Consolidated financial statements at June 30, 2019

Balance sheet

(in € thousands)

Assets	Notes	06.30.2019	12.31.2018
Cash, due from central banks	1	6,147,781	3,236,588
Financial assets at fair value through profit or loss	2	1,419,925	1,179,263
Derivatives used for hedging purposes	3	1,052,638	692,564
Financial assets at fair value through equity	4	9,741,672	11,323,695
Securities at amortized cost	5	439,960	163,949
Loans and receivables - credit institutions, at amortized cost	1	9,720,804	8,986,833
Loans and receivables - customers, at amortized cost	6	59,052,583	55,574,536
Remeasurement adjustment on interest-rate risk hedged portfolios		773,806	299,115
Placement of insurance activities	7	55,947,066	50,190,292
Current tax assets		194,731	224,673
Deferred tax assets		136,935	149,446
Accruals, prepayments and sundry assets		1,119,418	867,127
Non-current assets held for sale		6,116	444,230
Deferred profit-sharing		-	-
Investments in associates		185,735	201,775
Investment real estate		149,367	154,236
Property, plant and equipment		335,779	257,761
Intangible assets		446,489	435,758
Goodwill	8	538,461	538,461
TOTAL ASSETS		**147,409,266**	**134,920,302**

Liabilities	Notes	06.30.2019	12.31.2018
Due to central banks	9	-	-
Financial liabilities at fair value through profit or loss	10	1,006,818	811,071
Derivatives used for hedging purposes	3	972,066	427,735
Debt securities	12	14,357,474	12,770,678
Due to banks	9	7,962,286	7,117,358
Liabilities to customers	13	56,697,943	54,555,163
Remeasurement adjustment on interest-rate risk hedged portfolios		176,877	63,361
Current tax liabilities		136,713	127,008
Deferred tax liabilities		152,370	133,565
Accruals, deferred income and sundry liabilities		2,413,826	2,063,634
Liabilities associated with non-current assets held for sale		-	19,442
Insurance companies' technical reserves	14	53,527,866	48,033,048
Provisions	15	436,619	423,551
Subordinated debt		2,508,022	1,667,088
Total equity		**7,060,386**	**6,707,600**
Shareholders' equity, group share		7,057,383	6,704,447
Share capital and additional paid-in capital		2,334,763	2,266,390
Consolidated reserves		4,298,896	3,896,397
Gains and losses recognized directly in equity		179,366	104,372
Net income for the year		244,359	437,288
Non-controlling interests		3,003	3,152
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**147,409,266**	**134,920,302**

Crédit Mutuel ARKEA

Consolidated financial statements at June 30, 2019

Income statement

(in € thousands)

Income statement	Notes	06.30.2019	06.30.2018
Interest and similar income [1]	18	904,807	894,818
Interest and similar expense [1]	18	-596,773	-564,804
Commission income	19	300,160	319,343
Commission expense	19	-68,774	-67,203
Net gain (loss) on financial instruments at fair value through profit or loss	20	58,384	59,708
Net gain (loss) on financial instruments at fair value through equity	21	35,636	25,397
Net gain (loss) on derecognition of financial instruments at amortized cost	22	0	1
Net income from insurance activities	23	395,881	334,061
Income from other activities	24	120,110	118,116
Expense from other activities	24	-33,612	-37,014
NET BANKING INCOME		1,115,819	1,082,423
General operating expenses	25	-708,439	-675,464
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		-64,188	-58,106
GROSS OPERATING INCOME		343,192	348,853
Cost of credit risk	26	-33,730	-37,663
OPERATING INCOME		309,462	311,190
Share in net income of equity-accounted associates and joint ventures		434	6,546
Gains (losses) on other assets	27	23,789	474
Changes in goodwill		0	19,626
PRE-TAX INCOME		333,685	337,836
Income tax	28	-89,470	-91,285
Net income (loss) from discontinued operations		0	0
NET INCOME		244,215	246,551
O/w non-controlling interests		-143	41
NET INCOME - GROUP SHARE		244,359	246,511

[1] Interest calculated using the effective interest rate method for instruments valued at fair value through OCI or at amortized cost is presented in note 18.

(in € thousands)

Statement of net income and gains and losses recognized directly in equity	Notes	06.30.2019	06.30.2018
Net income		244,215	246,551
Revaluation of financial assets at fair value through recyclable equity (net of taxes)		9,033	-7,416
Revaluation of available-for-sale financial assets (net of taxes) [1]		75,929	-8,537
Revaluation of derivatives used to hedge recyclable items (net of taxes)		-132	-142
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes)		259	236
Items to be recycled to profit or loss		85,089	-15,859
Actuarial gains (losses) on defined benefit plans (net of taxes)		-17,355	-3,964
Revaluation of credit risk specific to financial liabilities recognized at fair value through profit or loss by option (net of taxes)		-5,701	883
Revaluation of equity instruments at fair value through equity (net of taxes) [2]		14,190	33,824
Share of gains (losses) recognized directly in equity from investments in associates (net of taxes) not recycled to profit or loss		-1,241	4,805
Items not to be recycled to profit or loss		-10,107	35,548
Total gains and losses recognized directly in equity		74,982	19,689
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY		319,197	266,240
of which group share		319,352	266,199
of which non-controlling interests		-155	41

[1] The "Available-for-sale financial assets" category relates only to insurance entities.
[2] Of which the impact of the transfer to reserves of non-recyclable items for €90,000.

CHANGES IN SHAREHOLDERS' EQUITY

(in € thousands)

	Share capital and reserves	Consolidated reserves	Total gains and losses recognized directly in equity	Net income attributable to equity holders of the parent	Shareholders' equity, group share	Non-controlling interests in equity	Total equity
Position at January 1, 2018	2,207,864	3,513,186	233,947	428,121	6,383,118	2,882	6,386,000
Capital increase/reduction	37,119				37,119		37,119
Cancellation of treasury stock					-		-
Issuance of preferred stock					-		-
Equity components of hybrid instruments					-		-
Equity components whose payment is share-based					-		-
Allocation of the previous year's income		428,121		-428,121	-		-
Dividend paid in 2018 in respect of 2017		-36,824			-36,824	-3	-36,827
Change in equity interests in subsidiaries with no loss of control		695			695		695
Subtotal of changes involving transactions with shareholders	2,244,983	3,905,178	233,947	-	6,384,108	2,879	6,386,987
Changes in gains and losses recognized directly in equity			19,688		19,688		19,688
Net income for the first half of 2018				246,511	246,511	41	246,552
Subtotal	2,244,983	3,905,178	253,635	246,511	6,650,307	2,920	6,653,227
Impact of acquisitions and disposals on non-controlling interests					-		-
Share of changes in shareholders' equity from investments in associates and joint ventures		160			160		160
Change in accounting methods					-		-
Other changes		-524	-149		-673	33	-640
Position at June 30, 2018	2,244,983	3,904,814	253,486	246,511	6,649,794	2,953	6,652,747
Capital increase/reduction	21,407				21,407		21,407
Cancellation of treasury shares					-		-
Issuance of preferred stock					-		-
Equity components of hybrid instruments					-		-
Equity components whose payment is share-based					-		-
Allocation of the previous year's income					-		-
Dividend paid in 2018 in respect of 2017					-		-
Change in equity interests in subsidiaries with no loss of control		-695			-695		-695
Subtotal of changes involving transactions with shareholders	2,266,390	3,904,119	253,486	246,511	6,670,506	2,953	6,673,459
Changes in gains and losses recognized directly in equity		-5,143	-149,262		-154,405	-3	-154,408
Net income for the second half of 2018				190,777	190,777	203	190,980
Subtotal	2,266,390	3,898,976	104,224	437,288	6,706,878	3,153	6,710,031
Impact of acquisitions and disposals on non-controlling interests		259			259		259
Share of changes in shareholders' equity from investments in associates and joint ventures		-2,204			-2,204		-2,204
Change in accounting methods					-		-
Other changes		-635	149		-486		-486
Position at December 31, 2018	2,266,390	3,896,396	104,373	437,288	6,704,447	3,153	6,707,600
Capital increase/reduction	68,373				68,373		68,373
Cancellation of treasury stock					-		-
Issuance of preferred stock					-		-
Equity components of hybrid instruments					-		-
Equity components whose payment is share-based					-		-
Allocation of income for 2018		437,288		-437,288	-		-
Dividend paid in 2019 in respect of 2018		-39,505			-39,505	-4	-39,509
Change in equity interests in subsidiaries with no loss of control		12			12		12
Subtotal of changes involving transactions with shareholders	2,334,763	4,294,191	104,373	-	6,733,327	3,149	6,736,476
Changes in gains and losses recognized directly in equity		-60	74,994		74,934	-12	74,922
Net income for the first half of 2019				244,359	244,359	-143	244,216
Subtotal	2,334,763	4,294,131	179,367	244,359	7,052,620	2,994	7,055,614
Impact of acquisitions and disposals on non-controlling interests		346			346	-12	334
Share of changes in shareholders' equity from investments in associates and joint ventures		-2,333			-2,333		-2,333
Change in accounting methods					-		-
Other changes		6,750			6,750	21	6,771
Position at June 30, 2019	2,334,763	4,298,894	179,367	244,359	7,057,383	3,003	7,060,386

Net cash flow statement

(in € thousands)

	06.30.2019	06.30.2018
Cash flows from operating activities		
Net income	244,215	246,551
Tax	89,470	91,285
Pre-tax income	**333,685**	**337,836**
Depreciation and amortization of property, plant and equipment and intangible assets	63,797	56,812
Impairment of goodwill and other non-current assets	-22	331
Net additions to depreciations	54,496	31,518
Share of income (loss) from investments in associates	-1,759	-6,546
Net loss (gain) from investing activities	-2,527	-7,260
(Income)/expense from financing activities	0	0
Other changes	2,845,728	1,362,579
Total non-cash items included in net income and other adjustments	**2,959,713**	**1,437,434**
Interbank transactions	-205,556	-1,246,236
Transactions with customers	-877,363	-792,198
Transactions involving other financial assets/liabilities	-3,521,852	-634,739
Transactions involving other non-financial assets/liabilities	2,027,559	1,196,968
Dividends from investments in associates	866	874
Taxes paid	-39,639	-78,343
Net decrease/(increase) in operating assets and liabilities	**-2,615,985**	**-1,553,674**
NET CASH FLOW FROM OPERATING ACTIVITIES	**677,414**	**221,596**
Cash flows from investing activities		
Financial assets and investments	-152,021	-535,780
Investment real estate	929	-1,440
Property, plant and equipment and intangible assets	-65,896	-62,816
Other	0	0
CASH FLOWS FROM INVESTING ACTIVITIES	**-216,988**	**-600,036**
Cash flows from financing activities		
Cash flows from/to shareholders	40,696	34,524
Other cash flows from financing activities	1,825,002	707,000
CASH FLOWS FROM FINANCING ACTIVITIES	**1,865,698**	**741,524**
Net increase/(decrease) in cash and cash equivalents	**2,326,124**	**363,084**
Cash flows from operating activities	677,414	221,596
Cash flows from investing activities	-216,988	-600,036
Cash flows from financing activities	1,865,698	741,524
Cash and cash equivalents, beginning of the year	**3,831,782**	**3,874,179**
Cash, central banks (assets & liabilities)	3,236,588	4,182,765
Deposits (assets and liabilities) and demand loans with credit institutions	595,194	-308,586
Cash and cash equivalents, end of the year	**6,157,905**	**4,237,263**
Cash, central banks (assets & liabilities) *(Notes 1 and 9)*	6,147,781	4,168,222
Deposits and demand loans (assets and liabilities) with credit institutions *(Notes 1, 7d, 9 and 14b)*	10,124	69,041
CHANGE IN NET CASH AND CASH EQUIVALENTS	**2,326,123**	**363,084**

The cash flow statement is presented using the indirect method.

Net cash and cash equivalents includes cash, debit and credit balances with central banks and demand debit and credit sight balances with banks.

Changes in cash flow from operations record the cash flow generated by the group's activities, including such flows arising from negotiable debt securities.

Changes in cash from financing activities include changes related to shareholders' equity and subordinated debt.

Notes

Consolidated financial statements at June 30, 2019

Major events

The Arkéa group continued to implement its 2020 strategic plan. It pursued an ambitious policy of engagement within the company, with strong initiatives in favor of its customers and territories.

In an environment of record low interest rates and a more favorable equity market than in the last quarter of 2018, the Arkéa group posted a very good performance at June 30, 2019, with Net income Group Share of €244 million.

The sales momentum within the group's business lines led to an increase in net banking and insurance income to €1,116 million. The group's investments to achieve its growth ambitions resulted in management fees of €773 million. The cost of risk, at €34 million, remained under control.
On the back of solid financial fundamentals, the group continues to post solvency ratios well above the regulatory requirements.

In the first half of 2019, the group participated in the discussion process initiated by Primonial's majority shareholders for the purpose of restructuring the capital of the Primonial group. As such, the group's equity interest in the Primonial group was classified as of June 30, 2019 in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations".

The subsidiaries Leasecom and Leasecom Car were sold to NBB Lease in March 2019.

ACCOUNTING STANDARDS APPLIED

Pursuant to European Regulation 1606/2002 of July 19, 2002 on the application of international standards, the Arkéa group prepared its summary consolidated financial statements for the period ending June 30, 2019 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of that date. These financial statements are presented in accordance with recommendation 2017-02 of the French Accounting Standards Authority (ANC). The content of these financial statements has been determined in accordance with the provisions of IAS 34 relating to condensed interim financial reporting.

As of June 30, 2019, the group applies the standards adopted by the European Union and which entered into force on January 1, 2019.

The group chose to forgo early adoption of the new standards and interpretations adopted by the European Union whose application was optional in 2019.

IFRS 16 Leases

The group has applied IFRS 16 since January 1, 2019.

IFRS 16 replaces IAS 17 as well as SIC 15 and SIC 27 interpretations.

IFRS 16 harmonizes the treatment to be applied to leases without distinction between operating leases and financing. Thus, IFRS 16 requires companies to book their leases on the balance sheet, thereby accounting for new assets and liabilities. Exemptions exist in particular for contracts relating to short-term leases and/or low-value assets.

IFRS 16 is applied using the retrospective method, modified by adjusting the opening balance sheet on January 1, 2019, without any obligation to restate the financial years presented for comparison purposes.

The group therefore presents its 2019 financial statements without a comparative statement for 2018 in IFRS 16 format. An explanation of the transition between the two standards on January 1, 2019 is presented below (Notes – First Time Application section).

Details of the IFRS 16 principles applied by the group are presented in the section entitled “Accounting policies and valuation methods”.

IFRIC 23 - Uncertainty over income tax treatments

On June 7, 2017, IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" was published, which is applicable as from January 1, 2019.

Based on this text, it is presumed that the tax authorities:
- check all amounts reported to it,
- has access to all necessary documentation and knowledge.

The entity must assess the likelihood that the tax authorities will accept/disapprove of the position and draw the consequences for the tax result, tax bases, tax loss carryforwards, unused tax credits and tax rates. In the event of an uncertain tax position (i.e. it is probable that the tax authorities will not accept the position taken), the amounts to be paid are assessed on the basis of the most probable amount or the expected value using the method that reflects the best anticipation of the amount that will be paid or received.

At this stage, the Group considers that the scope of application of IFRIC 23 is limited to income tax and that it does not entail any significant change from current practice. Currently, a risk is recognized as soon as a recovery occurs, which may be a recovery related to the entity itself, a related entity or a market, i.e. a third-party entity.

NOTES – FIRST-TIME APPLICATION

The group has applied IFRS 16 since January 1, 2019.

IFRS 16 harmonizes the treatment to be applied to leases without distinction between operating leases and financing. Thus, IFRS 16 requires companies to book their leases on the balance sheet, thereby accounting for new assets and liabilities. Exemptions exist in particular for contracts relating to short-term leases and/or low-value assets.

For the first-time application of IFRS 16, the group chose to implement the modified retrospective approach proposed by the standard.

As at January 1, 2019, the rental debt on outstanding contracts is calculated by discounting the residual rents to the rates in force on that date, taking into account the estimated residual term of the contracts. The corresponding rights of use are recorded in the balance sheet for an amount equal to that of the rental debt. The first-time application of IFRS 16 therefore had no impact on the group's equity at January 1, 2019.

On that date, leases with a residual term of less than 12 months and those tacitly renewed are therefore considered to be short-term leases (contracts of less than one year) and are not subject to any restatement, in accordance with the exemption option offered by IFRS 16.

In accordance with the requirements of IFRS 16 relating to the modified retrospective approach, comparative data for the 2018 financial year that is presented with respect to the 2019 data is not restated.
Details of the IFRS 16 principles applied by the group are presented in the section entitled "Accounting policies and valuation methods".

The Group had validated the inventory and analysis of lease agreements as of December 31, 2018.
The first-time application of IFRS 16 resulted in the recognition for the group of a rental debt and an asset representing rights of use in the amount of €85 million.

First-time application

Rights of use – Real estate	85,240
Rights of use - Other	0
Rental debts – Real estate	85,240
Rental debts - Other	0

Other standards

Other amendments have little or no material impacts for the group.

- **Amendment to IAS 28**

This covers all financial instruments not subject to the equity method, including long-term financial assets that are part of the net investment in an associate or joint venture (e.g. loans to such entities). This recognition involves two steps: the financial instrument is accounted for in accordance with IFRS 9, including the provisions relating to the impairment of financial assets, after which the provisions of IAS 28 apply, which may result in a reduction in its carrying amount by offsetting the accumulated losses of the entity accounted for using the equity method, when the carrying amount has already been reduced to zero.
When this amendment is first applied, issuers can recognize the impacts in opening equity for 2019 without restating the comparative information.

