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.
From the lessor's point of view, the provisions adopted remain substantially the same as those of the current IAS 17.
In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:

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

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

As a first-time application the group has opted:

- to retain:
  - the application of the new lease definition to all current leases,
  - the modified retrospective approach, with no impact on equity, and to opt for related simplification measures. In particular, automatically renewable contracts have been excluded due to the exception of §C10c;
- the exemptions proposed under IFRS 16.C10 in relation to leases where the term is less than 12 months as of the date of first application as well as low-value contracts (set at €5,000). The Group has also opted to exclude the initial direct costs of valuation of the user right at the date of first-application.

The Group has mainly capitalized its real estate leases using, on first application (for the leases not automatically renewed), their remaining life and the corresponding incremental borrowing rate applied to the rent (excluding taxes). The impacts on January 1, 2019, are presented in note 1b - First-time application.

1. *The entire framework is available on the European Commission's website at :https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements*

✓ IFRIC 23 – Uncertainty over Income Tax Treatments

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

This text induces the presumption that the tax authority:
- will audit all amounts reported;
- has access to all required documentation and knowledge.

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

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

✓ Other amendments with no impact for the group in 2019.

- Amendment to IAS 28

It deals with all financial instruments representing "other interests" in a related company or joint venture to which the equity method is not applied, including long-term financial assets that are part of net investment in a related company or co-enterprise (for example, loans granted to these entities). This recognition is done in two steps:
  - the financial instrument is recognized according to IFRS 9, including the provisions pertaining to depreciation of financial assets;
  - then the provisions of IAS 28 apply, which may lead to reducing the carrying amount by charging accumulated losses of the equity consolidated company, when the value of the equity value was already reduced to zero.

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

- Amendment to IAS 19

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

- Amendment to IAS 12

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

1. Consolidation scope

<u>Principles for inclusion in the consolidation scope</u>

The general principles governing whether an entity is included in the consolidation scope are defined by IFRS 10, IFRS 11 and IAS 28R.

Entities controlled exclusively by the group are included in the consolidation scope when their full consolidation, taken individually, has an impact of at least 1% on the main items of the consolidated balance sheet and consolidated income statement. Moreover, all non-consolidated subsidiaries taken together must account for less than 5% of the main items of the consolidated balance sheet and consolidated income statement. However, smaller entities may be included in the consolidation scope in the following cases: if the group considers that they represent a strategic investment; if they are engaged in an activity which is one of the group’s core businesses; or if they hold shares in consolidated companies.

The consolidation scope comprises:

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

- *Entities over which the group has significant influence*: these are entities that are not controlled by the consolidating entity, which may, however, participate in these entities’ financial and operating policy decisions. Shareholdings in entities over which the group has significant influence are accounted for using the equity method. Companies that are 20% to 50%-owned by private equity companies and over which the group has joint control or exercises significant influence are excluded from the scope of consolidation and accounted for under the fair value through profit or loss option.

2. Consolidation methods and principles

2.1. <u>Consolidation methods</u>

The consolidation methods used are the following:

2.1.1. Full consolidation

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

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

2.1.2. Consolidation using the equity method

This method involves replacing the value of the shares held with the equity attributable to the group and net profit of the entities concerned.

2.2. <u>Reporting date</u>

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

2.3. Intercompany transactions and balances

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

2.4. Foreign currency translation

The balance sheets of foreign subsidiaries are translated into euros at the official year-end exchange rate. Differences arising from exchange rate fluctuations impacting the share capital, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustments". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the fiscal year. The resulting translation differences are recorded under "Cumulative translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.
As allowed by IFRS 1, the balance of cumulative translation adjustments was reset to zero in the opening balance sheet at January 1, 2004.

2.5. Goodwill

2.5.1. Fair value adjustments

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

2.5.2. Goodwill

In accordance with IFRS 3R, when CIC acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value as at the acquisition date, with the exception of non-current assets classified as assets held for sale (IFRS 5), which are recognized either at the fair value net of selling costs or their net carrying amount, whichever is the lowest. Goodwill corresponds to the amount of the consideration transferred and non-controlling interests less the net amount recognized (generally at fair value) as identifiable assets acquired and liabilities assumed. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If the goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Changes in value of goodwill".

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

Goodwill is tested for impairment regularly by the group (at least once a year). The tests are designed to identify whether the goodwill has suffered a decline in value. Goodwill from a business combination is allocated to cash generating units (CGUs) or groups of CGUs likely to benefit from the synergies generated by the business combination. The recoverable amount from a CGU or group of CGUs is the value in use or the fair value less selling costs, whichever is the highest. The value in use is measured in relation to estimated future cash flows, discounted at the interest rate that reflects the current market evaluation of the time value of money and specific risks to the asset of the CGU. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. This depreciation – which is recognized in the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the group's business lines.

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

3. Accounting policies and principles

3.1. Financial instruments under IFRS 9

3.1.1. Classification and measurement of financial instruments

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

3.1.1.1. Loans, receivables and debt securities acquired

The asset is classified:

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

- cash flow characteristics

Contractual cash flows which solely represent repayments of principal and the payment of interest on outstanding principal are compatible with a "basic" contract.
In a basic contract, interest mainly represents the consideration for the time value of money (including in the event of negative interest) and credit risk. Interest may also include the liquidity risk, administrative fees to manage the asset, and a profit margin.

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

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

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

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

If the difference between the non-discounted contractual cash flows of the financial asset and those of the reference instrument is significant, or may become so, the financial asset cannot be considered as basic.

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

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

Note that:

- embedded derivatives in financial assets are no longer recognized separately, which means that the entire hybrid instrument is then considered as non-basic and recognized at fair value through profit or loss;
- units in UCITS or "OPCIs" (property investment mutual funds) are not basic instruments and are recognized at fair value through profit or loss.

✓ Business models

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

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

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

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

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

Such "authorized" sales are not included in the analysis of the significant and frequent nature of the sales made out of a portfolio. Frequent and/or significant sales would not be compatible with this business model. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.
For other sales, thresholds have been defined based on the maturity of the securities portfolio, for example 2% for an average maturity of 8 years (the group does not sell its loans).

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

It also manages financial assets according to a model based on the collection of contractual cash flows from financial assets and the sale of these assets, as well as a model for other financial assets, in particular financial assets held for trading.

Within the group, the “hold to collect and sell” model applies primarily to proprietary cash management and liquidity portfolio management activities.
Financial assets held for trading consist of securities originally acquired with the intention of reselling them in the near future, as well as securities that are part of a portfolio of securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

✓ Financial assets at amortized cost

These mainly include:

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

The financial assets classified in this category are initially recognized at their fair value, which is generally the net amount disbursed. The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.
At subsequent reporting dates, the assets are measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts future cash payments or receipts over the estimated life of the financial instrument to obtain the net carrying amount of the financial asset or liability. It takes account of estimated cash flows without taking account of future losses on loans, and includes commissions paid or received when these are treated as interest, as well as directly related transaction costs, and all premiums and discounts.

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

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

Commissions received or paid, which are directly linked to the arrangement of a loan and are treated as a component of interest, are spread over the term of the loan using the effective interest rate method and are booked to the income statement under interest items.
Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

Loan restructuring due to a borrower’s financial problems – as defined by the European Banking Authority – has been integrated in the IT systems to ensure consistency between the accounting and prudential definitions.

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

✓ Financial assets at fair value through other comprehensive income

Since the group does not sell its loans, this category solely consists of securities. They are recognized at fair value in the balance sheet at the time of their acquisition, on the settlement date and at subsequent reporting dates until their disposal. Changes in fair value are shown on the “Unrealized or deferred gains and losses” line within a specific equity account, excluding accrued income. These unrealized gains or losses recognized in equity are transferred to the income statement only in the event of their disposal or impairment (see Section 3.1.7 “Derecognition of financial assets and liabilities” and 3.1.8 “Measurement of credit risk”).

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

✓ Financial assets at fair value through profit or loss

These are recognized at fair value upon their initial recognition in the balance sheet and at subsequent reporting dates until their disposal (see Section 3.1.7 “Derecognition of financial assets and liabilities”). Changes in fair value are taken to the income statement under “Net gains/ (losses) on financial instruments at fair value through profit or loss”.
Since the 2018 fiscal year, interest received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under “Net gains/(losses) on financial instruments at fair value through profit or loss”. This change was made for the sake of consistency with regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on interest received and paid.
In 2019, in order to better reflect interest income and expenses of transaction instruments, the Group also revised the recognition and presentation scheme in the net banking income of the interest income and expenses of some of these financial instruments at fair value through profit or loss and notably proceeded with the following restatements: (i) recording of interest as overall offsets on the lending and borrowing legs of transaction swaps, and (ii) re-categorization of interest from hedging derivatives in the "Income and expenses from hedging derivatives" section.
Purchases and sales of securities measured at fair value through profit or loss are recognized on the settlement date. Changes in fair value between the transaction date and the settlement date are recognized in profit or loss.

3.1.1.2. Equity instruments acquired

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

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

✓ Financial assets at fair value through other comprehensive income

Shares and other equity instruments are recognized in the balance sheet at their fair value at the time of their acquisition and at subsequent reporting dates until their disposal. Changes in fair value are shown on the “Unrealized or deferred gains and losses” line within a specific equity account. These unrealized or deferred gains and losses booked to equity are never recognized in the income statement, even when they are sold (see Section 3.1.7 “Derecognition of financial assets and liabilities”). Only dividends received on variable-income securities are recognized in the income statement, under “Net gains/(losses) on financial assets at fair value through other comprehensive income”.
Purchases and sales of securities are recognized at the settlement date.

✓ Financial assets at fair value through profit or loss

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

3.1.2. Classification and measurement of financial liabilities

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

✓ financial liabilities measured at fair value through profit or loss

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

  - o instruments belonging to a pool of financial instruments measured and managed at fair value.
- ✓ financial liabilities at amortized cost

These consist of other non-derivative financial liabilities. These include amounts due to customers and to credit institutions, debt securities (certificates of deposit, interbank market securities, bonds, etc.), as well as dated and undated subordinated debt for which measurement at fair value through profit or loss was not opted for.
Subordinated debt is separated from other debt securities since, in the event of liquidation of the debtor's assets, it is repaid only after claims by other creditors have been extinguished. Debt securities include the non-preferred senior debt instruments created by the Sapin 2 Act.

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

- regulated savings contracts

Liabilities at amortized cost include mortgage savings accounts ("CEL") and mortgage savings plans ("PEL"). These are government-regulated retail products sold in France to natural persons. In the initial savings phase, account holders receive interest on amounts paid into these accounts, which subsequently entitle them to a mortgage loan (second phase). They generate two types of obligation for the distributing establishment:

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

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

3.1.3. Debt-equity distinction

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

3.1.4. Foreign currency transactions

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

- ✓ Monetary financial assets and liabilities

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

- ✓ Non-monetary financial assets and liabilities

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

3.1.5. Derivatives and hedge accounting

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39.
The group has elected to continue to apply the provisions of IAS 39. However, in accordance with IFRS 7 (revised), additional information on the management of risks and the impacts of hedge accounting on the financial statements is provided in the notes or in the management report.

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

Derivatives are financial instruments which have the following three characteristics:

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

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

3.1.5.1. Determining the fair value of derivatives

Most over-the-counter derivatives, swaps, forward rate agreements, caps, floors and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Black and Scholes model, interpolation techniques), based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned, and specific risk premiums intended to offset any additional costs resulting from a dynamic management strategy associated with the model in certain market conditions, as well as the counterparty risk captured by the positive fair value of over-the-counter derivatives. The latter includes the counterparty risk itself present in the negative fair value of over-the-counter derivatives (see 3.1.9.3 "Fair value hierarchy").
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.

3.1.5.2. Classification of derivatives and hedge accounting

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

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

Embedded derivatives
An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, meets the definition criteria for a derivative. It has the effect, notably, of changing certain cash flows in the same way as a stand-alone derivative.
The derivative is detached from the host contract and recognized separately as a derivative instrument at fair value through profit or loss only if all of the following conditions are satisfied:

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

Under IFRS 9, only embedded derivatives relating to financial liabilities may be separated from the host contract to be recognized separately.

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

- ✓ Hedge accounting

Risks hedged
In its accounts, the group only recognizes interest rate risk through micro- hedging, or on a broader scope through macro-hedging.
Micro-hedging is partial hedging of the risks incurred by an entity on its assets and liabilities. It specifically applies to one or more assets or liabilities for which the entity covers the risk of an unfavorable change in a type of risk, through derivatives.

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

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

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

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

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

Hedging derivatives must meet the criteria stipulated by IAS 39 to be designated as hedging instruments for accounting purposes. In particular:
- the hedging instrument and the hedged item must both qualify for hedge accounting;
- the relationship between the hedged item and the hedging instrument must be documented formally immediately upon inception of the hedging relationship. This documentation sets outs the risk management objectives determined by senior management, the nature of the risk hedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge;
- the effectiveness of the edge must be demonstrated upon inception of the hedging relationship, subsequently throughout its life, and at the very least at each balance sheet date. The ratio of the change in value or gain/loss on the hedging instrument to that of the hedged item must be within a range of 80% to 125%.

Where applicable, hedge accounting is discontinued prospectively.

Fair value hedge of identified financial assets or liabilities
In a fair value hedging relationship, derivatives are remeasured at fair value through profit or loss under “Net gains/(losses) on financial instruments at fair value through profit or loss” symmetrically with the remeasurement of the hedged items to reflect the hedged risk. This rule also applies if the hedged item is recognized at amortized cost or is a debt instrument classified under “Financial assets at fair value through other comprehensive income”. Changes in the fair value of the hedging instrument and the hedged risk component offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss. It may be due to:

- the "counterparty risk" component integrated in the value of the derivatives;
- the different value curve between the hedged items and hedging instruments. Indeed, swaps are valued with an OIS curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The portion corresponding to the rediscounting of the derivative financial instrument is recognized in the income statement under "Interest income/(expense)". The same treatment is applied to the interest income or expense relating to the hedged item.

If the hedging relationship is interrupted or the effectiveness criteria are not met, hedge accounting is discontinued on a prospective basis. The hedging derivatives are transferred to "Financial assets or financial liabilities at fair value through profit or loss" and are accounted for in accordance with the principles applicable to this category. The carrying amount of the hedged item is subsequently no longer adjusted to reflect changes in fair value. In the case of interest rate instruments initially identified as hedged, the remeasurement adjustment is amortized over their remaining life. If the hedged item has been derecognized in the balance sheet, due notably to early repayment, the cumulative adjustments are recognized immediately in the income statement.

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

For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged items to ensure that there is no over-hedging.
The accounting treatment of fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.
Changes in the fair value of the hedged portfolios are recorded in the balance sheet under "Remeasurement adjustment on interest-rate hedged portfolios", the counterpart being an income statement line item.

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

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

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

3.1.6. Financial guarantees and financing commitments

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

In accordance with IFRS 4, such financial guarantees continue to be measured using French accounting standards, i.e. they are treated as off-balance sheet items, until such time as the current standards are revised. Accordingly, they are subject to a provision for liabilities if an outflow of resources is likely.

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

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

3.1.7. Derecognition of financial assets and liabilities

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

Upon derecognition of :

- a financial asset or liability at amortized cost or at fair value through profit or loss: a gain or loss on disposal is recognized in the income statement in an amount equal to the difference between the carrying amount of the asset or liability and the amount of the consideration received/paid;
- a debt instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under equity are taken to the income statement, as well as any capital gains/losses on disposal;
- an equity instrument at fair value through other comprehensive income: the unrealized gains or losses previously recognized under other comprehensive income, as well as any capital gains/losses on disposal are recognized in consolidated reserves without going through the income statement.

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

3.1.8. Measurement of credit risk

The IFRS 9 impairment model is based on an "expected credit loss" approach while that of IAS 39 was based on an "incurred credit losses", for which the accounting of credit losses at the time of the financial crisis was considered too little too late.
Under the IFRS 9 model, financial assets for which no objective evidence of impairment exists on an individual basis are impaired on the basis of observed losses as well as reasonable and justifiable future cash flow forecasts.

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

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

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

3.1.8.1. Governance

As a subsidiary of Crédit Mutuel Alliance Fédérale, CIC has the same organizational structure as the Crédit Mutuel's other regional groups.

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

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

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

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

3.1.8.2. Definition of the boundary between Statuses 1 and 2

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

- ✓ low default portfolios (LDP), for which the rating model is based on an expert assessment: large accounts, banks, local governments, sovereigns, specialized financing. These portfolios are composed of products such as operating loans, short-term operating loans, current accounts, etc;
- ✓ high default portfolios (HDPs) for which the default data is sufficient to establish a statistical rating model: mass corporate and retail. These portfolios include products such as home loans, consumer credit, revolving loans, current accounts, etc.

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

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

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

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

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

Note that the group immediately puts into Status 1 any performing exposure that no longer meets the criteria for Status 2 classification (both qualitative and quantitative).
The group has demonstrated that a significant correlation exists between the probabilities of default at 12 months and at termination, which allows it to use 12-month credit risk as a reasonable approximation of the change in risk since initial recognition, as the standard permits.

✓ Quantitative criteria

For LDP portfolios, the boundary is based on an allocation matrix that relates the internal ratings at origination and at the reporting date. Thus the riskier the rating of the loan, the less the relative tolerance of the group towards significant deterioration of the risk.

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

✓ Qualitative criteria

To this qualitative data the group adds qualitative criteria such as installments unpaid or late by more than 30 days, the fact that a loan has been restructured, etc.
Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

3.1.8.3. Statuses 1 and 2 – Calculating expected credit losses

Expected credit losses are measured by multiplying the outstanding amount of the loan at the contract rate by its probability of default (PD) and by the loss given default (LGD). The off-balance-sheet exposure is converted into a balance sheet equivalent based on the probability of a drawdown. The one-year probability of default is used for Status 1, while the probability of default at termination (1 to 10 year curve) is used for Status 2.
These parameters are based on the same values as prudential models and adapted to meet IFRS 9 requirements. They are used both for assigning loans to a status and for calculating expected losses.

✓ Probability of default

This is based:

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

✓ Loss given default

This is based:

- for high default portfolios, on the collection flows observed over a long period of time, discounted at the interest rates of the contracts, segmented according to types of products and types of guarantees;
- for low default portfolios, on fixed ratios (60% for sovereign and 40% for the rest).

✓ Conversion factors

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

✓ Forward-looking aspect

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

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral, pessimistic), which will be weighted based on the group's view of changes in the economic cycle over five years. The Group mainly relies on macroeconomic data (GDP, unemployment rate, inflation rate, short-term and long-term interest rates, etc.) available from the OECD. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:

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

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

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

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

3.1.8.4. Status 3 – Non-performing receivables

In Status 3, impairment is recognized whenever there is objective proof of impairment due to one or more events occurring after a loan or group of loans have been made that might generate a loss. An analysis is done at each closing contract by contract. The impairment is equal to the difference between the carrying amount and the estimated future cash flows, allowing for collateral or other guarantees, present-discounted at the interest rate of the original loan. In the event of a variable rate, it is the most recent contractual rate that is booked.

3.1.8.5. Originated credit-impaired financial assets

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

3.1.8.6. Recognition

Impairment charges and provisions are recorded in “Net provision allocations/reversals for loan losses”. Reversals of impairment charges and provisions are recorded in “Net provision allocations/reversals for loan losses” for the portion relating to the change in risk and in “Net interest” for the portion relating to the passage of time. For loans and receivables, impairment is deducted from assets, and for financing and guarantee commitments, the provision is recorded in liabilities under “Provisions” (see Sections 3.1.6 “Financial guarantees and financing commitments” and 3.2.2 “Provisions”). For assets at fair value through other comprehensive income, the counter-entry for impairments recognized under “Net provision allocations/reversals for loan losses” is booked to “Unrealized or deferred gains and losses”.
Loan losses are written off and the corresponding impairments and provisions are reversed.

3.1.9. Determination of fair value of financial instruments

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

The fair value of an instrument upon initial recognition is generally its transaction price.
The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active or not.

3.1.9.1. Financial instruments traded in an active market

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

3.1.9.2. Financial instruments not traded in an active market

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

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, as well as liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions.
When determining valuation adjustments, each risk factor is considered individually, without allowance for any diversification effect for risks, parameters or models of a different nature. A portfolio approach is most often used for a given risk factor.

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

3.1.9.3. Fair value hierarchy

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

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

3.2. Non-financial instruments

3.2.1. Leases

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

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

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

3.2.1.1. Finance leases – lessor accounting

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

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

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

Credit risk related to financial receivables is measured and recognized under IFRS 9 (see Section 3.1.8. "Measurement of credit risk").

3.2.1.2. Finance leases – lessee accounting

In accordance with IAS 16, the fixed 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.
In accordance with IFRS 16, fixed assets are recorded on the balance sheet to offset a liability in "other liabilities." Lease payments are broken down between interest expense and repayment of principal (see §3.2.4.2 entitled "Non-current assets of which the Group is the lessee").

3.2.2. Provisions

Provisions and reversals of provisions are classified by type under the corresponding item of income or expenditure.
A provision is recognized whenever it is probable that an outflow of resources representing economic benefits will be necessary to extinguish an obligation arising from a past event and when the amount of the obligation can be estimated accurately. Where applicable, the net present value of this obligation is calculated to determine the amount of the provision to be set aside.

The provisions constituted by the group cover, in particular:

- ✓ operating risks;
- ✓ employee obligations (see § "3.2.3 Employee benefits");
- ✓ execution risk on signature commitments;
- ✓ litigation risk and guarantee commitments given;
- ✓ tax risks;
- ✓ risks related to mortgage saving agreements (see Section 3.1.2 "Classification and measurement of financial liabilities").

3.2.3. Employee benefits

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

3.2.3.1. Post-employment benefits under a defined benefit plan

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

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

In France, retirement benefits in the group's banks are at least 60% covered by insurance from ACM Vie – an insurance company which is part of the Crédit Mutuel group and is consolidated under the equity method.

3.2.3.2. Supplementary pensions within the pension funds

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

3.2.3.3. Post-employment benefits under a defined contribution plan

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.
Since 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.