- **Amendment to IAS 19**

This relates to the consequences of a modification, reduction or liquidation in the regime for calculating the cost of services rendered and the net interest. The cost of services rendered and the net interest for the period following modification, reduction or liquidation must be calculated using the actuarial assumptions used to account for these events.

- **Amendment to IAS 12**

This amendment specifies that the tax effects of dividend distributions on financial instruments classified in equity must be recognized in profit or loss, regardless of their origin, on the date of recognition of the dividend debt. For accounting purposes, dividends are deducted from equity. Fiscally, this is a debt instrument with coupons that are deductible.

Principal standards not yet adopted by the European Union

IFRS 17 Insurance contracts

Date and methods of first-time application

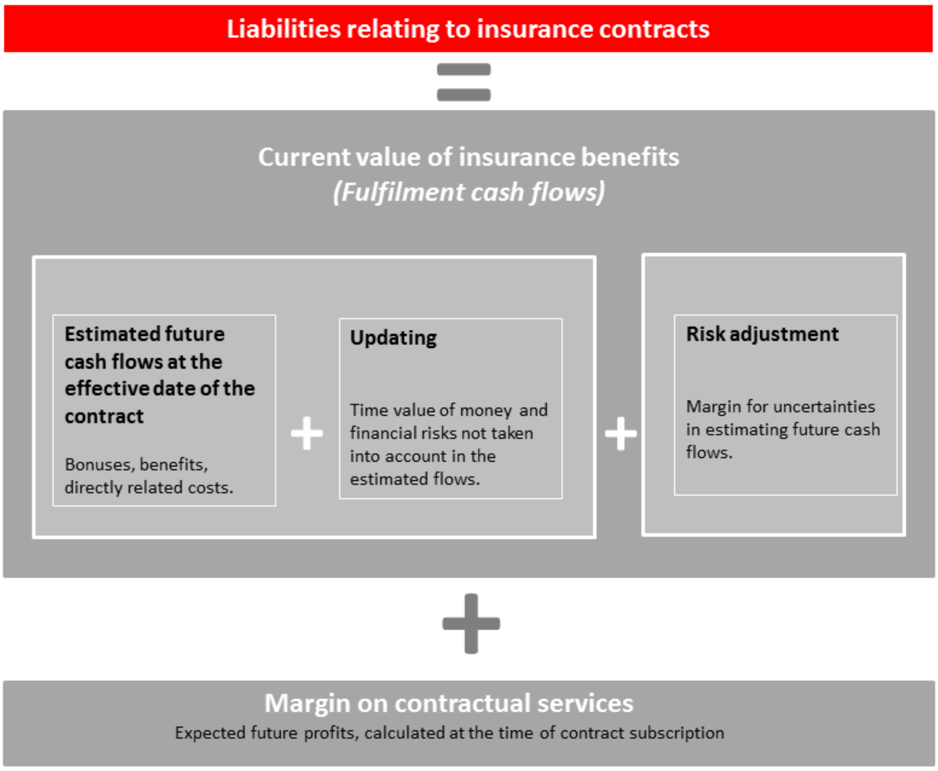
On May 18, 2017, the IFRS Foundation published the new IFRS 17 Insurance Contracts. IFRS 17 replaces IFRS 4 Insurance Contracts published in 2004. Under IFRS 4, companies were allowed to continue using national accounting rules for insurance contracts, which resulted in a large number of different approaches, making it difficult for investors to compare the financial performance of companies.
IFRS 17 offers a solution to the comparison problems created by IFRS 4 by requiring all insurance contracts to be recognized in a standardized manner.

The IASB has examined some of the implementation issues raised by various stakeholders since the publication of IFRS 17 and will determine whether it is necessary to amend IFRS 17. In addition, in November 2018, the IASB members approved a one-year extension of the date of first-time application of IFRS 17, which would be carried forward to annual periods beginning on or after January 1, 2022 if this amendment is confirmed.

Accounting policies under IFRS 17

IFRS 17 defines the new rules for the recognition, measurement and presentation of insurance contracts that fall within its scope (insurance contracts, reinsurance contracts and financial contracts with a discretionary profit-sharing component). The technical provisions currently recognized on the liability side of the balance sheet will be replaced by a valuation of the insurance contracts at current value.

The general model used to evaluate contracts shown as liabilities will be based on the aggregation of three components using a building blocks approach: discounted future cash flows, a risk margin and a margin on contractual services.



Positive margins on contractual services will be recognized progressively in profit or loss over the duration of the insurance service. In the case of loss-making contracts, the loss corresponding to the net cash outflow for the group of contracts must be recognized in profit or loss upon subscription.
This general model will apply by default to all insurance contracts.

However, IFRS 17 also provides for an adjustment of the general model for direct profit-sharing contracts. This adapted model, known as the 'Variable Fee Approach', will allow the obligation to return to policyholders a substantial portion of the return on the underlying assets net of policy charges to be reflected in the valuation of the insurance liability (the changes in the value of the underlying assets accruing to policyholders being neutralized in the margin on contractual services).

The standard also makes it possible, subject to conditions, to apply a simplified approach known as the "premium allocation approach" to contracts with a term of 12 months or less or if the application of the simplified approach gives a result close to the general model.

These valuation models for insurance liabilities will have to be applied to portfolios of similar insurance policies, the granularity of which will be determined by combining three areas:
• aggregation of contracts exposed to similar risks and managed together,
• a breakdown of policies by year of underwriting, and
• upon initial recognition, a distinction is made between loss-making contracts, contracts for which there is no significant possibility of subsequently becoming loss-making, and other contracts.

The standard requires a more detailed level of granularity in the calculations since it requires estimates per group of contracts.
These accounting changes could change the profile of the insurance result (in particular that of life insurance) and also introduce more volatility into the result.

IFRS 17 project

Given the significance of the changes introduced by IFRS 17 and despite the uncertainties that remain around the standard, the Crédit Mutuel Arkéa group's insurance entities have finalized their scoping phase in order to define their roadmap and the cost of implementation. In 2018, they started to set up project structures that enable them to understand all aspects of the standard: modeling, adaptation of systems and organizations, preparation of accounts and changeover strategy, financial communication and change management.
These main projects will continue throughout 2019.

Amendment to IAS 1 and IAS 8

The aim of this amendment is to change the definition of the term "significance" in order to clarify it and harmonize it between the conceptual framework and IFRS. Subject to European adoption, information would be material (i.e., relatively significant) if its omission, inaccuracy, or obscuration would reasonably be expected to influence the decisions of key users of general purpose financial statements based on these financial statements, which contain financial information about a given accounting entity.

The standards adopted by the European Union are available on the European Commission's website:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_fr

ACCOUNTING POLICIES AND VALUATION METHODS

Since January 1, 2018, the Group has applied IFRS 9 “Financial Instruments” and the amendment to IFRS 9 "Prepayment clause providing for negative compensation" adopted by the European Union on November 22, 2016 and March 22, 2018 respectively for its banking activity.

The insurance business continues to apply IAS 39 following the adoption of the temporary exemption from applying IFRS 9 under the amendment to IFRS 4.

To benefit from this postponement, the following conditions must be met:

- financial instruments cannot be transferred between the insurance segment and the conglomerate's other segments (with the exception of financial instruments measured at fair value through profit or loss by both segments involved in the transfer);
- indication of the insurance entities benefiting from the deferred application of IFRS 9;
- the provision of additional information in the notes to the financial statements by presenting insurance-related activities separately from those of the bank.

The group entities that comply with the conditions listed above and benefit from the deferred application of IFRS 9 are Suravenir and Suravenir Assurances.

The accounting policies and valuation rules applied to assets and liabilities arising from the issuance of insurance policies are established in accordance with IFRS 4.

The other assets held and liabilities issued by insurance companies follow the rules common to all of the group’s assets and liabilities.

Accounting policies for the banking business

IFRS 9 distinguishes different accounting classification rules for equity instruments (or equities or other variable-income securities) and debt instruments (or bonds, loans or other fixed-income securities).

To determine the accounting category of debt instruments (debt securities, loans and receivables), an analysis of the following two criteria is necessary:

- the business model that summarizes how the entity manages its financial assets in order to generate cash flows: "Collection of cash flows", "Collection of cash flows and sale" or "Other";
- characteristics of cash flows that will be "SPPI – Solely payments of principal and interest" if they are cash flows from a basic loan and, more specifically, if "the contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding".

- Business models

The management model represents how the instruments are managed to generate cash flows and revenue. It is based on facts that can be observed, and not on any simple management intention. It is not assessed at an entity level, or instrument by instrument, but is based on a higher level of aggregation, which reflects how the groups of financial assets are managed collectively. It is determined at inception and may be altered if there is a change of model.

To determine this, it is necessary to observe all available indications, including:

- how the performance of the business refers to the decision makers,
- the remuneration of managers,
- the frequency, timing and volumes of sales from previous periods,
- reason for sales,
- forecasts of future sales,
- how risk is assessed.

In the context of the collection model, some examples of authorized disposals are explicitly stated in the standard:

- due to an increase in credit risk,
- close to maturity.

These “authorized” disposals are not taken into account when analyzing the significant and frequent nature of sales made in a portfolio. In addition, disposals linked to changes in the regulatory or tax framework will be documented on a case-by-case basis in order to demonstrate the “infrequent” nature of such disposals.
For the other disposals, thresholds were defined based on the maturity of the securities portfolio (the group does not sell its loans).

The Group has mainly developed a model for collecting contractual flows from financial assets, which applies in particular to customer financing activities.

It also manages financial assets based on the collection of contractual cash flows from financial assets and the sale of these assets. Within the group, the contractual cash inflow and sale model applies primarily to cash management and liquidity portfolio management activities.

- Cash flow characteristics

Contractual cash flows, which only represent principal repayments and interest payments on the principal amount outstanding, are compatible with a so-called basic contract.
In a basic contract, interest is primarily the counterpart to the time value of money (including negative interest) and credit risk. Interest may also include liquidity risk, administrative fees for the asset, and a trading margin.

All contractual clauses should be analyzed, including those that could change the contractual schedule or cash flow amount. The contractual option for the borrower or lender to repay the financial instrument early remains compatible with the SPPI (Principal and Interest Payment) nature of the contractual cash flows when the amount repaid essentially represents the principal outstanding and accrued interest as well as, where applicable, a reasonable compensatory payment.

The analysis of contractual cash flows may also require comparison with those of a reference instrument, where the time value component of the money included in the interest is subject to change due to the contractual clauses of the instrument. This is the case, for example, if the interest rate of the financial instrument is periodically revised, but the frequency of revisions is decorrelated from the length of time for which the interest rate is set (monthly revision of a one-year rate for example) or if the interest rate of the financial instrument is periodically revised on the basis of an average interest rate.

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

Depending on the case, the analysis is qualitative or quantitative. The materiality or otherwise of the difference is assessed for each financial year and cumulatively over the life of the instrument. The quantitative analysis takes into account a set of reasonably possible scenarios.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are broken down into debt securities (fixed- or variable-income) and loans to credit institutions and customers:

- held for trading ("Resale" business model); or
- related to the application of the option made available under IFRS 9 to designate a financial instrument at fair value through profit or loss if doing so eliminates or significantly reduces an accounting treatment inconsistency; or
- whose cash flows do not correspond to those of a basic loan ("non-SPPI" cash flows); instruments such as UCI (undertakings for collective investment) and open-end investment funds (FCP - fonds commun de placement) are recognized in this manner.

By default, shares will also be recognized at fair value through profit or loss.

Initially, financial assets at fair value through profit or loss are recognized at their fair value excluding acquisition costs and including accrued dividends.
The accrued or earned income from fixed-income securities is recognized in the income statement under the heading “interest and similar income” according to the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the financial asset or liability. Dividends from

variable-income securities are recognized in the income statement under the heading “Net gain (loss) on financial instruments at fair value through profit or loss”.
Changes in fair value during the period, as at the reporting date, as well as the gains and losses realized on assets of this category, are also recognized under “Net gain (loss) on financial instruments at fair value through profit or loss”.
No impairment is recognized on the assets at fair value through profit or loss as the counterparty risk is included in the market value (fair value).

Derivative financial instruments for transaction and hedging purposes – assets and liabilities

In accordance with the option proposed by IFRS 9 pending the finalization and adoption of the IFRS 9 component relating to macro-hedging, the Crédit Mutuel Arkéa group has decided not to adopt the IFRS 9 hedging component and continues to apply all the IAS 39 provisions on hedging.
However, additional hedging information required by amended IFRS 7 is presented as from January 1, 2018.

Unless they qualify for hedge accounting, derivative financial instruments are by default classified as trading instruments.

The Group mainly trades in simple derivatives (swaps, vanilla options), particularly interest rate derivatives, which are classified in level 2 of the fair value hierarchy.

Derivatives are covered by master netting agreements, which make it possible to net gain and loss positions in the event that a counterparty defaults. The group negotiates ISDA (International Swaps and Derivatives Association)-type master agreements for each derivative transaction.
However, these derivatives are not netted on the balance sheet, in accordance with IAS 32.
Through these collateralization agreements, the group receives or disburses only cash as guarantees.

IFRS 13 provides for the recognition of own credit risk in the measurement of derivative instrument liabilities (debt value adjustment - DVA) and the measurement of counterparty risk on derivative assets in the fair value of derivatives (Credit Value Adjustment - CVA).

The group calculates the CVA and DVA on derivative instruments for each counterparty to which it is exposed.

The CVA is calculated on the basis of the group’s expected positive exposure to the counterparty, estimated using the “Monte Carlo” method, multiplied by the counterparty’s probability of default (PD) and by the loss given default (LGD) rate.
The DVA is calculated on the basis of the group’s expected negative exposure to the counterparty, estimated using the “Monte Carlo” method, multiplied by the group’s probability of default (PD) and by the loss given default (LGD) rate.

The calculation method is based on market data, notably in relation to CDS (credit default swap) curves for the PD estimate.

The Funding Valuation Adjustment (FVA) represents the cost of financing positions on derivative instruments that do not involve the transfer of collateral. The FVA is calculated by multiplying the group’s expected exposure to the counterparty by the estimated market financing cost.

An amount of €24.7 million was recognized on the balance sheet for valuation adjustments as of June 30, 2019.

To classify a financial instrument as a hedging derivative, the group prepares formalized documentation of the hedging transaction at inception: hedging strategy, designation of the hedged instrument (or the portion of the instrument), nature of the hedged risk, designation of the hedging instrument, procedures for measuring the effectiveness of the hedging relationship. According to this documentation, the group assesses the effectiveness of the hedging relationship at inception and at least every six months. A hedging relationship is deemed to be effective if:

- the ratio between the change in value of the hedging derivatives and the change in value of the hedged instruments for the risk hedged lies between 80% and 125%; and
- the changes in value of the hedging derivatives expected over the residual term of said derivatives offset those expected from the hedged instruments for the risk hedged.

The group designates a derivative financial instrument as a hedging instrument in a fair value hedge or in a cash flow hedge based on the nature of the risk hedged.

Risks covered:

Micro-hedging is a partial hedge of the risks an entity incurs on the assets and liabilities that it holds. It specifically applies to one or more assets or liabilities for which the entity covers the risk of an adverse change in a type of risk occurring through derivatives.

Macro-hedging aims to immunize the entire group balance sheet against adverse developments, particularly in relation to interest rates.

For accounting purposes, the group only covers interest rate risk via micro-hedging or, more broadly, via macro-hedging.

The overall management of interest rate risk is explained in the management report, as are the other risks that may be hedged economically so as to achieve a natural matching of the assets/liabilities or the recognition of derivatives as a transaction.

Micro-hedging is carried out in particular in the context of asset swaps, and generally aims to convert a fixed rate instrument into a variable rate instrument synthetically.

Fair value hedging:

The goal of fair value hedging is to reduce the risk of a change in the fair value of a financial transaction. Derivatives are used notably to hedge the interest rate risk on fixed-rate assets and liabilities.

With respect to fair value hedging transactions, the change in fair value of the derivative is recorded on the income statement under the heading “Net gain (loss) on financial instruments at fair value through profit or loss” in symmetry with the revaluation of the risk being hedged. The only impact on the income statement is the potential ineffectiveness of the hedge. This may result from:

- the "counterparty risk" component embedded in the value of the derivatives,
- the difference in the valuation curve between the hedged and hedging items. Swaps are valued with an OIS (Overnight Indexed Swap) curve if they are collateralized or with a BOR curve otherwise. Hedged items are valued with a BOR curve.

The goal of the derivative financial instruments used as macro-hedging transactions is to hedge comprehensively all or part of the structural rate risk resulting primarily from retail banking operations. For the accounting treatment of such transactions, the group applies the provisions contained in IAS 39 as adopted by the European Union (the IAS 39 “carve-out”).

The accounting treatment of derivative financial instruments designated from an accounting standpoint as fair value macro-hedging is the same as the accounting treatment for derivatives used in fair value micro-hedging. The change in the fair value of portfolios hedged against interest rate risk is recorded in a separate line of the balance sheet entitled “Remeasurement adjustment on interest-rate risk hedged portfolios” with an offsetting entry recorded in the income statement. The effectiveness of hedges is checked prospectively by verifying that at inception derivatives reduce the interest rate risk of the hedged portfolio. Hedging relationships must be disqualified when the underlying assets associated with them become insufficient as of the last date on which the effectiveness of the hedge was observed.