3.2.3.4. Other long-term benefits

These represent benefits other than post-employment benefits and termination benefits expected to be paid more than 12 months after the end of the fiscal year in which the staff rendered the corresponding service. They include, for example, long service awards.
The group's commitment in respect of other long-term benefits is measured using the projected unit credit method. However, actuarial gains and losses are recognized immediately in profit or loss.
Commitments in respect of long service awards give rise to a provision.

3.2.3.5. Termination benefits

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

3.2.3.6. Short-term benefits

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

3.2.4. Non-current assets

3.2.4.1. Non-current assets of which the Group is owner

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

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

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

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

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

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

The following depreciation and amortization periods are used:

Property, plant and equipment:

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

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

Depreciable and amortizable assets are tested for impairment when evidence exists at the reporting date that the items may be impaired. Non-amortizable non-current assets such as lease rights are tested for impairment once a year.
If an indication of impairment exists, the recoverable amount of the asset is compared to its net carrying amount. In the event of loss of value, a write-down is recognized on the income statement; it changes the depreciable amount of the asset prospectively. The write-down is repaid in the event of changes to the estimated recoverable amount or if the indications of impairment disappear. The net carrying amount following the reversal of an impairment provision cannot exceed the net carrying amount that would have been calculated if no impairment had been recognized.
Impairment charges and reversals on operating assets are recognized under “Movements in depreciation, amortization and provisions for operating assets” in the income statement.
Impairment charges and reversals on investment property are recognized in the income statement under “Expenses on other activities” and “Income from other activities”, respectively.

Capital gains or losses on disposals of operating assets are recorded in the income statement on the line “Net gains/(losses) on other assets”.
Gains and losses on the disposal of investment property are recorded on the income statement on the line “Income from other activities” or “Expenses from other activities.”

The fair value of investment property 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).

3.2.4.2. Non-current assets of which the Group is lessee

For a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.
In respect of the lessee, operating leases and finance leases will be recorded in a single model, with recognition of:
- an asset representing the right to use the leased property during the lease term;
- offset by a liability in respect of the lease payment obligation;
- straight-line depreciation of the asset and an interest expense in the income statement using the diminishing balance method.

The group activated its real estate contracts, with the exception of those in a situation of automatic renewal (taking into account the 6-month prior notice for termination). The automotive fleet was not restated due to its insignificant nature and computer and security equipment were precluded on grounds of their substitutable nature, in accordance with standards.
Other underlying assets were precluded through short-term or low value exemptions (set at €5,000). The group has no leases that give rise to recognition of intangible assets or investment properties.

Therefore, usage rights are recorded as "Property, plant and equipment," and lease obligations as "Other liabilities." Leasehold rights are reclassified as property, plant and equipment when they concern contracts that are not automatically renewable. Usage rights and lease obligations are subject to deferred taxes.
On the income statement, interest charges appear in "Interest margin" while depreciation is presented under the heading dedicated to general operating expenses.

For calculating the lease obligation, we use:
- the contractual term. The group follows the ANC position on commercial leases, pursuant to contractual provisions: any new lease of this type will be capitalized for a term of 9 years. Indeed, from an accounting standpoint, there is no lease term renewal option and consequently, the period for which the contract is enforceable is generally 9 years, taking into account the group's choice of location;

- the discount rate is the marginal rate of indebtedness corresponding to the chosen duration. It's a rate that is depreciable by the group's refinancing headquarters;
- the lease payment, excluding taxes. The group is marginally affected by variable lease payments.

Future changes in both lease term as well as length are leading to a revaluation of assets and liabilities.

3.2.5. Fees and commissions

Fees and commissions in respect of services are recorded as income and expenses according to the nature of the services involved.
Fees and commissions linked directly to the grant of a loan are spread using the effective interest method.
Fees and commissions remunerating a service provided on a continuous basis are recognized over the period during which the service is provided.
Fees and commissions remunerating a significant service are recognized in full in the income statement upon execution of the service.

3.2.6. Income tax expense

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

The Territorial Economic Contribution (*Contribution économique territoriale* – CET), which is composed of the Business Real Estate 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 expense and, accordingly, the group does not recognize any deferred taxes in the consolidated financial statements.

- ✓ Deferred taxes

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

Deferred taxes are calculated using the liability method, applying the income tax rate known at the end of the fiscal year 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 to do so.

Deferred tax is not discounted.

3.2.7. Non-current assets held for sale and discontinued operations

Non-current assets, or groups of assets, are classified as held for sale if they are available for sale and there is a high probability that their sale will take place within the next 12 months.
The related assets and liabilities are shown separately in the balance sheet, on the lines “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”. They are recognized at the lower of their carrying amount and their fair value less selling costs, and are no longer depreciated or amortized.

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

Discontinued operations consist of businesses held for sale or which have been discontinued, or subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations and assets held for sale".

3.3. *Judgments and estimates used in the preparation of the financial statements*

Preparation of the group's financial statements requires the use of assumptions for the purpose of the necessary measurements, which entails risks and uncertainties as to whether these assumptions will materialize in the future.
The future outcome of such assumptions may be influenced by several factors, in particular:

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

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

- the fair value of financial instruments not quoted on an active market – the definition of a forced transaction and the definition of observable data require the exercise of judgment. See § "3.1.9 Determination of fair value of financial instruments";
- retirement plans and other future employee benefits;
- impairment of assets, in particular expected credit losses;
- provisions
- impairment of intangible assets and goodwill;
- deferred tax assets.

4. Information pertaining to subsidiaries and associates

The CIC group's subsidiaries and associates are consolidated companies, including companies consolidated using the equity method.
Transactions carried out between the CIC group and its subsidiaries and associates are done so under normal market conditions, at the time these transactions are conducted.

The list of the group's consolidated companies is presented in note 2a of quantified data, hereinafter. As transactions carried out and outstandings that exist at the end of the period between the group's fully consolidated companies are totally eliminated in consolidation, data pertaining to these reciprocal transactions is included in the attached tables only when concerning companies over which the group exercises joint control or significant influence, and is consolidated using the equity method.

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

Amendments to IFRS 3 & 11
They clarify the accounting treatment of the acquisition of an interest in a joint activity.

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

6. Standards and interpretations not yet adopted by the European Union

These mainly concern IFRS 17 – Insurance Contracts.

IFRS 17 – Insurance Contracts

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

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires increasing use of complex models and concepts similar to those of Solvency II. Financial communication will also have to be broadly adapted.

Amendments to IAS 1 and IAS 8

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

APPENDICES

Explanatory notes are presented in millions of euros.

NOTE 1b First-time application

Usage rights - Real estate	329
Usage rights - Other	0

Lease obligations - Real estate	329
Lease obligations - Other	0

Usage rights are recognized as property, plant and equipment and rental obligations in other liabilities The modified retrospective approach was used. The Group having made the choice, as allowed by the standard, to exclude adjustment variables (initial direct costs…), usage rights are the same as rental obligations and therefore do not have any impact on equity.

NOTE 2a Consolidation scope

Companies	Currency	Country		06/30/2019			12/31/2018		
				Percentage		Method	Percentage		Method
				Control	Interest	(1)	Control	Interest	(1)
Consolidated company: Crédit Industriel et Commercial - CIC									
CIC Grand Cayman (branch)	USD	Cayman Islands		100	100	FC	100	100	FC
CIC Hong Kong (branch)	USD	Hong Kong		100	100	FC	100	100	FC
CIC London (branch)	GBP	UK		100	100	FC	100	100	FC
CIC New York (branch)	USD	United States		100	100	FC	100	100	FC
CIC Singapore (branch)	USD	Singapore		100	100	FC	100	100	FC
A. Banking network									
CIC Est		France	(i)	100	100	FC	100	100	FC
CIC Lyonnaise de Banque		France	(i)	100	100	FC	100	100	FC
CIC Nord Ouest		France	(i)	100	100	FC	100	100	FC
CIC Ouest		France	(i)	100	100	FC	100	100	FC
CIC Sud Ouest		France	(i)	100	100	FC	100	100	FC
B. Banking network - subsidiaries									
CM-CIC Asset Management		France		24	24	EM	24	24	EM
CM-CIC Bail		France	(i)	100	100	FC	100	100	FC
CM-CIC Bail Spain (branch)		Spain		100	100	FC	100	100	FC
CM-CIC Epargne Salariale		France	(i)	100	100	FC	100	100	FC
CM-CIC Factor		France	(i)	95	95	FC	95	95	FC
CM-CIC Lease		France		54	54	FC	54	54	FC
CM-CIC Leasing Benelux		Belgium		100	100	FC	100	100	FC
CM-CIC Leasing GMBH		Germany		100	100	FC	100	100	FC
CM-CIC Leasing Nederland (branch) (2)		Netherlands		100	100	FC			
Gesteurop		France	(i)	100	100	FC	100	100	FC
C. Corporate banking and capital markets									
Cigogne Management		Luxembourg		60	60	FC	60	60	FC
D. Private banking									
Banque CIC (Switzerland)	CHF	Switzerland		100	100	FC	100	100	FC
Banque de Luxembourg		Luxembourg		100	100	FC	100	100	FC
Banque de Luxembourg Investments SA		Luxembourg		100	100	FC	100	100	FC
Banque Transatlantique		France	(i)	100	100	FC	100	100	FC
Banque Transatlantique London (branch)	GBP	UK		100	100	FC	100	100	FC
Banque Transatlantique Belgium		Belgium		100	100	FC	100	100	FC
Banque Transatlantique Luxembourg		Luxembourg		100	100	FC	100	100	FC
Dubly Transatlantique Gestion		France	(i)	100	100	FC	100	100	FC
E. Private equity									
CM-CIC Capital		France	(i)	100	100	FC	100	100	FC
CM-CIC Conseil		France	(i)	100	100	FC	100	100	FC
CM-CIC Innovation		France		100	100	FC	100	100	FC
CM-CIC Investissement		France	(i)	100	100	FC	100	100	FC
CM-CIC Investissement SCR		France		100	100	FC	100	100	FC
F. Structure and logistics									
CIC Participations		France	(i)	100	100	FC	100	100	FC
G. Insurance companies									
Adepi		France	(i)	100	100	FC	100	100	FC
Groupe des Assurances du Crédit Mutuel (GACM) (3)		France		18	18	EM	18	18	EM

(1) Method: MER = merger; FC = full consolidation EM = consolidation using the equity method NC = not consolidated

(2) Entity included in the accounts of CM-CIC Leasing Benelux in 2018

(3) Based on the consolidated financial statements.

(i) = Members of the tax consolidation group set up by CIC.

Information on the group’s presence and activities in non-cooperative countries and territories included in the list established by the Order of April 8, 2016: the group has no operations that meet the criteria defined by the Order of October 6, 2009.