Cash flow hedging:

The goal of cash flow hedging is to reduce the risk related to a change in future cash flows from financial instruments. Derivatives are used notably to hedge the interest rate risk on adjustable rate assets and liabilities.

In cash flow hedging transactions, the effective portion of the change in the fair value of the derivative is recorded in a separate line in equity under “Gains and losses recognized directly in equity” while the ineffective portion is recognized in the income statement under the heading “Net gain (loss) on financial instruments at fair value through profit or loss.”
As long as the hedge is effective, the amounts recorded in equity are transferred to the income statement under “interest and similar income (expense)” synchronized with the cash flows of the hedged instrument impacting profit or loss. If the hedging relationship is discontinued or is no longer highly effective, hedge accounting ceases. The accumulated amounts recorded in equity as part of the revaluation of the hedging derivative are transferred to the income statement under “interest and similar income (expense)” at the same time as the hedged transaction itself impacts the income statement, or when it has been determined that such transaction will not take place.

The group does not hedge net investments in foreign exchange operations.

Financial assets at fair value through equity

Financial assets at fair value through equity consist of securities (fixed or variable rate):

- held in order to collect the cash flows inherent in the instrument and to generate gains and losses through sales; and
- whose cash flows correspond to those of a basic loan ("SPPI" cash flows).

These debt instruments at fair value through equity are recognized initially at their fair value i.e. the purchase price, including acquisition costs if material, and accrued dividends. At the end of the reporting period, such securities are measured at their fair value, with any changes in value recognized in equity under “Unrealized gains (losses) recognized directly in equity”.

Such unrealized gains or losses recognized in equity are only recognized in the income statement if the securities are sold or impaired as a result of credit risk.
The accrued or earned income from fixed-income securities is recognized in the income statement under the heading “interest and similar income” according to the effective interest rate method.

This category also includes equity instruments resulting from the application of the irrevocable option made available under IFRS 9 at the time of initial recognition. The irrevocable option is applied on a transaction-by-transaction basis, i.e. each time a security is added to the portfolio.
These assets are not subject to impairment.
Unrealized gains and losses recognized in equity on these instruments are never recognized in profit or loss for equity securities, even in the case of disposal.

Dividends from variable-income securities are recognized in the income statement under the heading “Net gain (loss) on financial instruments at fair value through equity”.

Financial assets at amortized cost

Financial assets at amortized cost meet the following criteria:

- they are held in order to collect the cash flows inherent in the instrument; and
- the related cash flows correspond to those of a basic loan ("SPPI" cash flows).

The majority of loans and receivables owed to Crédit Mutuel Arkéa group by credit institutions and customers that are not intended for sale when approved are recognized under “Loans and receivables at amortized cost”.

Debt securities (fixed or variable rate) that meet the criteria set out above are also recognized at amortized cost.

Initially, they are recognized at market value which is usually the net amount initially paid out including the transaction costs directly attributable to the transaction and fees analyzed as an adjustment to the effective yield of the loan. Financial assets are valued at amortized cost on the closing date. Interest, transaction costs and fees included in the initial value of the loans are amortized over the life of the loan according to the effective interest rate method. In this manner they contribute to the formation of income over the life of the loan.

Concerning loans, the fees received in connection with financing commitments that have a low probability of being drawn or which are used randomly over time and in terms of amount are allocated on a straight-line basis over the term of the commitment.

Restructuring due to financial difficulties of the borrower is defined as a change in the terms and conditions of the original transaction that the group only envisages for economic or legal reasons related to the borrower’s financial difficulties.
In the case of restructurings that do not result in the derecognition of a financial asset, the restructured asset is subject to a value adjustment that reduces its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate of the asset. The change in the asset’s value is recognized in the income statement under “Cost of risk”.

The restructuring of a loan as a result of the debtor’s financial difficulties results in the loan agreement’s novation. Based on the definition of this concept by the European Banking Authority (EBA), the group identified the loans in forbearance recorded by it.

Changes in financial assets that are not made due to financial difficulties of the borrower (i.e. commercial renegotiations) are generally analyzed as the prepayment of the old loan, which is derecognized, followed by the introduction of a new loan at market terms.

Customer finance leases

Lease transactions are considered finance leases when all of the risks and rewards incidental to the ownership of the leased property are transferred to the lessee. Otherwise leasing transactions are classified as operating leases.
Finance leases are recognized on the balance sheet at the amount corresponding to the value of the minimum payments due from the lessee discounted at the implied interest rate of the contract plus any unsecured residual value. The interest portion of the lease payments is recorded on the income statement under the heading “Interest and similar income”.

Impairment of financial assets and commitments given

In accordance with IFRS 9, a provision for expected losses is recognized when the financial asset is recognized in the balance sheet.

The financial assets concerned include:

- debt instruments (securities, loans and receivables) recognized at amortized cost or at fair value through equity,
- rental receivables,
- other receivables, such as trade receivables, receivables subject to IFRS 15 “Revenue from Contracts with Customers”, etc.

The group has chosen to use simplifying measures (Art. IFRS 9 B5.5.35) as provided for by the standard for entities that do not have source data enabling the measurement of the credit loss.

Financing or guarantee commitments given that are not measured at fair value through profit or loss also form part of the scope subject to impairment.
Equity instruments and debt instruments recognized at fair value through profit or loss are not covered by provisions for impairment related to credit risk.

Impairment losses are also recognized on receivables with guarantees, when there is an expected credit risk.

The impairment is recognized under “Cost of risk” and may be reversed through profit or loss when the calculated provision for expected loss decreases.

Under the IFRS 9 provisioning model, financial assets subject to an impairment provision are grouped into 3 groups, known as buckets, according to the level of credit risk:

- Bucket 1: IFRS 9 introduces the concept of "expected loss". As a result, since the credit/counterparty risk cannot be zero regardless of the asset in question, a provision for individual credit risk is calculated (based on expected losses in one year) and recognized when the financial asset is entered in the balance sheet.

- Bucket 2: if, during the life of the instrument, the credit risk increases significantly, the loan is reclassified in bucket 2 and a provision for expected loss at maturity is recognized.

- Bucket 3: in the event of a proven credit risk (e.g. counterparty default situation), the loan is classified in bucket 3. A provision for expected loss at maturity is recognized.

A proven loss exists where:

- there are one or more delinquent payments for three months;
- the position of a counterparty presents characteristics such that even in the absence of delinquent payments, we can conclude that there is a known risk;
- the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganization/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy and liquidation of property, including a summons to appear before an international court.

The classification of the outstandings of any given counterparty as impaired leads by contagion to an identical classification of all those counterparty’s assets and liabilities, regardless whether guarantees or collateral exist. This contagion extends to all of the other members of the same household (except minors) as well as all counterparties belonging to the same risk group.

- Significant increase in credit risk

The group uses models developed for prudential purposes and has therefore chosen a similar breakdown of its outstandings to assess a significant increase in credit risk:
- LDPs (low default portfolios, for which the rating model is based on an expert assessment): large accounts, banks, local authorities, sovereigns, specialized financing,
- HDPs (high default portfolios, for which a statistical rating model can be established based on historical data): general corporate, retail.

A significant increase in credit risk, which involves a transfer of outstandings from bucket 1 to bucket 2, is assessed by:
- taking into account all reasonable and justifiable information, and
- comparing the risk of default on the financial instrument as of the reporting date with the risk of default as of the initial recognition date.

For the group, this involves measuring the risk at the level of the borrower. The group's counterparties are rated by the rating system. This is based on:
- statistical algorithms or "mass ratings" obtained using one or more models, based on a selection of variables that are representative and predictive of risk (HDP), or
- manual rating grids developed by experts (LDP).

Changes in risk since initial recognition are assessed on a contract-by-contract basis. Unlike bucket 3, the transfer of a customer contract to bucket 2 does not entail the transfer of all their outstanding loans or those of its related parties (no contagion).

The expected credit loss approach under IFRS 9 is symmetrical, i.e. if lifetime expected credit losses were recognized in a previous period, and if, for the financial instrument and the current period, there is no longer a significant increase in the credit risk since its initial recognition, the provision is again calculated on the basis of an expected credit loss over 12 months. It should be noted that the group applies the symmetry principle provided for by the standard. As such, the criteria for transfers in and out of bucket 2 are identical.

The group demonstrated that a significant correlation exists between default risks at 12-months and on completion, allowing it to use 12-month credit risk as a reasonable approximation of the change in risk since initial recognition as permitted by the standard.

- Quantitative criteria

For LDPs, the boundary is based on an assignment matrix that links the internal ratings at origination with the closing date.

For HDPs, a continuous and increasing boundary curve relates the default rate at origination and the default rate at closing. The Group does not use the operational simplification proposed by the standard under which outstandings with a low risk at the closing date can remain in bucket 1.

- Qualitative criteria

These quantitative data are combined with qualitative criteria such as the concept of restructured loans.
Methods based exclusively on qualitative criteria are used for those entities or small portfolios that are classified prudentially under the standardized approach and do not have rating systems.

Buckets 1 and 2 – calculation of expected credit losses

In terms of calculation, the provisioning model takes into account:
- the probability of the debtor's default,
- the loss in the event of the debtor's default,
- Crédit Mutuel Arkéa group's exposure (i.e. the loan outstandings related to this counterparty recognized on the balance sheet and under commitments given).

The provisions must also take into account past, present and forward-looking information.

Expected credit losses are assessed by multiplying the outstanding amount by its probability of default (PD) and by the loss given default (LGD) rate. Off-balance sheet items are converted into a balance sheet equivalent on the basis of the probability of draw down. The 1-year probability of default is used for bucket 1 and that at completion for bucket 2.
These parameters are derived from models developed for prudential requirements adapted for IFRS 9 requirements. They are used both for buckets and for calculating expected losses.

- Probabilities of default

These are calculated for:

- high default rate portfolios, based on models approved using the internal ratings-based approach (IRBA);
- portfolios with a low default rate, based on a scale of probability of external default.

- Losses in default

These are calculated for:

- portfolios with a high default rate, based on recovery flows observed over a long history, discounted at the interest rates of the contracts,
- portfolios with a low default rate, based on regulatory levels.

- Conversion factors

These are used to convert off-balance sheet outstandings into balance sheet equivalents and are mainly based on prudential models.

- Forward thinking

The general forward-thinking approach affects both:

- the assignment of outstandings by bucket: the application of forward-looking parameters will have an impact on the analysis of significant impairment and therefore on allocation by bucket, and
- the calculation of the expected credit loss (ECL), with parameters taking into account the prospective dimension.

For the purpose of calculating expected credit losses, the standard requires the consideration of reasonable and supportable information, including forward-looking information. Developing the forward-looking dimension requires anticipating changes in the economy and linking these expectations to the risk parameters. This forward-looking dimension is determined at group level and applies to all parameters.

For portfolios with high default rates, the forward-looking dimension included in the probability of default includes three scenarios (optimistic, neutral, pessimistic), which are weighted according to the group's vision for the evolution of the economic cycle over five years. The group relies essentially on macroeconomic data available from recognized national or international statistics agencies. The forward-looking approach is adjusted to integrate elements that would not have been captured by the scenarios because they:

- are recent in the sense that they occurred a few weeks before the closing date of the financial statements;
- cannot be incorporated into a scenario: for example, regulatory developments that will definitively and significantly affect risk parameters and whose impact measurement is possible through the use of certain assumptions.

The forward-looking dimension on different maturities of one year derives from that determined on the one-year maturity.

The forward-looking dimension is also included in the LGD, via the integration of information observed on a history close to the current conditions.

For portfolios with low default rates, the incorporation of forward-looking information is applied to the models for large accounts and banks, and not to those for local authorities, sovereigns and specialized financing institutions. The approach is similar to that applied to high default-rate portfolios.

- Bucket 3: recognition

Impairment reflects the difference between amortized cost and the present value of discounted estimated future cash flows. Discounting is carried out at the initial effective interest rate of the loan for fixed-rate loans and at the last effective interest rate set according to the contractual terms and conditions for variable-rate loans. In practice, future flows are discounted only if the impact of discounting is material compared to their estimated amounts. The provisions are therefore discounted.

In the income statement, changes in impairment are recorded under “cost of risk” except for reversals related to the effects of the reversal of discounting, which are recorded under “Interest and similar income.”

- Financial assets impaired from the initial recognition date

These are contracts with proven credit losses at the initial recognition date (origination or acquisition). These financial assets must be specifically recognized in accordance with IFRS 9.
At the reporting date, these contracts are identified under the heading “impaired asset from the outset” and are provisioned using the same method as for bucket 2 exposures, i.e. an expected loss over the residual life of the contract.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value are divided into those held for trading and those assigned to this category under the option afforded by IFRS 9. This allows financial instruments to be designated at fair value through profit or loss on initial recognition in the following cases:

- hybrid instruments containing one or more embedded derivatives,
- groups of assets or liabilities measured and managed at fair value,
- substantial elimination or reduction of an accounting treatment inconsistency.

The Crédit Mutuel Arkéa group therefore uses this option to recognize at fair value through profit or loss the issues of liabilities originated and structured on behalf of customers whose risks and any hedging are managed together.

Initially, financial liabilities at fair value through profit or loss are recognized at their fair value excluding acquisition costs and including accrued dividends. At the balance sheet date, they are measured at fair value and changes in fair value are recorded:

- the portion corresponding to own credit risk that cannot be recycled under the heading “Gains and losses recognized directly in equity”;
- and the remainder in the income statement for the period, under “Net gain (loss) on financial instruments at fair value through profit or loss”.

<u>Embedded derivatives</u>

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, satisfies the definition of a derivative. It is designed to affect certain cash flows, much like a standalone derivative.

This derivative is split off from the host contract and accounted for separately as a derivative instrument at fair value through profit or loss when the following conditions are met:

- the hybrid instrument that hosts the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and its related risks are not considered to be closely linked to those of the host contract;
- the separate measurement of the embedded derivative to be separated is sufficiently reliable to provide an accurate assessment.

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

Amounts owed to credit institutions and customers

At inception, amounts owed to credit institutions and customers are recognized at their fair value. This is normally the net amount received initially less transaction costs that can be directly attributed to the transaction when they are significant. On the closing date, such amounts are valued at their amortized cost according to the effective interest rate method.

By their nature, regulated savings products earn interest at the market rate. Housing savings plans and housing savings accounts are subject to a provision when necessary.

Accrued interest or interest due on amounts due to credit institutions and customers are recorded on the income statement under “Interest and similar expense.”

Debt securities

Debt securities issued are broken down by type of security (certificates of deposit, interbank market securities and negotiable debt instruments, bond issues and similar, subordinated senior debt).

They are initially recognized at fair value i.e. at their issue price less any transaction costs that can be directly attributed to the transaction when they are significant. On the closing date, such amounts are valued at their amortized cost according to the effective interest rate method. Accrued interest or interest due on debt securities is recorded in the income statement under “Interest and similar expense.”

Subordinated debt

Subordinated debt includes fixed or indefinite term debt that may or may not be represented by a certificate and that differs from receivables or bonds because in the event of the liquidation of the debtor, repayment will only occur after all secured creditors have been paid. This debt is valued according to the amortized cost method. Accrued interest or interest owed on subordinated debt is recorded on the income statement under “Interest and similar expense.”

Renegotiated debts

The renegotiation of a debt with the same borrower may be analyzed according to circumstances such as a modification or termination of debt.

Where financial debt can be amended with the same borrower by adjusting its term, rate or contractual terms, the standard requires that the modification be substantial (10% threshold). This examination is carried out on the basis of a quantitative test, which may be supplemented by a more qualitative test of the operation.
The quantitative test compares the value of future cash flows under the new discounted conditions to the effective interest rate of the original debt with the present value of the remaining cash flows due on the original liability.
The qualitative test is used to complete the quantitative test when the result is less than 10%. In particular, it makes it possible to take into account a significant change in the risk profile of the debt (e.g. change in the currency of the debt, nature of the interest rate or very significant extension of the maturity of the debt) that would not be properly taken into account via the quantitative test, and to analyze, if necessary, the operation as a termination.

A renegotiated debt that does not give rise to derecognition must be maintained at the original effective interest rate and the impact of the renegotiation (gain or expense) recognized immediately in profit or loss.

Accounting policies for the insurance business

The scope of the insurance business benefits, until 2022, from the deferred application of IFRS 9, provided for by the amendment to IFRS 4, as adopted by the European Union.
The financial assets and liabilities of insurance companies are accounted for in accordance with IAS 39, as described hereafter. They are presented under “Investment in insurance activities” and “Insurance contract liabilities” in the balance sheet.
Income and expenses in the insurance business are presented in the income statement under “Net income from the insurance business”, in which:

- income and expenses recognized in respect of insurance contracts issued are presented under the heading “Other income and expenses from insurance activities”;
- income and expenses relating to the insurance entities’ proprietary activities are recognized under the appropriate line items.

Where material, the disclosures required under IFRS 7 are produced separately for insurance entities.

In accordance with the adoption regulation of November 3, 2017, the group has put in place the necessary measures to ensure there is no transfer of a financial instrument which entails derecognition, between the insurance business and the Group's other activity segments, other than those recognized at fair value through profit or loss in both segments.

The accounting policies applied to assets and liabilities arising from the issuance of insurance policies are established in accordance with IFRS 4. This standard also applies to reinsurance contracts subscribed and financial contracts that include a discretionary profit-sharing provision.

Excluding the aforementioned, the other assets held and liabilities issued by insurance companies follow the rules common to all of the group's assets and liabilities.

The same assumptions were used in both fiscal years to value assets under insurance contracts and insurance liabilities.

Financial assets at fair value through profit or loss

Financial assets at fair value are divided into those held for trading and those assigned to this category under the option afforded by IAS 39. This allows financial instruments to be designated at fair value through profit or loss on initial recognition in the following cases:

- hybrid instruments containing one or more embedded derivatives;
- groups of assets measured and managed at fair value;
- substantial elimination or reduction of an accounting treatment inconsistency.

This option is used to record the following financial instruments at fair value through profit or loss:

- investments serving as cover for unit-linked life insurance contracts in order to eliminate the inconsistency in the accounting treatment with the related insurance liabilities;
- shares of mutual funds whose management company is part of the group;
- certain structured or restructured products (CDOs, convertible bonds).

Financial assets representative of unit-linked insurance contracts include bonds issued by group entities that have not been eliminated through consolidation, in order to maintain the matching of technical provisions on unit-linked contracts with the fair value of the identified assets, which are themselves recognized at fair value. Fixed-income securities that were not eliminated totaled €96 million at June 30, 2019. Their elimination would have increased post-tax net income by €4 million at June 30, 2019.

Financial assets representing the technical provisions on unit-linked contracts are presented under “Financial assets at fair value through profit or loss” of the insurance activities.

Derivative financial instruments follow the same treatment as specified in the banking section.

Initially, financial assets at fair value through profit or loss are recognized at their fair value excluding acquisition costs and including accrued dividends.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading “interest and similar income” of the insurance activities. Dividends from variable-income securities are recognized in the income statement under the heading “Net gain (loss) on financial instruments available-for-sale” of the insurance activities.

Also recognized under “Net gain (loss) on financial instruments at fair value through profit or loss” (insurance activities) are changes in fair value for the period, at the reporting date, as well as realized gains and losses on securities in this category.

No impairment is recognized on the assets at fair value through profit or loss as the counterparty risk is included in the market value.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that, when separated from its host contract, satisfies the definition of a derivative. It is designed to affect certain cash flows, much like a standalone derivative.

It is split off from the host contract and accounted for separately as a derivative instrument at fair value through profit or loss when the following conditions are met:

- the hybrid instrument that hosts the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics of the derivative and its related risks are not considered to be closely linked to those of the host contract;

- the separate measurement of the embedded derivative to be separated is sufficiently reliable to provide an accurate assessment.

Realized and unrealized gains and losses are recognized on the income statement under “Net gain (loss) on financial instruments at fair value through profit or loss” of the insurance activities.

Derivative financial hedging instruments – assets and liabilities

Derivative financial hedging instruments are treated as described in the accounting policies applicable to banking activities.

Available-for-sale financial assets

IAS 39 defines available-for-sale financial assets (AFS) as a residual category containing both fixed- and variable-income securities that are neither financial assets at fair value through profit or loss, financial assets held to maturity nor loans.

Available-for-sale securities are recognized initially at their fair value i.e. the purchase price, including acquisition costs – if they are material – and accrued dividends. At the end of the reporting period, such securities are measured at their fair value, with any changes in value recognized in equity under “Unrealized gains (losses) recognized directly in equity”.

Such unrealized gains or losses recognized in equity are only recognized in the income statement if the securities are sold or if there is permanent impairment.

The accrued or earned income from fixed-income securities is recognized in the income statement under the heading “interest and similar income” (of the insurance activities) according to the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the financial asset or liability. Dividends from variable-income securities are recognized in the income statement under the heading “Net gain (loss) on financial instruments available-for-sale.”

Impairment of securities

Impairment is recorded when objective indicators of impairment for the securities exist. Such indicators are evidenced by a long-term, material decline in the value of shares or by the appearance of a material decline in credit risk due to default risk on debt securities.

In the case of equity securities, the group employs a quantitative criterion to identify material and long-term declines: impairment is recognized when a security has lost at least 50% of its value compared with its initial cost or over a period of more than 24 consecutive months. Analysis is performed line by line. Securities that do not meet the aforementioned criteria are nevertheless assessed for impairment if management believes that the amount invested cannot reasonably be expected to be collected in the near future. The loss is recognized in the income statement under “Net gain (loss) on financial instruments available-for-sale”. Any subsequent decline in value results in an increase in impairment charged against income. An increase in value does not lead to the provision being reversed through profit.

In the case of debt securities, impairment is recorded in “cost of risk” (of the insurance activities) and may be reversed through profit when the market value of the security has increased due to some objective event that has taken place since the most recent impairment.

Held-to-maturity financial assets

Held-to-maturity financial assets are primarily fixed-income or determinable income securities with a fixed maturity that the insurance entity intends and is able to hold to maturity.
Initially, they are recognized at their acquisition price including acquisition costs – when material – and accrued dividends. At the end of the reporting period, they are valued according to the amortized cost method at the effective interest rate and may be the subject of impairment when necessary.

Loans and receivables due from credit institutions and loans and receivables related to insurance activities

“Loans and receivables” are financial assets with fixed or determinable payments that are not quoted on an active market. All loans and receivables due from credit institutions and those related to insurance activities that are not intended for sale at origination are recognized under “loans and receivables” (of the insurance activities).

The treatment of these financial assets (excluding impairment) is identical to the treatment used for loans and receivables due from credit institutions and customers at amortized cost, pursuant to the application of IFRS 9.

Impairment of loans and receivables

Individually impaired receivables

Recorded in the cost of risk, impairment losses are recognized on all types of receivables, even those with guarantees, once there is an established credit risk corresponding to one of the following situations:

- there are one or more delinquent payments for three months;
- the position of a counterparty presents characteristics such that even in the absence of delinquent payments, we can conclude that there is a known risk;
- the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganization/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy and liquidation of property, including a summons to appear before an international court.

Impairment reflects the difference between amortized cost and the present value of discounted estimated future cash flows. Discounting is carried out at the initial effective interest rate of the loan for fixed-rate loans and at the last effective interest rate set according to the contractual terms and conditions for variable-rate loans. In the income statement, changes in impairment are recognized under “Net additions to/reversals from provisions for loan losses” (of the insurance activities).

Financial liabilities

The rules governing the accounting treatment of financial liabilities at fair value through profit or loss, liabilities to credit institutions and customers, debt securities and subordinated debt are identical under IAS 39 and IFRS 9 (excluding recognition of renegotiated debt).

Insurance liabilities, representing commitments to policyholders and beneficiaries, are reported on the line “Insurance companies’ technical reserves”. They are valued, recognized and consolidated in accordance with French GAAP.

Technical provisions on life insurance contracts consist primarily of mathematical provisions representing the difference between the present value of the commitments undertaken respectively by the insurer and the policyholders. The risks covered include primarily death, disability and the inability to work (for borrower’s insurance).

Life insurance provisions are estimated conservatively on the basis of contractually-defined technical rates.

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

Technical provisions on non-life insurance contracts include unearned premiums (portion of premiums issued pertaining to later years), provisions for increasing risks (difference between the present value of the commitments undertaken respectively by the insurer and the policyholder) and claims payable.

Technical provisions are calculated gross of reinsurance, and the reinsurers' share is stated in assets.

Insurance contracts and financial contracts with a discretionary profit-sharing provision are subject to “shadow accounting.” The provision for deferred profit-sharing represents the share of unrealized capital gains and losses on assets attributable to the policyholders. This provision is presented on either the liability or the asset side of the balance sheet. On the asset side, it appears as a separate item.

At the reporting date, an adequacy test is performed on the liabilities associated with these contracts (net of other items involving related assets or liabilities, such as deferred acquisition costs and the portfolio securities acquired). A verification is performed to ensure that the liability recorded is adequate to cover the future cash flows projected at that date. Any shortfall in the technical provisions is shown through a loss for the period (and potentially reversed at a subsequent date).

Common accounting principles for banking and insurance activities

Shareholders' equity

Difference between liabilities and equity

A debt instrument or financial liability is defined as a contractual obligation to deliver cash or another financial asset or to exchange financial instruments under potentially unfavorable conditions.
An equity instrument is defined as a contract containing a residual interest in an enterprise after subtracting all its debts (net assets).

Shares

Pursuant to these definitions, the shares issued by the Crédit Mutuel savings banks are considered shareholders' equity within the meaning of IAS 32 and IFRIC 2 and are treated as such in the group's consolidated financial statements.

Measurement of the fair value of financial instruments

The fair value is defined in IFRS 13 as: *the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction between market participants at the measurement date"*. Initially, fair value is usually the transaction price.

Financial assets and liabilities measured at fair value are assessed and recognized at fair value as of their first-time consolidation as well as at subsequent measurement dates. These assets and liabilities include:

- assets and liabilities at fair value through profit or loss;
- assets at fair value through equity;
- available-for-sale financial assets;
- derivative instruments.

Other financial assets and liabilities are initially recognized at fair value. They are subsequently recognized at their amortized cost and are subjected to valuations whose methods are disclosed in the notes to the financial statements. These other financial assets and liabilities include:

- loans and receivables due from credit institutions and customers at amortized cost under IAS 39 and IFRS 9 (including loans and receivables related to insurance activities);
- debt securities at amortized cost;
- held-to-maturity financial assets;
- liabilities to credit institutions and customers;
- debt securities;
- subordinated debt.

Assets and liabilities are also classified in three hierarchal levels corresponding to the level of judgment used in valuation techniques to determine fair value.

Level 1: Assets and liabilities whose fair value is calculated using prices quoted (unadjusted) to which the entity has access on the measurement date on active markets for identical assets or liabilities.

An active market is one which, for the asset or liability being measured, has transactions occurring with sufficient frequency and volume so as to provide price information on a continuous basis.

This category includes notably equities, bonds and shares of mutual funds listed on an active market.

Level 2: Assets and liabilities whose fair value is calculated using adjusted prices or data other than quoted prices that are observable either directly or indirectly.

In the absence of any such quotation, fair value is determined using "observable" market data. These valuation models are based on techniques widely used by market operators, such as the discounting of future cash flows or the Black & Scholes model.

This category includes notably the following financial instruments:
- equities and bonds listed on a market that is considered inactive or that are unlisted;
- over-the-counter derivative instruments such as swaps and options;
- venture capital funds, innovation funds and real estate funds;
- structured products.

The fair value of loans and receivables, liabilities to credit institutions, debt securities (including subordinated debt) are also included in this level.

Loans and receivables and liabilities to credit institutions are measured using two methods:
- the fair value of fixed-rate items, such as fixed-rate loans and deposits, is measured by discounting the expected future cash flows;
- the fair value of variable-rate items, such as adjustable-rate loans with a maturity of more than one year, is measured using the Black & Scholes model.

The fair value of traditional fixed-rate loans, borrowings, debt securities and subordinated debt is obtained by discounting future cash flows and using dedicated yield curve spreads.

The fair value of variable-rate loans, borrowings, debt securities and subordinated debt is obtained by discounting future cash flows with the calculation of a forward rate and the use of dedicated yield curve spreads.
The group's counterparty default risk is factored into the yield curve used to value debt securities and subordinated debt.

For current receivables and liabilities (less than one year), the fair value is considered equivalent to their nominal value.

Level 3: Assets and liabilities whose fair value is calculated using information on assets or liabilities not based on observable market data.

Valuation methods using unobservable market data are used only in the following cases:
- loans and receivables, and liabilities to customers,
- equity securities not listed on an active market,
- certain specialized financings,
- securities held by private equity companies.

Thus, for example, equity investments not listed on an official market are measured internally:
- in most cases, these holdings are measured on the basis of their revalued net assets or their carrying amount, on an entity-by-entity basis.

Similarly, the valuation methods used by private equity companies generally include:
- the transaction price for recent acquisitions,
- the historical multiples method for mature companies,
- adjusted net asset value for portfolio companies (holding companies) and investment firms (funds).

Given the diversity of the instruments valued and the reasons for their inclusion in this category, any calculation of the sensitivity of the fair value to changes in parameters would not provide relevant information.

The valuation provided by the models is adjusted to reflect liquidity risk. Using the valuations produced on the basis of a median market price, prices are adjusted to reflect the net position of each financial instrument at the bid or ask price (on selling or buying positions, respectively).

The day-one profit, i.e. the difference between the transaction price and the valuation of the instrument using valuation techniques, is considered to be nil. The transaction prices carried out by the group for its own account correspond to fair value. For transactions carried out on behalf of customers, the portion of the margin not yet recognized is recorded in profit or loss when the parameters are observable.

Use of judgments and estimates in the preparation of financial statements

The preparation of the group's financial statements requires making assumptions and estimates whose future realization involves certain risks and uncertainties.

Accounting estimates requiring the use of assumptions are used primarily for measuring the following:

- fair value of financial instruments not quoted on an active market and measured at fair value,
- impairment of financial assets and guarantee and financing commitments subject to impairment,
- impairment tests of intangible assets,
- deferred tax assets,
- provisions.

The conditions for using any judgments or estimates are specified in the accounting policies described below.

Property, plant and equipment, intangible assets and investment real estate

- **Non-current assets owned by the group**

Pursuant to IAS 16, IAS 38 and IAS 40, property, plant and equipment and investment real estate are recognized as an asset if:

- it is likely that the future economic benefits from this asset will accrue to the company, and
- the cost of said asset can be measured reliably.

Pursuant to IAS 40, the group's real estate is classified as "investment real estate" (scope of banking or insurance activity) when it is held primarily to generate rental income or capital appreciation. Real estate held primarily to be occupied by the group for administrative or sales purposes is classified as "property, plant and equipment."

Property, plant and equipment and investment real estate are recorded on the balance sheet at cost plus expenses that can be directly attributable to the purchase of the property (e.g. transfer duties, fees, commissions, legal fees).
After the initial recognition, property, plant and equipment and investment real estate are valued at cost minus accumulated depreciation and any impairment losses.

The fair value of investment real estate, disclosed in the notes, is determined on the basis of an appraisal.

The method used to account for internally developed software is as follows:
- all software-related expenditure that do not satisfy the conditions for capitalization (notably preliminary research and functional analysis expenses) are recognized as expenses in accordance with IAS 38;
- all software expenditure incurred after the start of the production process (detailed analysis, development, validation, documentation) are capitalized if they meet the criteria of a self-created asset established by IAS 38.

In cases where the software is used in connection with a commercial contract, the amortization period may exceed five years; it is defined on the basis of the contract term.

If one or more components of property, plant and equipment or investment real estate have a different use or earn economic rewards at a different pace than that of the property, plant and equipment or investment real estate as a whole, said components are depreciated according to their own useful life. The group applied this accounting method for its operating and investment properties. The following components and depreciation periods have been adopted by the group:

Component	Depreciation periods
Land	Not depreciable
Building shell	Corporate buildings and investment properties: 50 years Branches: 25 years
Roof and siding	25 years
Technical work packages	20 years
Fixtures	3 to 10 years

The other tangible and intangible assets are depreciated and amortized according to their individual useful lives:

	Depreciation periods
Movable goods	10 years
Electronic equipment	3 to 5 years

Created or acquired software	2 to 5 years
Portfolio of acquired customer contracts	6 to 13 years

Depreciation and amortization are calculated using the straight-line method. For property, plant and equipment and intangible assets, depreciation or amortization is recorded on the income statement under “Depreciation, amortization and impairment of property, plant and equipment and intangible assets”. For investment real estate, it is recorded under “Expense from other activities.”

Indefinite-life assets are not depreciated but are tested for impairment at least once a year.

Capital gains or losses on the disposal of operating property, plant and equipment are recorded in the income statement under “Gains or losses on other assets”. Capital gains or losses on the disposal of investment real estate are recorded under “Income or expense from other activities.”

With respect to goodwill, if the recoverable amount of the related cash-generating unit (CGU) is less than its carrying amount, an irreversible provision for goodwill impairment loss is recognized. Impairment is equal to the difference between the carrying amount and the recoverable amount. The recoverable amount is calculated by applying the most appropriate valuation method at the level of the CGU.

In view of the favorable changes in market parameters and the absence of factors that would fundamentally call into question the CGUs’ forecasts for 2019 and the medium term, no impairment test was carried out as part of the approval of the financial statements for the period ended June 30, 2019.

- **Fixed assets leased by the Group**

For all leases, the lessee must recognize in its balance sheet an asset representing the right to use the leased asset and a liability representing the obligation to pay the lease payments; in the income statement, the depreciation expense is shown separately from the interest expense on the liability. This treatment, currently applied to finance leases in lessee financial statements, is thus extended to include operating leases.

- Scope

IFRS 16 applies to all lease contracts except:

- contracts for the prospecting or exploitation of non-renewable natural resources, or for biological assets,
- service concession agreements,
- intellectual property licenses,
- the rights held by the lessee under license agreements on cinematographic films, video recordings, plays, manuscripts, patents and copyrights.

- Exemption measures

Lessees may choose not to apply the new lease treatment to contracts with a term of less than one year (including renewal options) or to contracts for goods with a low unit value. This latter simplification is aimed in particular at small equipment such as computers, telephones and small office furniture. The IASB mentioned an indicative threshold of USD 5,000 in the basis for conclusions of the standard (threshold to be assessed with regard to the new unit value of the leased asset).
The Group has decided to apply this exemption threshold of USD 5,000 and has also considered the possibility of excluding certain contracts the effect of which would be immaterial to its financial statements. The majority of vehicle lease agreements are entered into with the group’s consolidated entities. Vehicle leases entered into with external lessors are marginal and have been excluded due to their low materiality.

Real estate leases were reclassified under IFRS 16. The scope of the IT, automotive and other leases is not material.

- Accounting treatment of leases by lessees

On the date the leased property is made available, the lessee recognizes a rental debt under liabilities. The initial amount of the liability is equal to the present value of the lease payments payable over the lease term.
This rental debt is then measured at amortized cost using the effective interest rate method: each lease payment is thus recognized partly as interest expense in the income statement and partly as a gradual reduction of the rental debt under liabilities in the balance sheet.