Note 2b Fully consolidated entities with significant non-controlling interests

06/30/2019	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities			
	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	OCI	NBI	Net profit/(loss)
CM-CIC Lease	46%	1	23	(6)	4 803	(0)	15	2
Cigogne Management	40%	3	14	0	60	0	14	8
CM-CIC Factor	5%	0	7	(1)	8 503	(1)	48	7

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

12/31/2018	Percentage of non-controlling interests in the consolidated financial statements				Financial information regarding fully-consolidated entities			
	Percentage of interest	Net income (loss) attributable to non-controlling interests	Amount in shareholders' equity of non-controlling interests	Dividends paid to non-controlling interests	Total assets	OCI	NBI	Net profit/(loss)
CM-CIC Lease	46%	3	25	(7)	4 544	(0)	32	7
Cigogne Management	40%	6	7	(6)	54	0	27	16
CM-CIC Factor	5%	1	6	(0)	8 056	(1)	96	13

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

NOTE 3 - Analysis of income statement by business segment and geographic area

Business segment analysis principles

► Retail banking includes a) the branch network consisting of the regional banks and CIC network in Ile-de-France, and b) the specialized activities whose product marketing is performed by the network: real estate and equipment leasing, factoring, collective investment for third parties, employee savings plans and real estate. The insurance business line – which is consolidated using the equity method – is included in this business segment.

► Corporate banking and capital markets comprise a) financing of large companies and institutional clients, specialized financing, international operations and b) capital markets that include investments in interest rate, equity and credit activities (ITAC) as well as stock market intermediation.

► Private banking comprises all companies engaged primarily in wealth management, both within and outside France.

► Private equity includes proprietary trading and financial engineering services via dedicated entities. The entire portfolio is accounted for under the fair value option.

► The holding company covers all activities not assigned to another business.

Each consolidated company is included in only one business segment, corresponding to its core business in terms of contribution to the group's results, with the exception of CIC, whose individual accounts are allocated on a cost accounting basis.

Analysis of income statement by business segment

06/30/2019	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Net Banking Income	1 860	373	273	176	(11)	**2 671**
General operating expenses	(1 212)	(188)	(204)	(23)	(61)	**(1 688)**
Gross operating income/(loss)	**648**	**185**	**69**	**153**	**(72)**	**983**
Cost of counterparty risk	(64)	(79)	11		1	**(131)**
Gains on other assets (1)	89		2			**91**
Profit/(loss) before tax	**673**	**106**	**82**	**153**	**(71)**	**943**
Income tax	(197)	(19)	(16)	1	23	**(208)**
Net profit/(loss)	**476**	**87**	**66**	**154**	**(48)**	**735**

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

06/30/2018	Retail banking	Corporate banking and capital markets	Private banking	Private Equity	Holding company services	Total
Net Banking Income	1 840	327	250	221	(36)	**2 602**
General operating expenses	(1 201)	(179)	(179)	(24)	(52)	**(1 635)**
Gross operating income/(loss)	**639**	**148**	**71**	**197**	**(88)**	**967**
Cost of counterparty risk	(51)	31	(6)	(1)		**(27)**
Gains on other assets (1)	78		8			**86**
Profit/(loss) before tax	**666**	**179**	**73**	**196**	**(88)**	**1 026**
Income tax	(210)	(65)	(16)		44	**(247)**
Net profit/(loss)	**456**	**114**	**57**	**196**	**(44)**	**779**

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

Breakdown of income statement items by geographic area

	06/30/2019				06/30/2018			
	France	Europe excluding France	Other country	Total	France	Europe excluding France	Other country	Total
Net Banking Income	2 313	247	111	**2 671**	2 274	228	100	**2 602**
General operating expenses	(1 469)	(175)	(44)	**(1 688)**	(1 443)	(153)	(39)	**(1 635)**
Gross operating income/(loss)	**844**	**72**	**67**	**983**	**831**	**75**	**61**	**967**
Cost of counterparty risk	(135)	3	1	**(131)**	(36)	(3)	12	**(27)**
Gains on other assets (1)	89	2	0	**91**	78	8	0	**86**
Profit/(loss) before tax	**798**	**77**	**68**	**943**	**873**	**80**	**73**	**1 026**
Income tax	(186)	(12)	(10)	**(208)**	(218)	(14)	(15)	**(247)**
Post-tax gains/(losses) on discontinued operations				**0**				**0**
Total net profit/(loss)	**612**	**65**	**58**	**735**	**655**	**66**	**58**	**779**

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

NOTES TO THE BALANCE SHEET - ASSETS

NOTE 4 - Cash and central banks

	06/30/2019	12/31/2018
Cash, central banks		
Central banks	36 845	31 400
- of which mandatory reserves	*1 308*	*1 277*
Cash	326	309
Total	**37 171**	**31 709**

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

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

	06/30/2019				12/31/2018			
	Transaction	Fair value option	Other FVPL	Total	Transaction	Fair value option	Other FVPL	Total
Securities	**11 762**	**435**	**3 052**	**15 249**	**10 436**	**398**	**2 862**	**13 696**
- government securities	1 703	0	0	**1 703**	774	0	0	**774**
- Bonds and other debt securities	9 194	435	134	**9 763**	9 116	398	132	**9 646**
. listed	*9 193*	*88*	*26*	***9 307***	*9 116*	*82*	*25*	***9 223***
. non-listed	*1*	*347*	*108*	***456***	*0*	*316*	*107*	***423***
of which UCIs	*1*		*115*	***116***	*113*		*7*	***120***
- Shares and other capital instruments	865		2 539	**3 404**	546		2 355	**2 901**
. listed	*865*		*305*	***1 170***	*546*		*268*	***814***
. non-listed	*0*		*2 234*	***2 234***	*0*		*2 087*	***2 087***
- long-term investments			379	**379**			375	**375**
. equity investments			*48*	***48***			*46*	***46***
. Other long-term investments			*110*	***110***			*115*	***115***
. investments in associates			*220*	***220***			*213*	***213***
. Other long-term investments			*1*	***1***			*1*	***1***
Derivative instruments	**3 187**			**3 187**	**3 064**			**3 064**
loans and receivables	**14 586**	**0**	**0**	**14 586**		**0**	**0**	**0**
of which pensions (1)	*14 586*	*0*		***14 586***		*0*		***0***
Total	**29 535**	**435**	**3 052**	**33 022**	**13 500**	**398**	**2 862**	**16 760**

(1) The change in the management model of part of the pensions has led the CIC to classify transactions initiated as of January 1, 2019, in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. Banking book transactions remain in the portfolio at amortized cost (see 8b and 8c)

NOTE 5b Analysis of trading derivatives

	06/30/2019		06/30/2019	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives				
Interest rate derivatives	2 045	1 631	1 817	1 618
Swaps	1 990	1 557	1 527	1 596
Other firm contracts	6	5	6	4
Options and conditional instruments	49	69	284	18
Foreign exchange derivatives	837	773	872	816
Swaps	30	33	37	44
Other firm contracts	732	665	738	675
Options and conditional instruments	75	75	97	97
Other derivatives	305	444	375	466
Swaps	107	170	93	130
Other firm contracts	11	110	14	90
Options and conditional instruments	187	164	268	246
Total	**3 187**	**2 848**	**3 064**	**2 900**

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. Furthermore, the value of derivatives takes into account the counterparty risk.

Note 6 - Hedging

NOTE 6a - Hedging derivatives

	06/30/2019		12/31/2018	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives				
Fair Value Hedges	852	1 951	547	1 624
Swaps	855	1 950	550	1 623
Other firm contracts	0	0	0	0
Options and conditional instruments	(3)	1	(3)	1
Cash Flow Hedges	0	1	0	0
Swaps	0	1	0	0
Other firm contracts	0	0	0	0
Options and conditional instruments	0	0	0	0
Total	**852**	**1 952**	**547**	**1 624**

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. Furthermore, the value of derivatives takes into account the counterparty risk.

Hedging derivatives consist solely of interest rate instruments.

NOTE 6b - Remeasurement adjustment on interest-risk hedged portfolios

	06/30/2019	12/31/2018	Change
Fair value of portfolio interest rate risk			
. in financial assets	1 046	623	67,9%
. in financial liabilities	9	8	12,5%

Note 7 - Financial assets at fair value through other comprehensive income

NOTE 7a - Financial assets at fair value through other comprehensive income, by type of product

	06/30/2019	12/31/2018
. Government securities	2 135	2 066
. Bonds and other debt securities	9 319	9 148
- listed	8 948	8 768
- non-listed	371	380
. accrued interest	34	37
Debt securities subtotal, gross	**11 488**	**11 251**
Of which impaired debt securities (S3)	*1*	*1*
Impairment of performing loans (S1/S2)	(9)	(8)
Other impairment (S3)	0	0
Debt securities subtotal, net	**11 479**	**11 243**
. Loans	0	0
. accrued interest	0	0
Loans and receivables subtotal, gross	**0**	**0**
Impairment of performing loans (S1/S2)	0	0
Other impairment (S3)	0	0
Loans and receivables subtotal, net	**0**	**0**
. Shares and other capital instruments	15	19
- Listed	15	19
- Non-listed	0	0
. Long-term investments	157	161
- Equity investments	46	45
- Other long-term investments	47	47
- Investments in associates	64	69
- Loaned securities	0	0
- Non-performing current account advances to non-trading real estate companies	0	0
. Accrued interest	0	0
Sub-total, capital instruments	**172**	**180**
Total	**11 651**	**11 423**
Of which unrealized capital gains or losses recognized under equity	*(110)*	*(155)*
Of which listed equity investments.	*0*	*0*

NOTE 7b - Exposures to sovereign risk

Sovereign exposures

Net outstandings recognized on June 30, 2019 */**	Portugal	Ireland	Spain	Italy
Financial assets at fair value through profit or loss	39	22	95	255
Financial assets at fair value through other comprehensive income			4	75
Total	**39**	**22**	**99**	**330**
Residual contract term				
> 1 year	5		54	300
1 to 3 years				1
3 to 5 years				17
5 to 10 years	34	20	30	
Over 10 years		2	15	12
Total	**39**	**22**	**99**	**330**

Net outstandings recognized at December 31, 2018 */**	Portugal	Ireland	Spain	Italy
Financial assets at fair value through profit or loss	21		58	69
Financial assets at fair value through other comprehensive income		85	8	99
Total	**21**	**85**	**66**	**168**
Residual contract term				
> 1 year		85		119
1 to 3 years			4	
3 to 5 years				40
5 to 10 years	19		38	5
Over 10 years	2		24	4
Total	**21**	**85**	**66**	**168**

* Capital markets activities are shown at market value, and other businesses at nominal value.