The amount of the rental debt may be subsequently adjusted in the event of a change to the lease agreement, a re-estimate of the lease term, and to take account of contractual changes in rents relating to the application of indices or rates.

- Lease term

The lease term to be used to calculate the rentals to be discounted corresponds to the non-cancellable lease term adjusted to take into account:
- options to extend the contract that the lessee is reasonably certain to exercise,
- early termination options that the lessee is reasonably certain not to exercise.

The assessment of whether any extension options and early termination options are reasonably certain must take into account all facts and circumstances that may create an economic incentive to exercise those options or not, notably:
- the conditions for exercising these options (including an assessment of the level of rents in the event of an extension or of the amount of any penalties in the event of early termination),
- major improvements made to the leased premises (specific fittings, such as a safe-deposit room for example),
- the costs associated with the termination of the contract (negotiating costs, moving costs, cost of searching for a new asset suited to the lessee, etc.),
- the importance of the leased property to the lessee in view of its specific nature, its location or the availability of replacement assets (in particular for agencies located in strategic sites from a commercial point of view, for example in view of their accessibility, the expected influx or the prestige of the location),
- a history of similar contract renewals as well as the strategy concerning the future use of the assets (depending on the prospects for the redeployment or redevelopment of a commercial network of agencies, for example).

If the lessee and the lessor each have the right to terminate the lease without the other party’s prior agreement and without a non-negligible penalty, the lease is no longer enforceable and therefore no longer generates any rental debt.
In France, the majority of commercial real estate lease agreements are 9-year commercial leases with the option of early termination at 3 and 6 years (so-called "3/6/9" leases). At the end of 9 years, if a new contract is not signed, the initial lease will be automatically renewed.
The period during which these “3/6/9” commercial leases are enforceable is generally 9 years with an initial non-terminable period of 3 years.

- Rent discount rate

The implied rates on contracts are generally not known or readily determinable, particularly for real estate leases. The group therefore decided to use its refinancing rate to discount rents and thus calculate the amount of rental debt.

- Rent amount

The payments to be taken into account for the valuation of the rental debt include fixed and variable rents based on an index (e.g. consumer price index or construction cost index) or a reference interest rate (Euribor, etc.), as well as, if applicable, the sums that the lessee expects to pay to the lessor under residual value guarantees, purchase options or early termination penalties.
However, variable rents that are indexed based on the use of the leased property are excluded from the assessment of rental debt (indexation to actual revenues or the mileage covered, for example). This variable portion of rental payments is recognized in profit or loss over time in accordance with changes in the contractual indexation.
In France, rents are recorded on the basis of their amount excluding value added tax. Furthermore, in the case of real estate leases, real estate taxes rebilled by lessors and the local residence tax are excluded from rental debts insofar as their amounts, as determined by the competent public authorities, may vary.

- Recognizing a right of use by lessees

On the date the leased property is made available, the lessee must recognize as an asset a right to use the leased property in an amount equal to the initial value of the rental debt plus, if applicable, initial direct costs, advance payments and rehabilitation costs.
This asset is then amortized on a straight-line basis over the lease term used to value the rental debt.
The asset value may be subsequently adjusted in the event of a change in the lease agreement, a re-estimate of the lease term, and to take into account contractual variations in rents linked to the application of indices or rates.
The rights of use are shown in the lessee’s balance sheet in the fixed asset lines where assets of the same kind held in full ownership are recorded. Where the lease agreements provide for the initial payment of a lease right to the former tenant of the premises, the amount of such right is treated as a separate component of the right of use and is presented in the same heading as the latter.
In the income statement, depreciation charges on rights of use are presented together with depreciation charges on fully-owned fixed assets.

- Income tax

A deferred tax is recognized based on the net amount of taxable and deductible temporary differences.

Non-current assets held for sale

A non-current asset (or group of assets) satisfies the criteria for assets held for sale if it is available for sale and if the sale is highly likely to occur within 12 months.

The related assets and liabilities are shown separately in the balance sheet, under “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale”. Items in this category are recorded at the lower of their carrying amount and fair value less costs to sell, and are no longer amortized.

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

Discontinued operations include operations which are held for sale or have been shut down, and subsidiaries acquired exclusively with a view to resale. They are shown separately in the income statement, under “Net profit (loss) after tax from discontinued operations”.

Provisions

Provisions are established for the group's commitments when it is likely that an outflow of funds will be needed for their settlement and when their amount or due date is uncertain but may be estimated reliably. In particular, such provisions cover employee-related commitments, risks related to home savings plans, and disputes.

Provisions for pension obligations

Pension plans include defined contribution plans and defined benefit plans. Defined contribution plans do not give rise to an obligation for the group and consequently do not require a provision. The amount of employer's contributions payable during the period is recognized as an expense and recognized under "Personnel expenses." Defined benefit plans are those for which the group has agreed to provide an amount or service benefit. This commitment constitutes a medium- or long-term risk. Obligations related to plans that are not defined contribution plans are fully provisioned under "Provisions." End-of-service benefits, supplementary retirement plans, time savings accounts and length-of-service benefits are recorded under this item.

The group's pension obligation is calculated using the projected unit credit method based on demographic and financial assumptions. Specifically, the June 2019 calculations used a discount rate of 0.99%, which was determined by reference to the iBoxx corporate AA 10+ euro zone index for corporate bonds. The calculations also include an employee turnover rate of between 0.19% and 6.54% and a salary adjustment rate of between 2.52% and 3.83%[1]. Commitments are calculated using the TH00-02 and TF00-02 life expectancy tables for the obligation accrual phase and the TGH05 and TGF05 life expectancy tables for the pay-out phase.

Actuarial gains and losses represent the differences arising from changes in assumptions or differences between earlier assumptions and actual results.

For the category of other long-term benefits, differences are recognized immediately through profit or loss.

As for post-employment benefits, actuarial differences are recognized under "Gains and losses recognized directly in equity".

Provisions for home savings accounts and plans

The purpose of the home savings provision is to cover the risks related to:

- the commitment to extend home loans to account holders and subscribers of home savings plans at a regulated interest rate that may be lower than the prevailing market rate;
- the obligation to pay interest for an indeterminate period of time on the savings in home savings plans at a rate set when the contract is signed (this rate can be higher than future market rates).

This provision is computed by generation of home savings plans (plans at the same rate at opening are considered a generation) and for all the home savings accounts (which are a single generation). The commitments between different generations are not offset. The commitments are computed based on a model that factors in:

- historical data on subscriber behavior,
- the yield curve and a stochastic modeling of changes thereto.

Provision allocations and reversals are recognized in the income statement under "Interest and similar income" and "Interest and similar expense" (banking scope).

[1] Arkade and Arkéa-SCD UES rate, representing 97% of the obligation.

CONSOLIDATION PRINCIPLES AND METHODS

CONSOLIDATION SCOPE AND METHOD

Consolidating entity

The consolidating entity of the Crédit Mutuel Arkéa group is Crédit Mutuel Arkéa as defined in the collective license issued by the French Prudential Supervisory and Resolution Authority. This credit institution consists of:

- the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations,
- the Crédit Mutuel savings banks that are members of said federations,
- Crédit Mutuel Arkéa.

The consolidation scope includes entities over which the group exercises exclusive or joint control or significant influence and whose financial statements are significant relative to the group's consolidated financial statements, notably with respect to the balance sheet total and the contribution to net income.

Investments held by private equity companies and over which joint control or significant influence is exercised are excluded from the consolidation scope. These investments are recognized at fair value through profit or loss.

Controlled entities

Control exists when the group (i) has power over an entity, (ii) is exposed or has rights to variable returns from its involvement with the entity, and (iii) has the ability to exercise its power over the entity in such a way as to affect the returns it obtains.

The integration of a subsidiary into the group's consolidated financial statements occurs on the date when the group obtains control and ceases on the day the group loses control of this entity.

Companies under exclusive control are fully consolidated. Full consolidation consists in substituting the value of the shares with the assets and liabilities of each subsidiary. The share of non-controlling interests in shareholders' equity and net income is recorded separately in the consolidated balance sheet and consolidated income statement, respectively.

Investments in associates and joint ventures

An associate is a company in which the group exercises significant influence. Such influence is characterized by the ability to participate in the entity's financial and operating decisions without necessarily controlling or jointly controlling these policies. Significant influence is presumed if the group holds, directly or indirectly, 20% or more of the voting rights in an entity. If more than 20 % of the voting rights are held, the absence of significant influence may be shown through the absence of representation in the governance bodies or the lack of participation in the process for setting policies.

A joint venture is a partnership in which the parties who exercise joint control over the entity have rights to the entity's net assets.

Joint control involves the contractually agreed-upon sharing of control exercised over an entity, which exists only in the event that decisions regarding the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates or joint ventures are recognized in the group's consolidated financial statements using the equity method.

Under the equity method, an investment in an associate or joint venture is initially recognized at its acquisition cost and subsequently adjusted to reflect the group's share of the income and other comprehensive income of the associate or joint venture.

An investment is recognized under the equity method starting on the date the entity becomes an associate or joint venture. When an investment in an associate or joint venture is made, any difference between the cost of the investment and the group's share of the fair value of the entity's identifiable assets and liabilities is recognized as goodwill. If the net fair value of the entity's identifiable assets and liabilities exceeds the cost of the investment, the difference is shown through profit.

Investment in joint ventures

A joint venture is a partnership in which the parties exercising control over the entity have direct rights over the assets and obligations with respect to the liabilities involving this entity.

Main changes in the scope of consolidation

The subsidiaries Leasecom and Leasecom Car were sold to NBB Lease in March 2019.

CONSOLIDATION RULES

Closing date

The closing date for all consolidated companies is December 31.

Inter-company transactions

Reciprocal receivables, payables and commitments and significant reciprocal expenses and income are completely eliminated among fully consolidated companies.

Accounting for acquisitions and goodwill

The group applies IFRS 3 (revised) for business combinations. The acquisition cost is the sum of the fair values, at the business combination date, of the assets contributed, liabilities incurred or assumed and equity instruments issued.
IFRS 3 (revised) allows the recognition of total or partial goodwill, as selected for each business combination. In the first case, non-controlling interests are measured at fair value (the so-called total goodwill method); in the second, they are based on their proportional share of the values assigned to the assets and liabilities of the acquired entity (partial goodwill).

If goodwill is positive, it is recorded on the balance sheet under “Goodwill”; if negative, it is shown immediately through profit or loss under “Changes in goodwill”.

Goodwill is subject to an impairment test at least once a year and whenever evidence of impairment exists.
Each goodwill item is allocated to a cash generating unit or group of cash generating units that would benefit from the acquisition. Any goodwill impairment is determined based on the recoverable amount of the cash generating unit to which it was allocated. Cash generating units are defined based on the group’s organizational and management methods and take into account the independent nature of these units.

When the group increases its ownership interest in a company that is already controlled, the difference between the purchase price of the shares and the additional share of the consolidated shareholders’ equity that these securities represent on the acquisition date is recognized in shareholders’ equity.
If the group reduces its ownership interest without giving up control, the impact of the change in ownership interest is also recognized in shareholders’ equity.

Leases, leases with a buy-out clause and financial leases

Lease transactions, leases with a buy-out clause and financial leases are restated in such a way as to take financial accounting into consideration.

Translation of foreign currency denominated financial statements

The balance sheets of entities whose financial statements are denominated in a foreign currency are translated using the official foreign exchange rate as of the closing date. The exchange difference recognized in relation to share capital, reserves and profit carried forward is recorded in other comprehensive income, under “Translation reserves”. Income statement items are translated using the average exchange rate during the fiscal year. Translation differences are recorded directly in the “Translation reserves” account.

Taxes

IFRIC interpretation 21 “Levies” sets out the conditions for recognizing a tax-related liability. An entity must recognize this liability only when the obligating event as stipulated by legislation occurs. If the obligation to pay the tax results from an activity that is carried out progressively, this tax must be recognized progressively over the same period. Lastly, if the obligation to pay the tax is triggered by the attainment of a certain threshold, the liability related to this tax will be recorded only when the threshold is attained.

Deferred taxes

Deferred taxes are recognized on the temporary differences between the carrying amount of an asset or liability and its tax base. They are calculated using the liability method at the corporate tax rate known at the closing date for the period and applicable when the temporary difference is used.

Deferred tax assets are recognized only if there is a probability that the tax entity in question will recover these assets within a given time period, particularly by deducting these differences and carry-over losses from future taxable income.

Deferred taxes are recognized as income or expense, except for those related to unrealized or deferred gains or losses, for which the deferred tax is booked directly to other comprehensive income. Deferred taxes are also recorded in respect of tax losses from prior years when there is convincing evidence of the likelihood that such taxes will be collected.

Deferred taxes are not discounted.

The regional economic contribution (CET) and the companies' value added contribution (CVAE) are treated as operating expenses and do not entail the recognition of deferred taxes in the consolidated financial statements.

NOTES TO THE BALANCE SHEET In thousands of euros

Note 1. Cash, due from central banks
Loans and receivables - credit institutions

	06.30.2019	12.31.2018
Cash, due from central banks		
Central banks	6,009,145	3,104,473
Cash	138,636	132,115
Accrued interest	0	0
TOTAL	**6,147,781**	**3,236,588**
Loans and receivables - credit institutions		
Current accounts	6,797,544	6,017,669
Loans	937,031	1,420,561
Guarantee deposits paid	618,314	400,726
Repurchase agreements	1,341,387	1,099,520
Individually impaired receivables (B3)	0	0
Accrued interest	28,372	50,504
Impairment of performing loans (B1/B2)	-1,844	-2,147
Other impairment (B3)	0	0
TOTAL	**9,720,804**	**8,986,833**
of which deposits and demand loans with credit institutions	577,559	1,065,914

Note 2. Financial assets at fair value through profit or loss

	06.30.2019	12.31.2018
Assets held for trading purposes	587,460	404,958
Assets classified at fair value option	8,361	16,926
Other assets classified at fair value	824,104	757,379
TOTAL	**1,419,925**	**1,179,263**

Note 2a. Financial assets held for trading purposes

	06.30.2019	12.31.2018
Securities	0	0
- Treasury bills, notes and government bonds	0	0
- Bonds and other fixed-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Of which UCI	0	0
- Stocks and other variable-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Derivatives held for trading purposes	587,460	404,958
Loans and receivables	0	0
of which repurchase agreements	0	0
TOTAL	**587,460**	**404,958**

Trading derivatives are held for the purpose of hedging customer transactions.

Note 2b. Assets classified using the fair value option

	06.30.2019	12.31.2018
Securities	0	0
- Treasury bills, notes and government bonds	0	0
- Bonds and other fixed-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Accrued interest	0	0
Of which UCI	0	0
- Stocks and other variable-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Loans and receivables	8,361	16,926
Of which guarantee deposits paid	0	0
of which repurchase agreements	0	0
TOTAL	**8,361**	**16,926**

The maximum non-recoverable amount of loans classified using the fair value option was €8,354 thousand. This amount was not hedged through the use of credit derivatives.

Note 2c. Other financial assets at fair value through profit or loss

	06.30.2019	12.31.2018
Securities	773,212	693,626
- Treasury bills, notes and government bonds	0	0
- Bonds and other fixed-income securities	342,339	306,423
. Listed	0	0
. Unlisted	333,406	298,374
Accrued interest	8,933	8,049
Of which UCI	157,961	165,020
- Stocks and other variable-income securities	430,873	387,203
. Listed	1,769	1,978
. Unlisted	429,104	385,225
Loans and receivables	50,892	63,753
Of which repurchase agreements	0	0
Guarantee deposits paid	0	0
TOTAL	**824,104**	**757,379**

Note 3. Information relating to hedging
Derivatives used for hedging purposes

	06.30.2019				12.31.2018			
	Fair value hedging		Cash flow hedging		Fair value hedging		Cash flow hedging	
	Book value	Nominal value	Book value	Nominal value	Book value	Nominal value	Book value	Nominal value
Interest-rate risk								
Hedging derivatives								
Hedging derivatives - assets	1,051,892	16,851,073	746	30,000	691,478	16,724,251	1,086	30,000
Hedging derivatives - liabilities	967,770	25,152,585	4,296	33,500	422,949	23,192,544	4,786	37,500
Change in the fair value of the hedging instrument used to recognize the ineffectiveness of the hedges over the period	247,326		-38		-17,529		-517	
Currency risk								
Hedging derivatives								
Hedging derivatives - assets								
Hedging derivatives - liabilities								
Change in the fair value of the hedging instrument used to recognize the ineffectiveness of the hedges over the period								

Note 4. Financial assets at fair value through equity

	06.30.2019	12.31.2018
Treasury bills, notes and government bonds	3,618,425	4,931,080
Bonds and other fixed-income securities	5,675,648	5,953,599
- Listed	4,501,639	4,963,447
- Unlisted	1,151,278	955,927
Accrued interest	22,731	34,225
Subtotal gross value of debt instruments	9,294,073	10,884,679
Impairment of performing loans (B1/B2)	-5,857	-6,758
Other impairment (B3)	0	0
Subtotal net value of debt instruments	9,288,216	10,877,921
Loans and receivables	0	0
- Loans and receivables due from credit institutions	0	0
- Loans and receivables due from customers	0	0
Accrued interest	0	0
Subtotal gross value of loans	0	0
Impairment of performing loans (B1/B2)	0	0
Other impairment (B3)	0	0
Subtotal net value of loans	0	0
Stocks and other variable-income securities	86,547	89,185
- Listed	72,091	74,727
- Unlisted	14,456	14,458
Accrued interest	0	0
Long-term investment securities	366,909	356,589
- Long-term investments	315,637	301,103
- Other long-term investments	51,069	55,282
- Shares in associates	203	204
- Translation adjustments	0	0
- Loaned securities	0	0
Accrued interest	0	0
Subtotal equity instruments	453,456	445,774
TOTAL	**9,741,672**	**11,323,695**
Of which unrealized capital gains/losses recognized in equity	102,648	88,503
Of which securities sold under repurchase agreements	0	0
Of which listed long-term investments	106,128	101,728

Equity instruments at fair value through equity mainly include investments in associates and the group's other long-term investments.
The accumulated loss at the time of disposal was €90 thousand.