** Outstandings are shown net of CDS used to purchase protection

NOTE 7c - Fair Value Hierarchy of financial instruments carried at fair value on the balance sheet

06/30/2019	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through other comprehensive income	7 524	2 739	1 388	11 651
- "Government and equivalent securities";	2 142	0	0	2 142
- Bonds and other debt securities	5 367	2 739	1 231	9 337
- Shares and other capital instruments	15	0	0	15
- Investments and other long-term securities	0	0	93	93
- Investments in subsidiaries and associates	0	0	64	64
Trading/Fair value option/Other	10 382	19 138	3 502	33 022
- Government securities and similar instruments – Trading	1 480	223	0	1 703
- Government securities and similar instruments – Fair value option	0	0	0	0
- Government securities and similar instruments – Other FVPL	0	0	0	0
- Bonds and other debt securities – Trading	7 345	1 696	154	9 195
- Bonds and other debt securities – Fair value option	33	0	402	435
- Bonds and other debt securities – Other FVPL	85	0	49	134
- Shares and other equity instruments – Trading	864	0	0	864
- Shares and other capital instruments – Other FVPL	403	0	2 136	2 539
- Investments and other long-term securities – Other FVPL	1	0	157	158
- Investments in subsidiaries and associates – Other FVPL	0	0	221	221
- Loans and receivables due from credit institutions - Trading/Fair value option	0	5 995	0	5 995
- Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
- Loans and receivables due from customers - Trading/Fair value option	0	8 591	0	8 591
- Loans and receivables due from customers – Other FVPL	0	0	0	0
- Derivatives and other financial assets – Trading	171	2 633	383	3 187
Hedging derivatives	0	850	2	852
Total	**17 906**	**22 727**	**4 892**	**45 525**
Financial liabilities				
Trading/Fair value option	1 712	19 103	412	21 227
- Due to credit institutions - Trading/Fair value option	0	14 477	0	14 477
- Due to customers - Trading/Fair value option	0	2 330	0	2 330
- Debt securities – Fair value option	0	0	0	0
- Subordinated debt – Fair value option	0	0	0	0
- Derivatives and other financial liabilities – Trading	1 712	2 296	412	4 420
Hedging derivatives	0	1 950	2	1 952
Total	**1 712**	**21 053**	**414**	**23 179**

Description of levels:

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

Instruments in the trading portfolio classified under Levels 2 or 3 mainly consist of derivatives and securities considered as illiquid.

All of these instruments include uncertainties of valuation, which give rise to adjustments in value reflecting the risk premium that a market player would incorporate in establishing the price.
These valuation adjustments make it possible to integrate, in particular, risks that would not be captured by the model, liquidity risks associated with the instrument or the parameter concerned, specific risk premiums intended to offset certain surcharges that would elicit the dynamic management strategy associated with the model in certain market conditions, and the counterparty risk present in the fair value of over-the-counter derivatives The methods used may change. The latter include the counterparty risk itself present in the fair value of over-the-counter derivatives
When establishing valuation adjustments, each risk factor is considered individually and no effect of diversification between risks, parameters or models of a different nature are taken into account. A portfolio approach is most often used for a given risk factor.

12/31/2018	Level 1	Level 2	Level 3	Total
Financial assets				
Fair value through other comprehensive income	7 608	2 502	1 313	11 423
- "Government and equivalent securities";	2 081	0	0	2 081
- Bonds and other debt securities	5 508	2 502	1 153	9 163
- Shares and other capital instruments	19	0	0	19
- Investments and other long-term securities	0	0	91	91
- Investments in subsidiaries and associates	0	0	69	69
Trading/Fair value option/Other	9 807	3 532	3 421	16 760
- Government securities and similar instruments – Trading	615	159	0	774
- Government securities and similar instruments – Fair value option	0	0	0	0
- Government securities and similar instruments – Other FVPL	0	0	0	0
- Bonds and other debt securities – Trading	7 882	906	327	9 115
- Bonds and other debt securities – Fair value option	35	0	363	398
- Bonds and other debt securities – Other FVPL	85	0	48	133
- vShares and other equity instruments – Trading	546	0	0	546
- Shares and other capital instruments – Other FVPL	394	0	1 960	2 354
- Investments and other long-term securities – Other FVPL	3	0	158	161
- Investments in subsidiaries and associates – Other FVPL	0	0	214	214
- Loans and receivables due from credit institutions – Fair value option	0	0	0	0
Loans and receivables due from credit institutions – Other FVPL	0	0	0	0
- Loans and receivables due from customers – Fair value option	0	0	0	0
- Loans and receivables due from customers – Other FVPL	0	0	0	0
- Derivatives and other financial assets – Trading	247	2 467	351	3 065
Hedging derivatives	0	539	8	547
Total	**17 415**	**6 573**	**4 742**	**28 730**
Financial liabilities				
Trading/Fair value option	1 443	2 076	612	4 131
- Due to credit institutions – Fair value option	0	0	0	0
- Amounts due to customers – Fair value option	0	0	0	0
- Debt securities – Fair value option	0	0	0	0
- Subordinated debt – Fair value option	0	0	0	0
Derivatives and other financial liabilities – Trading	1 443	2 076	612	4 131
Hedging derivatives	0	1 617	7	1 624
Total	**1 443**	**3 693**	**619**	**5 755**

There is no transfer between levels 1 and 2 whose amount exceeds 10% of the amount of the "Total" line for the concerned category of assets or liabilities

Note 7d - Details of securitization outstandings

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

Summary	06/30/2019	12/31/2018
RMBS	1 466	1 518
CMBS	417	543
CLO	3 583	3 211
Other ABS	2 018	2 404
RMBS hedged by CDS	0	0
CLO hedged by CDS	0	0
Other ABS hedged by CDS	0	0
ABCP program liquidity lines	215	215
Total	**7 699**	**7 891**

Unless otherwise indicated, securities are not hedged by CDS.

Exposures to RMBS, CMBS, CLO and other ABS

06/30/2019	RMBS	CMBS	CLO	Other ABS	Total
Fair value through profit or loss	468		27	174	**669**
Amortized cost	80		287	232	**599**
Fair value - Others	9				**9**
Fair value through other comprehensive income	909	417	3 269	1 612	**6 207**
Total	**1 466**	**417**	**3 583**	**2 018**	**7 484**
France	183		607	534	**1 324**
Spain	134			150	**284**
United Kingdom	261		142	117	**520**
Europe excluding France, Spain and the UK	442		378	1 024	**1 844**
USA	265	417	697		**1 379**
Other	181		1 759	193	**2 133**
Total	**1 466**	**417**	**3 583**	**2 018**	**7 484**
US Branches	246				**246**
AAA	956	417	3 400	1 259	**6 032**
AA	206		132	523	**861**
A	18		40	30	**88**
BBB	8			199	**207**
BB	15			7	**22**
B or below	17				**17**
Not rated			11		**11**
Total	**1 466**	**417**	**3 583**	**2 018**	**7 484**
Origination 2005 and earlier	49				**49**
Origination 2006-2008	123			25	**148**
Origination 2009-2011	74	1			**75**
Origination 2012-2019	1 220	416	3 583	1 993	**7 212**
Total	**1 466**	**417**	**3 583**	**2 018**	**7 484**

12/31/2018	RMBS	CMBS	CLO	Other ABS	Total
Trading	472			253	**725**
Financial assets at fair value through other comprehensive income	810	543	2 951	1 895	**6 199**
Financial assets at amortized cost	236		260	256	**752**
Total	**1 518**	**543**	**3 211**	**2 404**	**7 676**
France	251		555	644	**1 450**
Spain	125			195	**320**
United Kingdom	344		135	211	**690**
Europe excluding France, Spain and the UK	309		363	1 199	**1 871**
USA	292	543	639	1	**1 475**
Other	197		1 519	154	**1 870**
Total	**1 518**	**543**	**3 211**	**2 404**	**7 676**
US Branches	125				**125**
AAA	1 045	543	3 042	1 633	**6 263**
AA	141		120	508	**769**
A	20		38	57	**115**
BBB	7			199	**206**
BB	18			7	**25**
B or below	162				**162**
Not rated			11		**11**
Total	**1 518**	**543**	**3 211**	**2 404**	**7 676**
Origination 2005 and earlier	60				**60**
Origination 2006-2008	283			55	**338**
Origination 2009-2011	31	1			**32**
Origination 2012-2018	1 144	542	3 211	2 349	**7 246**
Total	**1 518**	**543**	**3 211**	**2 404**	**7 676**

NOTE 8 - Financial assets at amortized cost

	06/30/2019	12/31/2018
Securities at amortized cost	2 691	2 650
Loans and receivables to credit institutions	27 821	32 180
Loans and receivables to customers	187 944	188 520
Total	**218 456**	**223 350**

NOTE 8a - Securities at amortized cost

	06/30/2019	12/31/2018
Securities	2 837	2 843
- Government securities	1 613	1 599
- Bonds and other debt securities	1 224	1 244
. listed	514	505
. non-listed	710	739
accrued interest	15	14
Total, gross	**2 852**	**2 857**
- of which impaired assets (S3)	*187*	*386*
Impairment of performing loans (S1/S2)	0	0
Other impairment (S3)	(161)	(207)
Total, net	**2 691**	**2 650**

NOTE 8b - Loans and receivables to credit institutions at amortized cost

	06/30/2019	12/31/2018
. Performing loans (S1/S2)	27 783	32 142
Current accounts	12 699	13 140
Loans	8 754	8 121
Other receivables	4 598	4 298
Pensions (1)	1 732	6 583
. Individually-impaired receivables, gross (S3)	0	0
. Accrued interest	41	40
. Impairment of performing loans (S1/S2)	(3)	(2)
. Other impairment (S3)	0	0
Total	**27 821**	**32 180**

(1) The change in the management model of part of the pensions has led the CIC to classify transactions initiated as of January 1, 2019, in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. Banking book transactions remain in the portfolio at amortized cost (see note 5a)

NOTE 8c Loans and receivables due from customers at amortized cost

	06/30/2019	12/31/2018
Performing loans (S1/S2)	173 676	174 843
. Commercial loans	6 737	7 157
. Other customer receivables	166 671	167 423
- Home loans	81 450	78 675
- other loans and receivables	80 843	77 712
- pensions (1)	4 378	11 036
. Accrued interest	268	263
Individually-impaired receivables, gross (S3)	4 717	4 644
Receivables, gross	**178 393**	**179 487**
Impairment of performing loans (S1/S2)	(483)	(479)
Other impairment (S3)	(2 253)	(2 218)
Sub-total I	**175 657**	**176 790**
Finance leases (net investment)	12 148	11 609
. Equipment	7 700	7 347
. Real estate	4 448	4 262
Individually-impaired receivables, gross (S3)	321	315
Impairment of performing loans (S1/S2)	(60)	(67)
Other impairment (S3)	(122)	(127)
Sub-total II	**12 287**	**11 730**
Total	**187 944**	**188 520**
of which equity loans	*2*	*4*
of which subordinated loans	*14*	*13*

(1) The change in the management model of part of the pensions has led the CIC to classify transactions initiated as of January 1, 2019, in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. Banking book transactions remain in the portfolio at amortized cost (see note 5a)

Finance lease transactions with customers

	12/31/2018	Increase	Decrease	Other	06/30/2019
Gross carrying amount	11 924	880	(345)	10	12 469
Impairment of non-recoverable lease payments	(194)	(52)	65	(1)	(182)
Net carrying amount	11 730	828	(280)	9	12 287

NOTE 9 - Gross values and movements in impairment provisions

NOTE 9a - Gross values subject to impairment

	06/30/2019	12/31/2018
Financial assets at amortized cost – loans and receivables due from credit institutions, subject to	27 824	32 182
- 12-month expected losses (S1)	27 823	32 179
- expected losses at termination (S2)	1	3
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recogniti	0	0
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at amortized cost – loans and receivables due from customers, subject to	190 862	191 412
- 12-month expected losses (S1)	174 565	167 568
- expected losses at termination (S2)	11 259	18 884
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recogniti	5 038	4 915
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	44
Financial assets at amortized cost – securities	2 852	2 857
- with 12-month expected losses (S1)	2 665	2 471
- with expected losses at termination (S2)	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognitic	187	386
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at fair value through other comprehensive income – debt securities	11 488	11 251
12-month expected losses (S1)	11 444	11 144
- expected losses at termination (S2)	43	107
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognitic	1	1
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Financial assets at fair value through other comprehensive income – Loans subject to	0	0
- 12-month expected losses (S1)	0	0
- expected losses at termination (S2)	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognitic	0	0
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0
Total	**233 026**	**237 702**

Note 9b - Movements in impairment provisions

	12/31/2018	Addition	Reversal	Other	06/30/2019
Loans and receivables due from credit institutions	(2)	(2)	1	0	(3)
of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(2)	(2)	1	0	(3)
- expected losses at termination (S2)	(0)	0	0	0	(0)
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognitic	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Customer loans	(2 891)	(558)	533	(2)	(2 918)
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(222)	(105)	100	(0)	(227)
- expected losses at termination (S2)	(324)	(151)	160	(1)	(316)
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognitic	(2 345)	(302)	273	(1)	(2 375)
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	(0)	0	0	0	(0)
Financial assets at amortized cost – securities	(207)	0	1	45	(161)
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(0)	(0)	0	(0)	(0)
- expected losses at termination (S2)	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognitic	(207)	0	1	45	(161)
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – debt securities	(8)	(2)	1	0	(9)
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	(8)	(2)	1	0	(9)
- expected losses at termination (S2)	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognitic	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Financial assets at FVOCI – Loans	0	0	0	0	0
- of which originated credit-impaired assets (S3)	0	0	0	0	0
- 12-month expected losses (S1)	0	0	0	0	0
- expected losses at termination (S2)	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period but not credit-impaired on initial recognitic	0	0	0	0	0
- expected losses on assets credit-impaired (S3) at the end of the period and on initial recognition	0	0	0	0	0
Total	**(3 108)**	**(562)**	**536**	**43**	**(3 091)**

NOTE 10 - Income tax

NOTE 10a - Current tax

	06/30/2019	12/31/2018
Assets (through profit or loss)	603	767
Liabilities (through profit or loss)	236	243

NOTE 10b - Deferred tax

	06/30/2019	12/31/2018
Assets (through profit or loss)	262	312
Assets (through other comprehensive income)	31	48
Liabilities (through profit or loss)	245	254
Liabilities (through other comprehensive income)	4	5

NOTE 11 - Accruals and other assets

	06/30/2019	12/31/2018
Accruals		
Collection accounts	35	112
Currency adjustment accounts	97	85
Accrued income	404	376
Other accruals	2 750	2 023
Sub-total	**3 286**	**2 596**
Other assets		
Securities settlement accounts	109	61
Miscellaneous receivables	3 133	3 058
Inventories and similar	18	19
Other	12	11
Sub-total	**3 272**	**3 149**
Total	**6 558**	**5 745**

Accruals and miscellaneous receivables consist mainly of suspense accounts relating to interbank payment systems.
Expense accounts payable and receivables concern employee benefit expenses and general operating expenses and do not concern lending or borrowing for which accrued interest not yet due constitutes debts or related debt obligations.

NOTE 12 - Investments in equity consolidated companies

06/30/2019	Country	% interest	Value of equity consolidation (1)	Share of net profit/(loss)	Dividends received
Groupe ACM	France	18,50%	1 724	89	348
CM-CIC Asset Management	France	23,54%	13	1	0
Total			**1 737**	**90**	**348**

12/31/2018	Country	% interest	Value of equity consolidation (1)	Share of net profit/(loss)	Dividends received
Groupe ACM	France	18,50%	1 875	198	62
CM-CIC Asset Management	France	23,54%	13	0	1
Total			**1 888**	**198**	**63**

(1) Comprises goodwill of €54 million for Groupe ACM.

NOTE 13 - Investment property

	12/31/2018	Increase	Decrease	Other	06/30/2019
Historical cost	85	5	(4)	0	86
Depreciation and impairment	(39)	(1)	1	(1)	(40)
Net amount	**46**	**4**	**(3)**	**(1)**	**46**

The fair value of investment property carried at cost is comparable to its carrying amount.

NOTE 14 - Property, plant and equipment and intangible assets

NOTE 14a - Property, plant and equipment

	12/31/2018	Increase	Decrease	Other (1)	06/30/2019
Historical cost					
Operating sites	332	0	0	0	332
Operating buildings	2 606	21	(16)	(0)	2 611
Usage rights - Real estate	0	13	(2)	327	338
Other property, plant and equipment	527	40	(24)	0	543
Total	**3 465**	**74**	**(42)**	**327**	**3 824**
Depreciation and impairment					
Operating sites	0	0	0	0	0
Operating buildings	(1 760)	(40)	13	0	(1 787)
Usage rights - Real estate	0	(27)	1	0	(26)
Other property, plant and equipment	(435)	(10)	8	(0)	(437)
Total	**(2 195)**	**(77)**	**22**	**0**	**(2 250)**
Net amount	**1 270**	**(3)**	**(20)**	**327**	**1 574**

(1) Of which a €329 million impact from the first application of IFRS 16.

Note 14b - Intangible fixed assets

	12/31/2018	Increase	Decrease	Other	06/30/2019
Historical cost					
. Internally developed intangible assets	0	0	0	0	0
. Purchased intangible assets	346	10	0	0	356
- Software	105	10	0	1	116
- Other	241	0	0	(1)	240
Total	**346**	**10**	**0**	**0**	**356**
Depreciation and impairment					
. Internally developed intangible assets	0	0	0	0	0
. Purchased intangible assets	(163)	(6)	0	0	(169)
- Software	(76)	(5)	0	(1)	(82)
- Other	(87)	(1)	0	1	(87)
Total	**(163)**	**(6)**	**0**	**0**	**(169)**
Net amount	**183**	**4**	**0**	**0**	**187**

NOTE 15 - Goodwill

	12/31/2018	Increase	Decrease	Other	06/30/2019
Gross goodwill	33	0	0	0	33
Write-downs	0	0	0	0	0
Net goodwill	**33**	**0**	**0**	**0**	**33**

Subsidiaries	12/31/2018	Increase	Decrease	Other	06/30/2019
Banque Transatlantique	6				6
Dubly Transatlantique Gestion	6				6
CM-CIC Investissement SCR	21				21
Total	**33**	**0**	**0**	**0**	**33**

NOTES TO THE BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

NOTE 16 - Financial liabilities at fair value through profit or loss

	06/30/2019	12/31/2018
Financial liabilities held for trading (1)	20 969	4 131
Financial liabilities at fair value through profit or loss	258	0
TOTAL	**21 227**	**4 131**

(1) The change in the management model of part of the pensions has led the CIC to classify transactions initiated as of January 1, 2019, in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. Banking book transactions remain in the portfolio at amortized cost (see 17a and 17b)

NOTE 16a - Financial liabilities held for trading

	06/30/2019	12.31.2018
. Short sales of securities	1 543	1 226
- Government securities	1	3
- Bonds and other debt securities	956	585
- Shares and other capital instruments	586	638
. Debts in respect of securities sold under repurchase agreements	16 550	0
. Trading derivatives	2 848	2 900
. Other financial liabilities held for trading	28	5
Total	**20 969**	**4 131**

NOTE 16b - Financial liabilities at fair value through profit or loss on option

	06/30/2019			12/31/2018		
	Value (book)	Amount due at maturity	Difference	Value (book)	Amount due at maturity	Difference
. Securities issued	0	0	0	0	0	0
. Subordinated debt	0	0	0	0	0	0
. Interbank debt	258	258	0	0	0	0
. Due to customers	0	0	0	0	0	0
Total	**258**	**258**	**0**	**0**	**0**	**0**

NOTE 17 - Financial liabilities at amortized cost

NOTE 17a - Due to central banks and credit institutions

	06/30/2019	12/31/2018
Due to central banks	0	0
Due to credit institutions		
Current accounts	1 781	1 869
Borrowings	62 000	63 167
Other debt	1 809	1 100
Pensions (1)	7 514	18 644
Related debt	143	165
Total	73 247	84 945

(1) The change in the management model of part of the pensions has led the CIC to classify transactions initiated as of January 1, 2019, in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. Banking book transactions remain in the portfolio at amortized cost (see note 16a)

NOTE 17b - Amounts due to customers

	06/30/2019	12/31/2018
. Special savings accounts	48 203	46 546
- on demand	35 095	33 766
- in the future	13 108	12 780
. Related liabilities on savings accounts	229	1
Sub-total	**48 432**	**46 547**
. Demand accounts	84 680	79 954
. Term deposits and borrowings	25 347	23 408
. Pensions (1)	615	2 024
. Other debt	9	8
. Related debt	97	119
Sub-total	**110 748**	**105 513**
Total	**159 180**	**152 060**

(1) The change in the management model of part of the pensions has led the CIC to classify transactions initiated as of January 1, 2019, in the portfolio at fair value through profit or loss. This change only involves transactions with a trading strategy or intended to refinance a trading book. Banking book transactions remain in the portfolio at amortized cost (see note 16a)

NOTE 17c - Debt securities at amortized cost

	06/30/2019	12/31/2018
Certificates of deposit	30	38
Interbank certificates and negotiable debt instruments	25 417	21 563
Bonds	6 063	5 187
Non-preferred senior securities	0	0
Related debt	182	116
Total	**31 692**	**26 904**

NOTE 18 - Accruals and other liabilities

	06/30/2019	12/31/2018
Accruals		
Accounts unavailable due to recovery procedures	230	23
Currency adjustment accounts	94	52
Accrued expenses	695	734
Deferred income	412	409
Other accruals	4 887	4 454
Sub-total	**6 318**	**5 672**
Other liabilities		
Lease obligations - Real estate	316	0
Securities settlement accounts	146	81
Outstanding amounts payable on securities	51	71
Sundry creditors	413	339
Sub-total	**926**	**491**
Total	**7 244**	**6 163**

NOTE 18a - Lease obligations by residual term

06/30/2019	D ≤ 1 year	> 1 year < D ≤ 3 years	3 years < D ≤ 6 years	6 years < D ≤ 9 years	D > 9 years	TOTAL
Lease obligations						
- Real estate	22	49	72	99	74	316

NOTE 19 - Provisions and contingent liabilities

NOTE 19a - Provisions

	12/31/2018	Additions for the year	Reversals for the year (utilized provisions)	Reversals for the year (surplus provisions)	Other variations	06/30/2019
Provisions for risks	**238**	**68**	**(1)**	**(74)**	**(0)**	**231**
On guarantee commitments	154	47	0	(43)	1	159
- of which 12-month expected losses (S1)	*25*	*12*	*0*	*(10)*	*0*	*27*
- of which expected losses at termination (S2)	*32*	*14*	*0*	*(16)*	*0*	*30*
On financing commitments	26	18	0	(12)	0	32
- of which 12-month expected losses (S1)	*21*	*12*	*0*	*(9)*	*0*	*24*
- of which expected losses at termination (S2)	*5*	*6*	*0*	*(3)*	*0*	*8*
Provision for taxes	26	0	(0)	(6)	(2)	18
Provisions for claims and litigation	11	2	(1)	(2)	1	11
Provision for risk on miscellaneous receivables	21	1	0	(11)	0	11
Other provisions	**585**	**56**	**(4)**	**(42)**	**(31)**	**564**
Provision for mortgage saving agreements	64	4	0	0	(1)	67
Provisions for miscellaneous contingencies	167	11	(4)	(7)	0	167
Other provisions (1)	354	41	0	(35)	(30)	330
Provisions for retirement commitments	**209**	**3**	**(0)**	**(2)**	**8**	**218**
Total	**1 032**	**127**	**(5)**	**(118)**	**(23)**	**1 013**

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

NOTE 19b - Retirement and other employee benefits

	12/31/2018	Additions for the year	Reversals for the year	Other variations	06/30/2019
Defined-benefit plans not covered by pension funds					
Retirement Benefits	97	1	(0)	8	106
Supplementary pensions	33	2	(2)	(1)	32
Obligations for long service awards (other long-term benefits)	56	0	0	0	56
Total amount recognized	**186**	**3**	**(2)**	**7**	**194**
Supplementary defined-benefit pensions covered by pension funds					
Commitments to employees and retirees (1)	23	0	0	1	24
Total amount recognized	**23**	**0**	**0**	**1**	**24**
Total	**209**	**3**	**(2)**	**8**	**218**

(1) The provisions covering shortfalls in pension funds relate to entities located abroad.