Note 5. Securities at amortized cost

	06.30.2019	12.31.2018
Treasury bills, notes and government bonds	284,588	0
Bonds and other fixed-income securities	160,749	168,970
- Listed	48,700	48,700
- Unlisted	105,066	104,380
Accrued interest	6,983	15,890
GROSS TOTAL	445,337	168,970
Of which impaired assets (B3)	5,958	5,542
Impairment of performing loans (B1/B2)	-858	-818
Other impairment (B3)	-4,519	-4,203
NET TOTAL	439,960	163,949

Note 6. Loans and receivables due from customers

	06.30.2019	12.31.2018
Performing receivables (B1/B2)	56,932,424	53,491,691
. Commercial receivables	134,487	141,490
. Other loans to customers	56,670,776	53,233,100
- Housing loans	31,281,191	29,363,811
- Other loans and various receivables, including repurchase agreements	25,281,086	23,820,462
- Guarantee deposits paid	108,499	48,827
. Accrued interest	127,161	117,101
Individually impaired receivables (B3)	1,362,375	1,360,860
Gross receivables	58,294,799	54,852,551
Impairment on performing loans (B1/B2)	-239,275	-231,256
Other impairment (B3)	-782,554	-783,459
Subtotal I	57,272,970	53,837,836
Finance leases (net investment)	1,746,077	1,706,380
. Movable goods	984,252	954,883
. Real estate	761,825	751,497
Individually impaired receivables (B3)	71,796	67,387
Gross receivables	1,817,873	1,773,767
Impairment on performing loans (B1/B2)	-19,698	-17,066
Other impairment (B3)	-18,562	-20,001
Subtotal II	1,779,613	1,736,700
TOTAL	59,052,583	55,574,536
Of which equity loans with no voting rights	11,998	12,165
Of which subordinated loans	0	0

Note 7. Investment in insurance activities and reinsurers' shares in technical provisions

	06.30.2019	12.31.2018
Financial assets at fair value through profit or loss	27,877,792	22,882,853
Available-for-sale financial assets	26,696,127	25,981,518
Loans and receivables - credit institutions	4,409	22,542
Loans and receivables linked to insurance activities	593,661	499,427
Held-to-maturity financial assets	3,614	3,534
Investment real estate	333,381	340,535
Reinsurers' share in technical provisions and other insurance assets	438,082	459,883
TOTAL	55,947,066	50,190,292

Note 7a. Financial assets at fair value through profit or loss

	06.30.2019	12.31.2018
Financial assets held for trading purposes	25	1
Derivatives held for trading purposes	25	1
Subtotal I	25	1
Assets classified at fair value through profit or loss	27,877,767	22,882,852
Securities	27,877,767	22,882,852
- Bonds and other fixed-income securities	6,843,260	6,026,576
. Listed	6,219,144	5,464,274
. Unlisted	552,625	505,023
. Accrued interest	71,491	57,279
- Stocks and other variable-income securities	21,034,507	16,856,276
. Listed	12,563,804	9,124,949
. Unlisted	8,419,842	7,709,267
. Accrued interest	50,861	22,060
Subtotal II	27,877,767	22,882,852
TOTAL	27,877,792	22,882,853

Note 7b. Available-for-sale financial assets

	06.30.2019	12.31.2018
Treasury bills, notes and government bonds	9,107,095	9,272,247
Bonds and other fixed-income securities	16,240,263	15,496,279
- Listed	12,976,094	12,480,228
- Unlisted	3,111,247	2,844,693
Accrued interest	152,922	171,358
Subtotal gross value of debt instruments	25,347,358	24,768,526
Impairment	-351	-267
Subtotal net value of debt instruments	25,347,007	24,768,259
Shares and other variable-income securities	814,355	725,878
- Listed	334,928	292,968
- Unlisted	472,477	427,167
Accrued interest	6,950	5,743
Long-term investment securities	537,281	489,612
- Long-term investments	269,345	268,212
- Other long-term investments	267,936	221,400
- Shares in associates	0	0
Subtotal gross value of equity instruments	1,351,636	1,215,490
Impairment	-2,516	-2,231
Subtotal net value of equity instruments	1,349,120	1,213,259
TOTAL	26,696,127	25,981,518
Of which unrealized capital gains/losses recognized in equity	266,531	164,117
Of which listed long-term investments	56,777	54,422

Note 7c. Securities at amortized cost

	06.30.2019	12.31.2018
Treasury bills, notes and government bonds	3,614	3,534
Bonds and other fixed-income securities	0	0
- Listed	0	0
- Unlisted		
Accrued interest	0	0
GROSS TOTAL	3,614	3,534
of which impaired assets		
Impairment		
NET TOTAL	3,614	3,534

Note 7d. Loans and receivables - credit institutions

	06.30.2019	12.31.2018
Loans and receivables - credit institutions		
Other regular accounts	4,409	22,291
Loans	0	250
Guarantee deposits paid	0	0
Repurchase agreements	0	0
Accrued interest	0	1
TOTAL	4,409	22,542
of which deposits and demand loans with credit institutions	4,409	22,541

Note 7e. Loans and receivables linked to insurance activities

	06.30.2019	12.31.2018
Performing receivables	593,661	499,427
Loans to customers	589,466	495,782
- housing loans	0	0
- other loans and various receivables, including repurchase	589,466	495,782
Accrued interest	4,195	3,645
Insurance and reinsurance receivables	0	0
Individually impaired receivables	4	54
Gross receivables	593,665	499,481
Impairment	-4	-54
TOTAL	593,661	499,427

Note 7f. Investment real estate

	12.31.2018	Increase	Decrease	Other	06.30.2019
Historical cost	528,471	695	0	0	529,166
Amortization and impairment	-187,936	-7,849	0	0	-195,785
NET AMOUNT	340,535	-7,154	0	0	333,381

The fair value of investment real estate recognized at cost was €715 million at June 30, 2019 compared, representing no change in relation to December 31, 2018.

Note 7g. Share of reinsurers in technical provisions and other insurance assets

	06.30.2019	12.31.2018
Technical provisions - Reinsurers' share	89,238	87,473
Other insurance assets	348,844	372,410
TOTAL	438,082	459,883

Note 8. Goodwill

	12.31.2018	Increase	Decrease	Other	06.30.2019
Gross goodwill	538,461	0	0	0	538,461
Impairment	0	0	0	0	0
Net goodwill	538,461	0	0	0	538,461

Allocation by Division

Division	Entity	06.30.2019	12.31.2018
Retail customers	Arkéa Direct Bank	259,757	259,757
B2B and Specialized Services	CFCAL Banque	38,216	38,216
B2B and Specialized Services	Monext	100,250	100,250
B2B and Specialized Services	Procapital	63,000	63,000
B2B and Specialized Services - Fintech	Leetchi SA Mangopay	25,682	25,682
B2B and Specialized Services - Fintech	Pumpkin	10,974	10,974
Products	Izimmo	17,964	17,964
Products	Schelcher Prince Gestion	11,649	11,649
Products	Suravenir Assurances	10,969	10,969
Net goodwill		538,461	538,461

Note 9. Due to central banks - Due to banks

	06.30.2019	12.31.2018
Central banks	0	0
Liabilities to credit institutions	7,962,286	7,117,358
Current accounts	483,078	403,600
Loans	1,372,580	1,432,850
Guarantee deposits received	308,262	268,466
Other liabilities	89,019	39,829
Repurchase agreements	5,738,263	4,994,676
Accrued interest	-28,916	-22,063
TOTAL	7,962,286	7,117,358
of which deposits and demand loans with credit institutions	571,844	493,261

Note 10. Financial liabilities at fair value through profit or loss

	06.30.2019	12.31.2018
Financial liabilities held for trading purposes	597,460	450,009
. Short selling of securities	0	0
- Treasury bills, notes and government bonds	0	0
- Bonds and other fixed-income securities	0	0
- Stocks and other variable-income securities	0	0
.Debt securities sold under repurchase agreements	0	0
.Derivatives	597,460	450,009
.Other financial liabilities held for trading purposes	0	0
Financial liabilities at fair value through profit or loss	409,358	361,062
Liabilities to credit institutions	1,553	1,895
Liabilities to customers	11,336	6,243
Debt securities	396,469	352,924
Subordinated debt	0	0
TOTAL	1,006,818	811,071

The settlement value of financial liabilities at fair value through profit or loss was €999,657 thousand at June 30, 2019 versus €844,536 thousand at December 31, 2018.

Note 11. Financial assets and liabilities subject to netting, an enforceable master netting agreement or a similar agreement

06.30.2019

	Gross amount of financial assets / liabilities recognized	Gross amount of financial assets / liabilities recognized and netted on the balance sheet	Net amount of financial assets / liabilities shown on the balance sheet	Related amounts not netted on the balance sheet			Net amount
				Impact of master netting agreements	Financial instruments received/given as guarantees	Cash collateral received/paid	
Assets							
Derivatives	1,640,123	0	1,640,123	-893,149	0	-289,644	457,330
Securities reverse repurchase agreements, securities	1,486,555	0	1,486,555	0	-1,389,082	0	97,473
Other financial instruments	0	0	0	0	0	0	0
Total assets	3,126,678	0	3,126,678	-893,149	-1,389,082	-289,644	554,803
Liabilities							
Derivatives	1,690,561	0	1,690,561	-893,149	0	-642,966	154,446
Securities repurchase agreements, securities	7,130,207	0	7,130,207	0	-7,170,978	41,961	1,190
Other financial instruments	0		0	0	0	0	0
Total liabilities	8,820,768	0	8,820,768	-893,149	-7,170,978	-601,005	155,636

12.31.2018

	Gross amount of financial assets / liabilities recognized	Gross amount of financial assets / liabilities recognized and netted on the balance sheet	Net amount of financial assets / liabilities shown on the balance sheet	Related amounts not netted on the balance sheet			Net amount
				Impact of master netting agreements	Financial instruments received/given as guarantees	Cash collateral received/paid	
Assets							
Derivatives	1,097,523	0	1,097,523	-472,293	0	-257,564	367,666
Securities reverse repurchase agreements, securities	1,183,315	0	1,183,315	0	-1,090,216	0	93,099
Other financial instruments	0	0	0	0	0	0	0
Total assets	2,280,838	0	2,280,838	-472,293	-1,090,216	-257,564	460,765
Liabilities							
Derivatives	980,882	0	980,882	-472,293	0	-402,833	105,756
Securities repurchase agreements, securities	6,305,368	0	6,305,368	0	-6,297,896	-4,720	2,752
Other financial instruments	0	0	0	0	0	0	0
Total liabilities	7,286,250	0	7,286,250	-472,293	-6,297,896	-407,553	108,508

Note 12. Debt securities

	06.30.2019	12.31.2018
Certificates of deposit	7,154	7,318
Interbank market securities and negotiable debt securities	2,480,339	2,617,491
Bond issues	10,703,729	9,514,284
Non-preferred senior debt	1,062,379	500,641
Accrued liabilities	103,873	130,944
TOTAL	**14,357,474**	**12,770,678**

Note 13. Liabilities to customers

	06.30.2019	12.31.2018
Savings accounts governed by special regulations	27,433,477	26,009,281
Demand accounts	21,913,424	20,572,450
Term accounts	5,520,053	5,436,831
Accrued interest on savings accounts	128,779	214,302
Subtotal	**27,562,256**	**26,223,583**
Current accounts	21,611,562	20,145,779
Term accounts and term loans	7,471,135	8,130,328
Repurchase agreements	0	0
Accrued interest	51,501	53,967
Guarantee deposits received	1,489	1,506
Subtotal	**29,135,687**	**28,331,580**
TOTAL	**56,697,943**	**54,555,163**

Note 14. Liabilities - insurance activity

	06.30.2019	12.31.2018
Financial liabilities at fair value through profit or loss	121,035	103,138
Liabilities to credit institutions	1,430,572	1,340,999
Debt securities	0	0
Insurance companies' technical reserves	46,706,407	43,480,679
Other insurance liabilities	5,269,413	3,107,678
Subordinated debt	439	554
TOTAL	**53,527,866**	**48,033,048**

Note 14a. Financial liabilities at fair value through profit or loss

	06.30.2019	12.31.2018
Financial liabilities held for trading purposes	**121,035**	**103,138**
Derivatives	121,035	103,138
Other financial liabilities held for trading purposes	0	0
Financial liabilities at fair value through profit or loss	**0**	**0**
Liabilities to credit institutions	0	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	**121,035**	**103,138**

Note 14b. Liabilities to credit institutions

	06.30.2019	12.31.2018
Liabilities to credit institutions		
Current accounts	0	0
Loans	0	0
Guarantee deposits received from credit institutions	0	0
Other liabilities	0	0
Repurchase agreements	1,430,572	1,340,999
Accrued liabilities	0	0
TOTAL	**1,430,572**	**1,340,999**
Of which deposits and demand loans with credit institutions	0	0

Note 14c. Insurance companies' technical reserves

	06.30.2019	12.31.2018
Life insurance, excluding unit-linked contracts	33,794,913	32,012,177
of which profit-sharing	3,015,157	2,129,752
Non-life insurance	454,677	470,912
Unit-linked contracts	12,267,218	10,841,617
Other	189,599	155,973
TOTAL	**46,706,407**	**43,480,679**
Active deferred profit-sharing	0	0
Reinsurers' share	-89,238	-87,473
Net technical provisions	**46,617,169**	**43,393,206**

Note 14d. Other insurance liabilities

	06.30.2019	12.31.2018
Security deposits and guarantees received	25,551	27,195
Insurance and reinsurance liabilities	45,550	54,408
Other	5,198,312	3,026,075
TOTAL	**5,269,413**	**3,107,678**

Note 15. Provisions

	12.31.2018	Allocations	Write-backs (used)	Write-backs (unused)	Other	06.30.2019
Provisions for pension obligations	314,075	31,006	-5,068	0	0	340,013
Provisions for home savings accounts and plans	18,470	868	0	0	0	19,338
Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope	43,714	10,830	0	-12,206	-6	42,332
Provisions for execution of guarantee commitments	0	0	0	0	0	0
Provisions for taxes	9,347	0	-1,670	0	-7,340	337
Provisions for lawsuits	7,741	4,359	-1,309	-573	-128	10,090
Provisions for contingencies	3,542	482	-512	-100	-266	3,146
Other	26,662	1,251	-4,262	-2,901	613	21,363
TOTAL	**423,551**	**48,796**	**-12,821**	**-15,780**	**-7,127**	**436,619**

Note 15a. Provisions for expected losses on credit risk of off-balance sheet commitments within the banking scope

	12.31.2018	Allocations	Write-backs	Other	06.30.2019
Commitments given					
12-month expected losses	11,992	6,565	-6,690	-403	11,464
Lifetime expected losses for non-impaired assets	2,928	1,479	-2,094	397	2,710
Lifetime expected losses for impaired assets (instruments impaired or not at acquisition/creation)	28,794	2,786	-3,422	0	28,158
TOTAL	**43,714**	**10,830**	**-12,206**	**-6**	**42,332**

Note 16a. Fair value ranking – banking activity

06.30.2019

Financial assets	Level 1	Level 2	Level 3	Total
FVOCI	**7,613,999**	**1,854,421**	**273,252**	**9,741,672**
- Treasury bills and similar securities - FVOCI (1)	3,065,250	551,272	0	3,616,522
- Bonds and other fixed-income securities - FVOCI (2) (3)	4,370,530	1,300,729	435	5,671,694
- Stocks and other variable-income securities - FVOCI	72,091	2,420	12,036	86,547
- Equity investments and other long-term investments - FVOCI	106,128	0	260,578	366,706
- Shares in associates - FVOCI	0	0	203	203
- Loans and receivables due from credit institutions - FVOCI	0	0	0	0
- Loans and receivables due from customers - FVOCI	0	0	0	0
Trading/FVO/Other FVTPL	**12,162**	**778,201**	**629,562**	**1,419,925**
- Treasury bills and similar securities - Trading	0	0	0	0
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Treasury bills and similar securities - Other FVTPL	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Other FVTPL	10,393	131,488	200,458	342,339
- Stocks and other variable-income securities - Held for trading	0	0	0	0
- Stocks and other variable-income securities - Other FVTPL	1,769	0	429,104	430,873
- Loans and receivables due from credit institutions - Fair value option	0	1,553	0	1,553
- Loans and receivables due from credit institutions - Other FVTPL	0	50,284	0	50,284
- Loans and receivables due from customers - Fair value option	0	6,808	0	6,808
- Loans and receivables due from customers - Other FVTPL	0	608	0	608
- Derivatives and other financial assets - Held for trading	0	587,460	0	587,460
Derivatives used for hedging purposes	**0**	**1,052,638**	**0**	**1,052,638**
Total	**7,626,161**	**3,685,260**	**902,814**	**12,214,235**
Financial liabilities				
Trading/FVO	**0**	**1,006,818**	**0**	**1,006,818**
- Amounts due to credit institutions - Fair value option	0	1,553	0	1,553
- Amounts due to customers - Fair value option	0	11,336	0	11,336
- Debt securities - Fair value option	0	396,469	0	396,469
- Derivatives and other financial liabilities - Held for trading	0	597,460	0	597,460
Derivatives used for hedging purposes	**0**	**972,066**	**0**	**972,066**
Total	**0**	**1,978,884**	**0**	**1,978,884**

(1) Transfers from level 2 to level 1 were made in the amount of €41 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.
(2) Transfers from level 2 to level 1 were made in the amount of €230 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.
(3) Transfers from level 1 to level 2 were made in the amount of €4 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.