Defined-benefit plans: Main actuarial assumptions	06/30/2019	12/31/2018
Discount rate (1)	1,0%	1,5%

(1) The discount rate, which is determined by reference to the long-term rate on private-sector borrowings, is based on the IBOXX index.

NOTE 20 - Subordinated debt at amortized cost

	06/30/2019	12/31/2018
Participating loans	153	153
Perpetual subordinated debt	26	26
Other debt	2 052	2 052
Related debt	2	3
Total	**2 233**	**2 234**

Subordinated debt representing more than 10% of total subordinated debts

	Date Issue	Amount Issue	Currency	Rate	Term
Participating loan	05/28/1985	€137m	EUR	a	b
redeemable subordinated notes	03/24/2016	€414m	EUR	Euribor 3 months +2.05%	03/24/2026
redeemable subordinated notes	11/04/2016	€700m	EUR	Euribor 3 months +2.05%	11/04/2026

a Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2
b Non-depreciable, but reimbursable at borrower's discretion as of 05/28/1997 at 130% of the nominal value revalued by 1.5% per year for future years.

NOTE 21 - Unrealized or deferred gains and losses

NOTE 21a - Unrealized or deferred gains and losses

	06/30/2019	12/31/2018
Unrealized or deferred gains or losses* relating to:		
- translation adjustments	37	31
- financial assets at fair value through recyclable other comprehensive income – debt instruments	(41)	(58)
- financial assets at fair value through non-recyclable other comprehensive income – equity instruments	(107)	(128)
- hedging derivatives (CFH)	(1)	0
- share of unrealized or deferred gains and losses of associates	283	174
- actuarial gains and losses on defined benefit plans	(59)	(49)
Total	**112**	**(30)**

** balance net of corporation tax.*

NOTE 21b - Recycling of gains and losses recognized directly in equity

	06/30/2019	12/31/2018
	Operations	Operations
Translation adjustments		
Reclassification in income	0	0
Other movements	6	43
Sub-total	**6**	**43**
Revaluation of financial assets at FVOCI		
Reclassification in income	0	0
Other movements	38	(84)
Sub-total	**38**	**(84)**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	(1)	0
Sub-total	**(1)**	**0**
Remeasurement of non-current assets	0	0
Actuarial gains and losses on defined benefit plans	(10)	(13)
Share of unrealized or deferred gains and losses of associates	109	(67)
Total	**142**	**(121)**

NOTE 21c - Tax related to each category of gains and losses recognized directly to equity

	06/30/2019			12/31/2018		
	Gross amount	Tax	Net amount	Gross amount	Tax	Net amount
Translation adjustments	6	0	6	43	0	43
Revaluation of financial assets at FVOCI	53	(15)	38	(85)	1	(84)
Remeasurement of hedging derivatives	(1)	(0)	(1)	0	0	0
Remeasurement of non-current assets	0	0	0	0	0	0
Actuarial gains and losses on defined benefit plans	(8)	(2)	(10)	(15)	2	(13)
Share of unrealized or deferred gains and losses of associates	144	(35)	109	(101)	34	(67)
Total gains and losses recognized directly to equity	**194**	**(52)**	**142**	**(158)**	**37**	**(121)**

NOTE 22 - Commitments given and received

Commitments given	06/30/2019	12/31/2018
Funding commitments	**38 461**	**37 043**
Liabilities due to credit institutions	336	350
Commitments to customers	38 125	36 693
Guarantee commitments	**16 084**	**16 167**
Credit institution commitments	2 288	2 286
Customer commitments	13 796	13 881
Securities commitments	**3 044**	**3 102**
Securities acquired with option to repurchase	0	0
Other commitments given	3 044	3 102

Commitments received	06/30/2019	12/31/2018
Funding commitments	**225**	**224**
Commitments received from credit institutions	225	224
Commitments received from customers	0	0
Guarantee commitments	**67 313**	**64 873**
Commitments received from credit institutions	47 905	46 068
Commitments received from customers	19 408	18 805
Securities commitments	**2 575**	**1 583**
Securities sold with option to repurchase	0	0
Other commitments received	2 575	1 583

NOTES TO THE INCOME STATEMENT

NOTE 23 - Interest income and expense

	06/30/2019		06/30/2018 restated	
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	215	(424)	178	(346)
. Customers	3 459	(1 905)	3 269	(1 754)
- of which finance leasing	1 648	(1 529)	1 521	(1 405)
- of which lease obligations		(3)		
. Hedging derivatives	212	(528)	175	(475)
. Financial assets at fair value through profit or loss	316	(65)	85	(4)
. Financial assets at fair value through other comprehensive income	104	0	66	0
. Securities at amortized cost	17	0	19	0
. Debt securities	0	(284)	0	(160)
. Subordinated debt	0	(0)	0	0
Total	**4 323**	**(3 206)**	**3 792**	**(2 739)**
of which interest income and expense calculated at effective interest rate	*3 795*	*(2 614)*		

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

	06/30/2018 published		06/30/2018 restated	
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	178	(346)	178	(346)
. Customers	3 269	(1 754)	3 269	(1 754)
- of which finance leases and operating leases	1 521	(1 405)	1 521	(1 405)
. Hedging derivatives	175	(475)	175	(475)
. Financial assets at fair value through profit or loss	68	(12)	85	(4)
. Financial assets at fair value through other comprehensive income	66	0	66	0
. Securities at amortized cost	19	0	19	0
. Debt securities	0	(160)	0	(160)
. Subordinated debt	0	0	0	0
Total	**3 775**	**(2 747)**	**3 792**	**(2 739)**

	12/31/2018 published		12/31/2018 restated	
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	371	(755)	371	(755)
. Customers	6 668	(3 645)	6 668	(3 645)
- of which finance leases and operating leases	3 136	(2 904)	3 136	(2 904)
. Hedging derivatives	103	(408)	371	(1 017)
. Financial assets at fair value through profit or loss	4 728	(4 717)	374	(22)
. Financial assets at fair value through other comprehensive income	137	0	137	0
. Securities at amortized cost	38	0	38	0
. Debt securities	0	(362)	0	(362)
. Subordinated debt	0	0	0	0
Total	**12 045**	**(9 887)**	**7 959**	**(5 801)**

NOTE 24 - Commission income and expense

	06/30/2019		06/30/2018	
	Income	Expenses	Income	Expenses
Credit institutions	1	(2)	1	(2)
Customers	462	(7)	473	(6)
Securities	269	(15)	233	(17)
Derivative instruments	3	(4)	2	(3)
Currency transactions	8	(1)	7	(1)
Funding and guarantee commitments	3	(1)	3	(1)
Services provided	556	(242)	603	(278)
Total	**1 302**	**(272)**	**1 322**	**(308)**

NOTE 25 - Net gains on financial instruments at fair value through profit or loss

	06/30/2019	06/30/2018 restated
Trading instruments	221	196
Instruments accounted for under the fair value option	11	10
Ineffective portion of hedges	(4)	(3)
. On cash flow hedges (CFH)	0	0
. On fair value hedges (FVH)	(4)	(3)
. Change in the fair value of hedged items	520	(91)
. Change in fair value of hedging instruments	(524)	88
Foreign exchange gains/(losses)	59	43
Other financial instruments at fair value through profit or loss (1)	184	210
Total changes in fair value	**471**	**456**

(1) of which €149 million came from private equity business as at June 30, 2019, compared to €195 million as at June 30, 2018.

Since the 2018 fiscal year, interest received or accrued on financial instruments at fair value through profit or loss is recognized in the income statement under interest income/(expense). Before, this interest was recognized under “Net gains/(losses) on financial instruments at fair value through profit or loss”. This change was made for the sake of consistency with regulatory reports sent to the ECB as part of the Short Term Exercise (STE), and for more clarity on interest received and paid.
In 2019, the Group also refined the presentation of its income and expenses for these instruments (see note 23).
The published and restated data as of June 30, 2018, is provided below:

	06/30/2018 published	06/30/2018 restated
Trading instruments	221	196
Instruments accounted for under the fair value option	10	10
Ineffective portion of hedges	(3)	(3)
. On cash flow hedges (CFH)	0	0
. On fair value hedges (FVH)	(3)	(3)
. Change in the fair value of hedged items	(91)	(91)
. Change in fair value of hedging instruments	88	88
Foreign exchange gains/(losses)	43	43
Other financial instruments at fair value through profit or loss	210	210
Total changes in fair value	**481**	**456**

NOTE 26 - Net gains or losses on financial assets at fair value through other comprehensive income

	06/30/2019	06/30/2018
Dividends	9	21
Realized gains and losses on debt instruments	28	39
Total	**37**	**60**

NOTE 27 - Income/expenses generated by other activities

	06/30/2019	06/30/2018
Income from other activities		
. Investment property	0	0
- reversal of provisions/depreciation	0	0
- capital gains on sale	0	0
. Rebilled expenses	14	14
. Other income	40	44
Sub-total	**54**	**58**
Expenses on other activities		
. Investment property	(1)	(1)
- additions to provisions/depreciation	(1)	(1)
- capital losses on sale	0	0
. Other expenses	(37)	(38)
Sub-total	**(38)**	**(39)**
Net total of other income and expenses	**16**	**19**

NOTE 28 - General operating expenses

	06/30/2019	06/30/2018
Employee benefits expense	(924)	(889)
Other general operating expenses	(681)	(687)
Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets	(83)	(59)
Total	**(1 688)**	**(1 635)**

NOTE 28a - Employee benefits expense

	06/30/2019	06/30/2018
Wages and salaries	(565)	(544)
Social security contributions	(223)	(227)
Short-term employee benefits	(0)	0
Employee profit-sharing and incentive schemes	(58)	(43)
Payroll-based taxes	(78)	(75)
Other	(0)	0
Total	**(924)**	**(889)**

NOTE 28b - Average workforce

	06/30/2019	06/30/2018
Bank technical staff	10 501	10 387
Managers	9 418	9 307
Total	**19 919**	**19 694**
France	*18 223*	*18 149*
Rest of the world	*1 696*	*1 545*

NOTE 28c - Other general operating expenses

	06/30/2019	06/30/2018
Taxes and duties (1)	(158)	(163)
Leases		
- short-term asset leases (2)	(29)	(63)
- low value/substitutable asset leases (3)	(28)	(17)
- other leases	(2)	
Other external services	(477)	(462)
Other miscellaneous expenses	13	18
Total	**(681)**	**(687)**

(1) The entry "Taxes and duties" includes an expense of (95) million euros as part of the contribution to the Single Resolution Fund on June 30, 2019, compared to (84) million on June 30, 2018.

(2) includes real estate by automatic renewal.

(3) includes computer equipment.

NOTE 28d - Movements in depreciation, amortization and provisions for property, plant and equipment and intangible assets

	06/30/2019	06/30/2018
Depreciation and amortization:	(83)	(59)
- Property, plant and equipment:	(77)	(53)
- including usage rights	*(27)*	
- intangible assets:	(6)	(6)
Write-downs:	0	0
- property, plant and equipment:	0	0
- intangible assets:	0	0
Total	**(83)**	**(59)**

NOTE 29 - Cost of counterparty risk

	06/30/2019	06/30/2018
- 12-month expected losses (S1)	(12)	(13)
- expected losses at termination (S2)	7	24
- impaired assets (S3)	(126)	(38)
Total	**(131)**	**(27)**

06/30/2019	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
12-month expected losses (S1)	(132)	120				(12)
- Loans and receivables due from credit institutions at amortized cost	(2)	1				(1)
- Customer loans at amortized cost	(105)	99				(6)
- of which finance leases	*(17)*	*22*				*5*
- Financial assets at amortized cost – securities	(0)	0				(0)
- Financial assets at fair value through other comprehensive income – debt securities	(1)	1				(0)
- Financial assets at fair value through other comprehensive income – Loans subj	0	0				0
- Commitments given	(24)	19				(5)
expected losses at termination (S2)	(172)	179				7
- Loans and receivables due from credit institutions at amortized cost	0	0				0
- Customer loans at amortized cost	(152)	160				8
- of which finance leases	*(23)*	*25*				*2*
- Financial assets at amortized cost – securities	0	0				0
- Financial assets at fair value through other comprehensive income – debt securities	(0)	0				(0)
- Financial assets at fair value through other comprehensive income – Loans subj	0	0				0
- Commitments given	(20)	19				(1)
Impaired assets (S3)	(306)	278	(94)	(10)	6	(126)
- Loans and receivables due from credit institutions at amortized cost	0	0	0	(0)	0	(0)
- Customer loans at amortized cost	(284)	251	(94)	(10)	6	(131)
- of which finance leases	*(2)*	*3*	*(2)*	*(1)*	*0*	*(2)*
- Financial assets at amortized cost – securities	(0)	0	0	0	0	0
- Financial assets at fair value through other comprehensive income – debt securities	0	0	0	0	0	0
- Financial assets at fair value through other comprehensive income – Loans subj	0	0	0	0	0	0
- Commitments given	(22)	27	0	(0)	0	5
Total	**(611)**	**578**	**(94)**	**(10)**	**6**	**(131)**

06/30/2018	Allowances	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	TOTAL
12-month expected losses (S1)	(48)	36				(12)
- Loans and receivables due from credit institutions at amortized cost	(1)	0				(1)
- Customer loans at amortized cost	(38)	27				(11)
- of which finance leases	(1)	0				(1)
- Financial assets at amortized cost – securities	(0)	0				0
- Financial assets at fair value through other comprehensive income – debt securities	0	0				(0)
- Financial assets at fair value through other comprehensive income – Loans sub	0	0				0
- Commitments given	(9)	9				0
expected losses at termination (S2)	(41)	64				23
- Loans and receivables due from credit institutions at amortized cost	(0)	2				2
- Customer loans at amortized cost	(33)	44				11
- of which finance leases	*(1)*	*1*				*0*
- Financial assets at amortized cost – securities	0	0				0
- Financial assets at fair value through other comprehensive income – debt securities	0	0				0
- Financial assets at fair value through other comprehensive income – Loans sub	0	0				0
- Commitments given	(8)	18				10
Impaired assets (S3)	(365)	442	(112)	(12)	9	(38)
- Loans and receivables due from credit institutions at amortized cost	0	0	0	(0)	0	(0)
- Customer loans at amortized cost	(209)	286	(111)	(9)	5	(39)
- of which finance leases	*(2)*	*2*	*(1)*	*(1)*	*0*	*0*
- Financial assets at amortized cost – securities	(1)	1	0	0	0	(0)
- Financial assets at fair value through other comprehensive income – debt securities	(131)	0	(1)	(3)	4	(131)
- Financial assets at fair value through other comprehensive income – Loans sub	0	0	0	0	0	0
- Commitments given	(24)	155	0	(0)	0	131
Total	**(454)**	**542**	**(112)**	**(12)**	**9**	**(27)**

NOTE 30 - Net gains/(losses) on disposals of other assets

	06/30/2019	06/30/2018
Tangible and intangible assets	1	8
. Capital losses on disposals	(2)	(2)
. Capital gains on disposals	3	10
Gains/(losses) on disposals of shares in consolidated entities	0	0
Total	**1**	**8**

NOTE 31 - Income tax

	06/30/2019	06/30/2018
Current taxes	(247)	(246)
Deferred tax expense	(41)	9
Adjustments in respect of prior years	80	(10)
Total	**(208)**	**(247)**

Including an expense of -€186 million in respect of companies based in France and an expense of -€22 million for companies based elsewhere.

NOTE 32 - Profit (loss) per share

	06/30/2019	06/30/2018
Net income attributable to the group	731	774
Number of shares at beginning of year	37 795 782	37 795 782
Number of shares at end of year	37 795 782	37 795 782
Weighted average number of shares	37 795 782	37 795 782
Basic earnings per share (in euros)	**19,33**	**20,47**
Weighted average number of shares that may be issued	0	0
Diluted earnings per share (in euros)	**19,33**	**20,47**

CIC's share capital amounts to 608,439,888 euros made up of 38,027,493 shares with a par value of 16 euros each, including 231,711 treasury shares.

NOTE 33 - Related party transactions

	06/30/2019		12/31/2018	
	Associates (companies accounted for using the equity method)	Parent company	Associates (companies accounted for using the equity method)	Parent company
Assets				
Financial assets at fair value through profit or loss	10	191	12	88
Financial assets at FVOCI	0	0	0	0
Financial assets at amortized cost	1 629	12 543	1 709	13 228
Other assets	2	15	4	38
Liabilities				
Due to credit institutions	33	54 667	45	55 593
Liabilities at fair value through profit or loss	0	261	0	0
Due to customers	66	177	28	171
Debt securities	1 495	1 877	1 201	1 750
Subordinated debt	0	2 190	0	2 187
Financing commitments given	0	0	0	0
Guarantees given	0	85	0	28
Financing commitments received	0	3	0	5
Guarantees received	0	4 458	0	4 189
	06/30/2019		06/30/2018	
Interest income	1	153	0	140
Interest expense	(3)	(244)	(3)	(209)
Commission income	238	7	230	8
Commission expense	0	(52)	0	(49)
Net gains/(losses) on financial assets at FVOCI and FVPL	347	0	63	1
Other income and expenses	0	(2)	0	(1)
General operating expenses	(31)	(214)	(30)	(202)

The parent company consists of the BFCM, majority shareholder of the CIC, of the Caisse Fédérale Crédit Mutuel, entity controlling the BFCM and all their subsidiaries.

Relations with the parent company consist primarily of loans and borrowing as part of cash flow management, the BFCM being the body for the group's refinancing and IT services invoiced with the Euro-Information entities.

Companies accounted for using the equity method comprise CM-CIC Asset Management and the Groupe des Assurances du Crédit Mutuel.

3. Statutory auditors' report on the limited review of interim financial statements

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
S.A.S. with capital of €2,510,460

Statutory auditors
Member of the Compagnie
Régionale de Versailles

KPMG S.A.
Tour EQHO
2, avenue Gambetta
Supervisory Council 60055
92066 Paris La Défense Cedex
S.A. with capital of €5,497,100

Statutory auditors
Member of the Compagnie
Régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris La Défense Cedex
S.A.S. with variable capital
438 476 913 R.C.S. Nanterre

Statutory auditors
Member of the Compagnie
Régionale de Versailles

Crédit Industriel et Commercial
CIC
Period from January 1 to June 30, 2019

Report from the statutory auditors on interim financial information

Dear Shareholders,

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

- a limited review of the condensed consolidated interim financial statements for CIC, pertaining to the period from January 1 to June 30, 2019, attached to this report;
- verification of the information given in the interim business report.

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

1. Conclusion about the financial statements

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

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

Without prejudice to the conclusion expressed above, we would draw your attention to Note 1 of the appendix to the financial statements, "Accounting Principles, Methods of Evaluation and Presentation," which describes the conditions for application of IFRS 16, "Leases," beginning as of January 1, 2019, as well as to Notes 23 and 25, which present the change in method concerning the presentation of interest income and expenses of certain financial instruments at fair value through profit or loss.

2. Specific verification

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

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

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

The statutory auditors

PricewaterhouseCoopers Audit	KPMG S.A.	ERNST & YOUNG and Others
Jacques Lévi	Sophie Sotil-Forgues	Hassan Baaj

4. Documents available to the public – Director of information

Documents available to the public

This interim financial report is available on CIC's website (www.cic.fr) and the AMF's website. The same holds true for all reports and historical financial information.

Any person wishing to obtain additional information on CIC may, with no commitment, request the documents:

- by postal mail: CIC – Relations extérieures 6, avenue de Provence – 75009 Paris;
- by email: frederic.monot@cic.fr

The charter, the articles of association, the minutes of the Shareholders' Meetings and the reports may be accessed at the registered office: 6, avenue de Provence à Paris 9e (General Secretariat).

Director of information

Hervé Bressan – Chief Financial Officer
01 53 48 70 21
herve.bressan@cic.fr

Frédéric Monot – External Communications
01 53 48 79 57
frederic.monot@cic.fr

5. Person responsible and certification

Person responsible for the interim financial report

Mr. Daniel BAAL
Chief Executive Officer

Declaration by the person responsible for the interim financial report

I certify, to the best of my knowledge, that the condensed consolidated financial statements for the half-year just ended were prepared in accordance with applicable accounting standards and present an accurate picture of the assets, financial position and results of the company and of all of the companies included in the consolidation, and that the interim business report on activity presents an accurate picture of the important events that occurred in the first six months of the fiscal year, their impact on the financial statements, the principal transactions between related parties as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Paris, on August 6, 2019

Daniel Baal
Chief Executive Officer

6. Cross-reference table

Pursuant to Article 212-13 of the General Regulations of the *Autorité des marchés financiers* (AMF - French Financial Markets Authority) this interim financial report includes information mentioned in Article L.451-1-2 of the French Monetary and Financial Code.

Interim financial report	**Filed on August 6, 2019**
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A bank governed by Article L511-1 and seq. of the French Monetary and Financial Code for transactions carried out in its capacity as insurance broker

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Chief Financial Officer
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A French version of CIC's interim financial report has also been published.

WWW.CIC.FR

CIC – Société anonyme (public limited company) with capital of €608,439,888 euros - 6, avenue de Provence - 75009 Paris, France
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