12.31.2018

Financial assets	Level 1	Level 2	Level 3	Total
FVOCI	**8,652,074**	**2,404,722**	**266,899**	**11,323,695**
- Treasury bills and similar securities - FVOCI (1)	4,201,642	726,173	0	4,927,815
- Bonds and other fixed-income securities - FVOCI (2) (3)	4,273,977	1,676,129	0	5,950,106
- Stocks and other variable-income securities - FVOCI (4)	74,727	2,420	12,038	89,185
- Equity investments and other long-term investments - FVOCI	101,728	0	254,657	356,385
- Shares in associates - FVOCI	0	0	204	204
- Loans and receivables due from credit institutions - FVOCI	0	0	0	0
- Loans and receivables due from customers - FVOCI	0	0	0	0
Trading/FVO/Other FVTPL	**11,922**	**623,997**	**543,344**	**1,179,263**
- Treasury bills and similar securities - Trading	0	0	0	0
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Treasury bills and similar securities - Other FVTPL	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Other FVTPL (5)	9,944	138,360	158,119	306,423
- Stocks and other variable-income securities - Held for trading	0	0	0	0
- Stocks and other variable-income securities - Other FVTPL	1,978	0	385,225	387,203
- Loans and receivables due from credit institutions - Fair value option	0	1,895	0	1,895
- Loans and receivables due from credit institutions - Other FVTPL	0	63,160	0	63,160
- Loans and receivables due from customers - Fair value option	0	15,031	0	15,031
- Loans and receivables due from customers - Other FVTPL	0	593	0	593
- Derivatives and other financial assets - Held for trading	0	404,958	0	404,958
Derivatives used for hedging purposes	**0**	**692,564**	**0**	**692,564**
Total	**8,663,996**	**3,721,283**	**810,243**	**13,195,522**
Financial liabilities				
Trading/FVO	**0**	**811,071**	**0**	**811,071**
- Amounts due to credit institutions - Fair value option	0	1,895	0	1,895
- Amounts due to customers - Fair value option	0	6,243	0	6,243
- Debt securities - Fair value option	0	352,924	0	352,924
- Derivatives and other financial liabilities - Held for trading	0	450,009	0	450,009
Derivatives used for hedging purposes	**0**	**427,735**	**0**	**427,735**
Total	**0**	**1,238,806**	**0**	**1,238,806**

(1) Transfers from level 1 to level 2 were made in the amount of €142 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.
(2) Transfers from level 1 to level 2 were made in the amount of €167 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.
(3) Transfers from level 2 to level 1 were made in the amount of €4 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.
(4) Transfers from level 3 to level 2 were made in the amount of €2 million. They consisted mainly of equities whose characteristics correspond to level 2 criteria.
(5) Transfers from level 3 to level 2 were made in the amount of €89 million. They concerned mainly innovation funds, venture capital funds and real estate investment vehicles. These are measured using recognized valuation methods (PER multiples, etc.) by counterparties (management companies) that are specialized in these methods. In this context, this type of asset has been classified in level 2.

Note 16b. Fair value ranking – insurance activity

06.30.2019				
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale assets	**21,949,600**	**2,490,975**	**2,255,552**	**26,696,127**
- Treasury bills and similar securities - AFS	9,107,095	0	0	9,107,095
- Bonds and other fixed-income securities - AFS (1)	12,514,005	2,025,933	1,699,974	16,239,912
- Stocks and other variable-income securities - AFS	271,723	465,042	75,074	811,839
- Equity investments and other long-term investments - AFS	56,777	0	480,504	537,281
- Shares in associates - AFS	0	0	0	0
Trading/FVO	**12,724,671**	**9,266,115**	**5,887,006**	**27,877,792**
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	160,867	6,124,320	558,073	6,843,260
- Stocks and other variable-income securities - Fair value option	12,563,804	3,141,770	5,328,933	21,034,507
- Loans and receivables due from credit institutions - Fair value option	0	0	0	0
- Derivatives and other financial assets - Held for trading	0	25	0	25
Derivatives used for hedging purposes	**0**	**0**	**0**	**0**
Total	**34,674,271**	**11,757,090**	**8,142,558**	**54,573,919**
Financial liabilities				
Trading/FVO	**0**	**121,035**	**0**	**121,035**
- Amounts due to credit institutions - Fair value option	0	0	0	0
- Debt securities - Fair value option	0	0	0	0
- Derivatives and other financial liabilities - Held for trading	0	121,035	0	121,035
Derivatives used for hedging purposes	**0**	**0**	**0**	**0**
Total	**0**	**121,035**	**0**	**121,035**

(1) Transfers from level 2 to level 1 were made in the amount of €237 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.

12.31.2018				
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale assets	**21,368,477**	**2,579,812**	**2,033,229**	**25,981,518**
- Treasury bills and similar securities - AFS	9,272,247	0	0	9,272,247
- Bonds and other fixed-income securities -AFS (1) (2)	11,813,936	2,160,922	1,521,154	15,496,012
- Stocks and other variable-income securities - AFS (3)	227,872	418,890	76,885	723,647
- Equity investments and other long-term investments - AFS	54,422	0	435,190	489,612
- Shares in associates - AFS	0	0	0	0
Trading/FVO	**9,703,406**	**8,307,266**	**4,872,181**	**22,882,853**
- Treasury bills and similar securities - Fair value option	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities - Fair value option	104,878	5,411,545	510,153	6,026,576
- Stocks and other variable-income securities - Fair value option (4) (5)	9,598,528	2,895,720	4,362,028	16,856,276
- Loans and receivables due from credit institutions - Fair value option	0	0	0	0
- Derivatives and other financial assets - Held for trading	0	1	0	1
Derivatives used for hedging purposes	**0**	**0**	**0**	**0**
Total	**31,071,883**	**10,887,078**	**6,905,410**	**48,864,371**
Financial liabilities				
Trading/FVO	**0**	**103,138**	**0**	**103,138**
- Amounts due to credit institutions - Fair value option	0	0	0	0
- Debt securities - Fair value option	0	0	0	0
- Derivatives and other financial liabilities - Held for trading	0	103,138	0	103,138
Derivatives used for hedging purposes	**0**	**0**	**0**	**0**
Total	**0**	**103,138**	**0**	**103,138**

(1) Transfers from level 2 to level 1 were made in the amount of €149 million. They consisted mainly of bonds whose characteristics correspond to level 1 criteria.
(2) Transfers from level 1 to level 2 were made in the amount of €213 million. They consisted mainly of bonds whose characteristics correspond to level 2 criteria.
(3) Transfers from level 3 to level 2 were made in the amount of €412 million. They consisted mainly of equities whose characteristics correspond to level 2 criteria.
(4) Transfers from level 2 to level 1 were made in the amount of €18 million. They consisted mainly of equities whose characteristics correspond to level 1 criteria.
(5) Transfers from level 3 to level 2 were made in the amount of €2,865 million. They concerned mainly innovation funds, venture capital funds and real estate investment vehicles. These are measured using recognized valuation methods (PER multiples, etc.) by counterparties (management companies) that are specialized in these methods. In this context, this type of asset has been classified in level 2.

Note 17a. Fair value ranking of financial assets and liabilities recognized at amortized cost - banking activity

	06.30.2019					
	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	71,432,080	69,213,347	2,218,733	188,443	9,853,636	61,390,001
Financial assets at amortized cost						
Loans and receivables due from credit institutions	9,722,234	9,720,804	1,430	0	9,722,234	0
Loans and receivables due from customers	61,236,509	59,052,583	2,183,926	0	0	61,236,509
Securities	473,337	439,960	33,377	188,443	131,402	153,492
Liabilities	82,591,775	81,525,725	1,066,050	0	25,888,822	56,702,953
Liabilities to credit institutions	7,988,473	7,962,286	26,187	0	7,988,473	0
Liabilities to customers	56,702,953	56,697,943	5,010	0	0	56,702,953
Debt securities	15,218,422	14,357,474	860,948	0	15,218,422	0
Subordinated debt	2,681,927	2,508,022	173,905	0	2,681,927	0

	31.12.2018.					
	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	65,607,962	64,725,318	882,644	0	9,019,929	56,588,033
Financial assets at amortized cost						
Loans and receivables due from credit institutions	9,019,929	8,986,833	33,096	0	9,019,929	0
Loans and receivables due from customers	56,427,084	55,574,536	852,548	0	0	56,427,084
Securities	160,949	163,949	-3,000	0	0	160,949
Liabilities	76,866,614	76,110,287	756,327	0	22,312,031	54,554,583
Liabilities to credit institutions	7,181,152	7,117,358	63,794	0	7,181,152	0
Liabilities to customers	54,554,583	54,555,163	-580	0	0	54,554,583
Debt securities	13,490,397	12,770,678	719,719	0	13,490,397	0
Subordinated debt	1,640,482	1,667,088	-26,606	0	1,640,482	0

Note 17b. Fair value ranking of financial assets and liabilities recognized at amortized cost - insurance activity

	06.30.2019					
	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	601,684	601,684	0	3,614	4,409	593,661
Loans and receivables due from credit institutions	4,409	4,409	0	0	4,409	0
Other loans and receivables linked to insurance activities	593,661	593,661	0	0	0	593,661
Held-to-maturity financial assets	3,614	3,614	0	3,614	0	0
Liabilities	1,431,011	1,431,011	0	0	1,431,011	0
Liabilities to credit institutions	1,430,572	1,430,572	0	0	1,430,572	0
Debt securities	0	0	0	0	0	0
Subordinated debt	439	439	0	0	439	0

	31.12.2018.					
	Market value	Carrying amount	Unrealized capital gains and losses	Level 1	Level 2	Level 3
Assets	525,503	525,503	0	3,534	22,542	499,427
Loans and receivables due from credit institutions	22,542	22,542	0	0	22,542	0
Other loans and receivables linked to insurance activities	499,427	499,427	0	0	0	499,427
Held-to-maturity financial assets	3,534	3,534	0	3,534	0	0
Liabilities	1,499,350	1,499,350	0	0	1,341,553	157,797
Liabilities to credit institutions	1,340,999	1,340,999	0	0	1,340,999	0
Liabilities to customers	157,797	157,797	0	0	0	157,797
Debt securities	0	0	0	0	0	0
Subordinated debt	554	554	0	0	554	0

NOTES TO THE INCOME STATEMENT In thousands of euros

Note 18. Interest and similar income/expense

	06.30.2019		06.30.2018	
	Income	Expense	Income	Expense
Credit institutions and central banks	60,484	-94,087	58,485	-78,848
Customers	674,672	-257,409	694,637	-281,852
- of which leasing	80,088	-55,358	66,776	-45,186
- of which rental obligation		-354		0
Securities at amortized cost	1,332	0	1,087	0
Financial assets at fair value through profit or loss	4,400	-491	6,940	-2,598
Derivatives used for hedging purposes	159,917	-142,277	130,825	-104,564
Financial assets at fair value through equity	4,002	0	2,844	0
Debt securities	0	-102,509	0	-96,942
TOTAL	904,807	-596,773	894,818	-564,804

Note 19. Fee and commission income/expense

	06.30.2019		06.30.2018	
	Income	Expense	Income	Expense
Credit institutions	6,018	-8,026	5,176	-5,326
Customers	47,680	-132	42,970	-178
Derivatives	5,230	-463	4,510	-577
Foreign exchange	2,259	0	2,705	-38
Financing and guarantee commitments	349	-1,246	61	-519
Securities and services	238,624	-58,907	263,921	-60,565
TOTAL	300,160	-68,774	319,343	-67,203

Note 20. Net gain (loss) on financial instruments at fair value through profit or loss

	06.30.2019	06.30.2018
Instruments held for trading	44,798	3,628
Fair value option instruments	-38,654	158
Change in fair value attributable to credit risk presented in net income for the liabilities	0	0
Other instruments at fair value through profit or loss	52,372	55,588
Including UCI	7,964	18,191
Hedging ineffectiveness	1,325	-376
Cash flow hedges	0	-1
Fair value hedges	1,325	-375
. change in fair value of hedged items	-246,001	15,248
. change in fair value of hedges	247,326	-15,623
Foreign exchange gains (losses)	-1,457	710
TOTAL OF CHANGES IN FAIR VALUE	58,384	59,708

Note 21. Net gain (loss) on financial instruments at fair value through equity

	06.30.2019		
	Dividends	Realized gains/losses	Total
Treasury bills, notes and government bonds		23,738	23,738
Bonds and other fixed-income securities		2,222	2,222
Loans - Credit institutions		0	0
Customer loans		0	0
Stocks and other variable-income securities	4,797		4,797
Equity securities held for long-term investment	4,879		4,879
TOTAL	9,676	25,960	35,636

	06.30.2018		
	Dividends	Realized gains/losses	Total
Treasury bills, notes and government bonds		11,105	11,105
Bonds and other fixed-income securities		533	533
Loans - Credit institutions		0	0
Customer loans		0	0
Stocks and other variable-income securities	5,336		5,336
Equity securities held for long-term investment	8,423		8,423
TOTAL	13,759	11,638	25,397

Note 22. Net gain (loss) on financial instruments at amortized cost

Financial assets	Profit or loss recognized on the derecognition of assets as at June 30, 2019	Profit or loss recognized on the derecognition of assets as at June 30, 2018
Treasury bills, notes and government bonds	0	0
Bonds and other fixed-income securities	0	1
Loans - Credit institutions	0	0
Customer loans	0	0
Financial liabilities		
Liabilities to credit institutions	0	0
Liabilities to customers	0	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	0	1

Note 23. Net income from insurance activities

	06.30.2019	06.30.2018
Interest and similar income/expense	21,957	21,976
Fee and commission income/expense	-40,295	-36,117
Net gain (loss) on financial instruments at fair value through profit or loss	1,890	-973
Net gain (loss) on available-for-sale financial instruments	18,317	4,167
Net gain (loss) on financial assets/liabilities at amortized cost	0	0
Other income/expense from insurance activities	394,012	345,008
TOTAL	395,881	334,061

Note 23a. Interest and similar income/expense

	06.30.2019		06.30.2018	
	Income	Expense	Income	Expense
Credit institutions and central banks	2,180	-1,504	2,451	-1,319
Customers	0	0	0	0
Held-to-maturity financial assets	80	0	143	0
Financial assets/liabilities at fair value through profit or loss	0	0	0	0
Available-for-sale financial assets	21,201	0	20,701	0
Debt securities	0	0	0	0
Subordinated debt	0	0	0	0
TOTAL	23,461	-1,504	23,295	-1,319

Note 23b. Fee and commission income/expense

	06.30.2019		06.30.2018	
	Income	Expense	Income	Expense
Credit institutions	0	-16	0	-15
Customers	0	0	0	0
Derivatives	0	0	0	0
Foreign exchange	0	0	0	0
Financing and guarantee commitments	0	0	0	0
Securities and services	32,668	-72,947	31,402	-67,504
TOTAL	32,668	-72,963	31,402	-67,519

Note 23c. Net gain (loss) on financial instruments at fair value through profit or loss

	06.30.2019	06.30.2018
Instruments held for trading	-554	-96
Fair value option instruments	2,534	-730
Other instruments at fair value through profit or loss	0	0
Foreign exchange gains (losses)	-90	-147
TOTAL OF CHANGES IN FAIR VALUE	1,890	-973

Note 23d. Net gain (loss) on available-for-sale financial instruments

	06.30.2019			06.30.2018		
	Dividends	Realized gains/losses	Total	Dividends	Realized gains/losses	Total
Treasury bills, notes, government bonds, bonds and other fixed-income securities	0	324	324	0	529	529
Stocks and other variable-income securities	17,301	0	17,301	3,638	0	3,638
Equity securities held for long-term investment	692	0	692	0	0	0
Other	0	0	0	0	0	0
TOTAL	17,993	324	18,317	3,638	529	4,167

Note 23e. Other income/expense from insurance activities

	06.30.2019		06.30.2018	
	Income	Expense	Income	Expense
Insurance business	9,092,956	-8,692,644	3,567,347	-3,224,688
Investment real estate	0	-7,849	5,258	-7,829
Other income	6,531	-4,982	6,108	-1,188
TOTAL	9,099,487	-8,705,475	3,578,713	-3,233,705

Note 23f. Gross margin on insurance activities

	06.30.2019	06.30.2018
Premiums earned	2,809,020	2,596,069
Cost of claims and benefits	-103,925	-92,560
Change in provisions	9,569	-8,391
Other technical and non-technical income and expenses	-3,181,231	-2,735,974
Net investment income	866,879	583,515
TOTAL	400,312	342,659

Note 24. Income/expense from other activities

	06.30.2019		06.30.2018	
	Income	Expense	Income	Expense
Insurance business				
Investment real estate	933	-3,006	1,282	-3,228
Other income	119,177	-30,606	116,834	-33,786
TOTAL	120,110	-33,612	118,116	-37,014

Note 25. Operating expense

	06.30.2019	06.30.2018
Personnel expenses	-422 920	-411 643
Other expense	-285 519	-263 821
TOTAL	-708 439	-675 464

Note 25a. Personnel expenses

	06.30.2019	06.30.2018
Salaries and wages	-229,502	-230,634
Payroll taxes	-107,949	-98,698
Mandatory and optional employee profit-sharing	-39,940	-42,539
Taxes, levies and similar payments on compensation	-33,698	-34,878
Other	-11,831	-4,894
TOTAL	-422,920	-411,643

Note 25b. Other expenses

	06.30.2019	06.30.2018
Taxes other than on income	-63,525	-61,795
Leases	-29,537	-30,648
- short-term leases of assets or low / substantial amounts	-26,703	-30,108
- other leases	-2,834	-540
Other external services	-192,431	-171,106
Other miscellaneous expenses	-26	-272
TOTAL	**-285,519**	**-263,821**

Note 26. Cost of risk

Note 26a. Cost of risk - banking activity

06.30.2019	Allocations	Reversals	Provisioned bad debt	Unprovisioned bad debt	Collection of receivables written off	TOTAL
12-month expected losses	-62,836	56,189				-6,647
- Loans and receivables due from credit institutions	-443	748				305
- Loans and receivables due from customers	-52,316	44,441				-7,875
- of which finance leases	*-2,323*	*921*				*-1,402*
- Financial assets at amortized cost - Fixed income securities	-125	49				-76
- Financial assets at FVOCI - Fixed income securities	-3,387	4,260				873
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	-6,565	6,691				126
- Other assets	0	0				0
Lifetime expected loss	-61,840	59,669				-2,171
- Loans and receivables due from credit institutions	0	0				0
- Loans and receivables due from customers	-60,334	57,484				-2,850
- of which finance leases	*-2,004*	*688*				*-1,316*
- Financial assets at amortized cost - Fixed income securities	0	36				36
- Financial assets at FVOCI - Fixed income securities	-27	55				28
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	-1,479	2,094				615
- Other assets	0	0				0
Impaired assets	-122,032	124,292	-25,484	-3,000	1,262	-24,962
- Loans and receivables due from credit institutions	0	0	0	0	0	0
- Loans and receivables due from customers	-117,299	119,913	-25,377	-3,000	1,249	-24,514
- of which finance leases	*-5,606*	*4,281*	*-635*	*-460*	*0*	*-2,420*
- Financial assets at amortized cost - Fixed income securities	-300	0	0	0	0	-300
- Financial assets at FVOCI - Fixed income securities	0	0	0	0	0	0
- Financial assets at FVOCI - Loans	0	0	0	0	0	0
- Off-balance sheet	-2,786	3,424	0	0	0	638
- Other assets	-1,647	955	-107	0	13	-786
Total	**-246,708**	**240,150**	**-25,484**	**-3,000**	**1,262**	**-33,780**

06.30.2018	Allocations	Reversals	Provisioned bad debt	Unprovisioned bad debt	Collection of receivables discharged	TOTAL
12-month expected losses	-59,597	48,476				-11,121
- Loans and receivables due from credit institutions	-252	273				21
- Loans and receivables due from customers	-47,353	38,292				-9,061
- of which finance leases	*-801*	*1,662*				861
- Financial assets at amortized cost - Fixed income securities	-1	29				28
- Financial assets at FVOCI - Fixed income securities	-4,022	1,987				-2,035
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	-7,969	7,895				-74
- Other assets	0	0				0
Lifetime expected loss	-76,839	64,593				-12,246
- Loans and receivables due from credit institutions	0	7				7
- Loans and receivables due from customers	-73,698	62,220				-11,478
- of which finance leases	*-1,988*	*803*				-1,185
- Financial assets at amortized cost - Fixed income securities	-192	29				-163
- Financial assets at FVOCI - Fixed income securities	-55	38				-17
- Financial assets at FVOCI - Loans	0	0				0
- Off-balance sheet	-2,894	2,299				-595
- Other assets	0	0				0
Impaired assets	-103,923	117,646	-27,751	-3,486	4,272	-13,242
- Loans and receivables due from credit institutions	0	0	0	-12	0	-12
- Loans and receivables due from customers	-101,423	117,646	-27,751	-3,474	4,272	-10,730
- of which finance leases	*-7,687*	*5,655*	*-716*	*-1,277*	*0*	-4,025
- Financial assets at amortized cost - Fixed income securities	-2,500	0	0	0	0	-2,500
- Financial assets at FVOCI - Fixed income securities	0	0	0	0	0	0
- Financial assets at FVOCI - Loans	0	0	0	0	0	0
- Off-balance sheet	0	0	0	0	0	0
Other	-6,737	5,690	-4	0	0	-1,051
- Other assets	-6,737	5,690	-4	0	0	-1,051
Total	-247,096	236,405	-27,755	-3,486	4,272	-37,660

Note 26b. Cost of risk - insurance activity

06.30.2019	Allocations	Reversals	Provisioned bad debt	Unprovisioned bad debt	Collection of receivables written off	TOTAL
- Credit institutions	0	0	0	0	0	0
- Insurance business	0	0	0	0	0	0
- Available-for-sale assets	0	0	0	0	0	0
- Held-to-maturity assets	0	0	0	0	0	0
- Other	0	50	0	0	0	50
Total	0	50	0	0	0	50

06.30.2018	Allocations	Reversals	Provisioned bad debt	Unprovisioned bad debt	Collection of receivables written off	TOTAL
- Credit institutions	0	0	0	0	0	0
- Insurance business	0	0	0	0	0	0
- Available-for-sale assets	0	0	0	0	0	0
- Held-to-maturity assets	0	0	0	0	0	0
- Other	-9	6	0	0	0	-3
Total	-9	6	0	0	0	-3

Note 26c. Banking activities - Information regarding changes in outstanding loans subject to provisions for expected losses for credit risk

	12.31.2018	Acquisition /production	Sale/repayment	Transfers between buckets	Other	06.30.2019
Financial assets at amortized costs - loans and receivables due from credit institutions	8,988,980	1,238,204	-504,536	0	0	9,722,648
- 12-month expected losses	8,988,980	1,238,204	-504,536	0	0	9,722,648
- Lifetime expected losses - non-impaired assets	0	0	0	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0
Financial assets at amortized costs - loans and receivables due from customers	56,626,318	7,479,077	-3,992,723	0	0	60,112,672
- 12-month expected losses	52,773,663	7,391,515	-3,602,686	-396,043	0	56,166,449
- Lifetime expected losses - non-impaired assets	2,424,408	83,336	-290,180	294,488	0	2,512,052
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	1,213,898	0	-81,444	100,862	0	1,233,316
Lifetime expected losses - assets impaired as from acquisition/creation	214,349	4,226	-18,413	693	0	200,855
Financial assets at amortized cost - Securities	168,970	290,766	-14,399	0	0	445,337
- 12-month expected losses	143,113	290,322	-14,399	-300	0	418,736
- Lifetime expected losses - non-impaired assets	20,315	328	0	0	0	20,643
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	5,542	116	0	300	0	5,958
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0
- Financial assets at FVOCI - Fixed income securities	10,884,679	69	-1,590,675	0	0	9,294,073
- 12-month expected losses	10,852,953	69	-1,578,971	-1,202	0	9,272,849
- Lifetime expected losses - non-impaired assets	31,726	0	-11,704	1,202	0	21,224
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0
- Financial assets at FVOCI - Loans	0	0	0	0	0	0
- 12-month expected losses	0	0	0	0	0	0
- Lifetime expected losses - non-impaired assets	0	0	0	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0
Total	76,668,947	9,008,116	-6,102,333	0	0	79,574,730

Note 26d. Banking activities - Information regarding changes in provisions for expected losses for credit risk

	12.31.2018	Allocations	Reversals	Transfers	Change of method	Other	06.30.2019
Financial assets at amortized cost - loans and receivables due from credit institutions	-2,147	-444	747	0	0	0	-1,844
- 12-month expected losses	-2,147	-444	747	0	0	0	-1,844
- Lifetime expected losses - non-impaired assets	0	0	0	0	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0	0
Financial assets at amortized costs - loans and receivables due from customers	-1,051,782	-249,285	240,978	0	0	0	-1,060,089
- 12-month expected losses	-113,225	-52,297	65,754	-21,314	0	0	-121,082
- Lifetime expected losses - non-impaired assets	-135,097	-60,278	44,365	13,119	0	0	-137,891
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	-665,736	-136,418	117,134	8,195	0	0	-676,825
Lifetime expected losses - assets impaired as from acquisition/creation	-137,724	-292	13,725	0	0	0	-124,291
Financial assets at amortized cost - Securities	-5,021	-441	85	0	0	0	-5,377
- 12-month expected losses	-342	-125	49	0	0	0	-418
- Lifetime expected losses - non-impaired assets	-476	0	36	0	0	0	-440
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	-4,203	-316	0	0	0	0	-4,519
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0	0
- Financial assets at FVOCI - Fixed income securities	-6,758	-3,420	4,321	0	0	0	-5,857
- 12-month expected losses	-6,689	-3,389	4,262	0	0	0	-5,816
- Lifetime expected losses - non-impaired assets	-69	-31	59	0	0	0	-41
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0	0
- Financial assets at FVOCI - Loans	0	0	0	0	0	0	0
- 12-month expected losses	0	0	0	0	0	0	0
- Lifetime expected losses - non-impaired assets	0	0	0	0	0	0	0
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	0	0	0	0	0	0	0
Lifetime expected losses - assets impaired as from acquisition/creation	0	0	0	0	0	0	0
Commitments given	-43,714	-10,826	12,208	0	0	0	-42,332
- 12-month expected losses	-11,992	-6,163	6,691	0	0	0	-11,464
- Lifetime expected losses - non-impaired assets	-2,928	-1,876	2,094	0	0	0	-2,710
- Lifetime expected losses for assets impaired at the closing date but not impaired when acquired/created	-28,794	-2,787	3,423	0	0	0	-28,158
Other assets	0	0	0	0	0	0	0
- 12-month expected losses	0	0	0	0	0	0	
- Lifetime expected losses - non-impaired assets	0	0	0	0	0	0	
- of which expected losses measured according to the simplified method	0	0	0	0	0	0	
Lifetime expected losses for impaired assets (whether impaired or not at acquisition/creation)	0	0	0	0	0	0	
- of which expected losses measured according to the simplified method	0	0	0	0	0	0	
Total	-1,109,422	-264,416	258,339	0	0	0	-1,115,499

Note 27. Gains (losses) on other assets

	06.30.2019	06.30.2018
Property, plant and equipment and intangible assets	1,613	720
Capital losses on disposals	-902	-324
Capital gains on disposals	2,515	1,044
Expenses related to business combinations	-1,274	-246
Gains and losses on disposals of consolidated securities	23,450	0
TOTAL	23,789	474

Note 28. Income tax

	06.30.2019	06.30.2018
BREAKDOWN OF TAX EXPENSE		
Current tax expense	-78,295	-88,294
Net deferred tax expense or revenue	-11,175	-2,991
NET INCOME TAX EXPENSE	-89,470	-91,285
Income before taxes, badwill and income contribution from associates	331,926	311,664
EFFECTIVE TAX RATE	26.95%	29.29%

Analysis of effective tax rate:

	06.30.2019	06.30.2018
Statutory tax rate	32.02%	34.43%
Permanent differences	-0.46%	0.10%
Income taxed at a reduced rate or exempt	-5.91%	-5.78%
Change of tax rate	1.20%	0.83%
Impact of fiscal losses	-0.38%	0.66%
Tax credits	-0.03%	-0.03%
Special	0.40%	-0.91%
Other	0.10%	-0.01%
EFFECTIVE TAX RATE	26.95%	29.29%

The 2018 finance act provides for a gradual reduction in the corporate tax rate from 33.33% to 25% over the period 2017-2022 depending on companies' revenues.

Taxes must be measured based on the rates in effect at closing.

In case of a change in rates, deferred taxes must be adjusted based on the symmetry principle through profit or loss, unless they relate to items recognized outside profit or loss (in other comprehensive income (OCI) or directly in equity).

The impact of this rate change was included in the Arkéa group’s deferred tax calculation.

As Article 4 of the law on the creation of the GAFA tax was not definitively adopted by June 30, 2019, we used the tax rate of 32.02% initially planned for 2019 under the 2018 Finance Act.

OTHER NOTES In thousands of euros

Note 29a. Commitments given and received - banking activity

	06.30.2019	12.31.2018
Commitments given	**13,241,412**	**14,077,950**
Financing commitments	9,096,814	9,669,199
To credit and similar institutions	7,500	13,750
To customers	9,089,314	9,655,449
Guarantee commitments	3,882,987	3,761,510
To credit and similar institutions	1,005	1,012
To customers	3,881,982	3,760,498
Securities commitments	261,611	647,241
Repurchase agreements	0	0
Other commitments given	261,611	647,241
Commitments received	**44,934,656**	**45,330,560**
Financing commitments	8,850,620	11,272,071
From credit and similar institutions	8,833,897	11,264,184
From customers	16,723	7,887
Guarantee commitments	35,611,749	33,580,476
From credit and similar institutions	200,071	209,899
From customers	35,411,678	33,370,577
Securities commitments	472,287	478,013
Reverse repurchase agreements	0	0
Other commitments received	472,287	478,013

Financing commitments given include the €7,500 thousand cash advance made to Caisse de Refinancement de l'Habitat to fund its operations.

	06.30.2019	12.31.2018
Receivables pledged as collateral	**12,155,324**	**14,568,979**
Banque de France	10,386,419	12,601,162
European Investment Bank	505,873	547,314
Caisse de Refinancement de l'Habitat	208,553	369,929
Caisse des Dépôts et Consignations	1,052,479	1,048,574
Other	2,000	2,000
Loaned securities	**0**	**0**
Deposits on market transactions	**674,614**	**400,856**
Securities sold under repurchase agreements	**5,738,263**	**4,994,676**

For its refinancing activity, the group repurchases debt and/or equity securities. This results in the transfer of ownership of securities which the recipient may in turn lend. The coupons or dividends benefit the borrower. These transactions are subject to margin calls.

Note 29b. Commitments given and received – insurance activity

	06.30.2019	12.31.2018
Commitments given	0	0
Commitments received	879,138	959,106

Note 30. Segment information

	Banking		Insurance and asset management		Group	
	06.30.2019	06.30.2018	06.30.2019	06.30.2018	06.30.2019	06.30.2018
Internal income (1)	135,283	132,324	-135,283	-132,324	0	0
External income (2)	668,546	695,532	447,273	386,891	1,115,819	1,082,423
Net banking income	803,829	827,856	311,990	254,567	1,115,819	1,082,423
General operating expenses and depreciation and amortization	-677,849	-649,240	-94,778	-84,330	-772,627	-733,570
Gross operating income	125,980	178,616	217,212	170,237	343,192	348,853
Cost of risk	-34,356	-38,719	626	1,056	-33,730	-37,663
Operating income	91,624	139,897	217,838	171,293	309,462	311,190
Share of income from associates	620	2,394	-185	4,152	434	6,546
Other	23,789	20,100	0	-	23,789	20,100
Recurring income before tax	116,033	162,391	217,653	175,445	333,685	337,836
Income tax	-21,182	-36,079	-68,288	-55,206	-89,470	-91,285
Net income	94,851	126,312	149,365	120,239	244,215	246,551
O/w non-controlling interests	-141	39	-2	2	-143	41
Net income, group share	94,992	126,273	149,367	120,237	244,359	246,511
	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Segment Assets and Liabilities	90,046,551	83,429,111	57,362,715	51,491,191	147,409,266	134,920,302

(1) Segment income from transactions with other segments.

(2) Segment income from sales to external customers.

Segment reporting is based on two business lines:

- Banking mainly includes the branch networks of CMB, CMSO and CMMC, and the subsidiaries specializing in the corporate market and real estate financing,
- Insurance and asset management include the subsidiaries specializing in fund management (UCITS) and the insurance companies.

Segment reporting by geographic region is not relevant for the group as nearly all of its business is carried out in France.

Note 31. Scope of consolidation

Last name	Country	Sector / Activity	% control		% equity interest	
			06.30.2019	12.31.2018	06.30.2019	12.31.2018
Crédit Mutuel Arkéa + Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel du Massif Central federations and savings banks	France	Banking / Mutual banking	Consolidating entity			
Fully consolidated companies						
ARKEA BANKING SERVICES	France	Banking / Banking services	100,0	100.0	100,0	100.0
ARKEA BANQUE ENTREPRISES ET INSTITUTIONNELS	France	Banking / Corporate banking	100,0	100.0	100,0	100.0
ARKEA BOURSE RETAIL	France	Banking / Holding	100,0	100,0	100,0	100,0
ARKEA CAPITAL (GESTION)	France	Insurance and asset management / Asset management	100,0	100.0	100,0	100.0
ARKEA CAPITAL INVESTISSEMENT	France	Banking / Private equity	100,0	100.0	100,0	100.0
ARKEA CAPITAL MANAGERS HOLDING SLP	France	Banking / Private equity	100,0	100,0	100,0	100,0
ARKEA CAPITAL PARTENAIRE	France	Banking / Private equity	100,0	100.0	100,0	100.0
ARKEA CREDIT BAIL	France	Banking / Finance leasing	100,0	100.0	100,0	100.0
ARKEA DIRECT BANK (formerly Fortuneo SA)	France	Banking / Financial and stock market intermediation	100,0	100.0	100,0	100,0
ARKEA FONCIERE	France	Banking / Real estate	100,0	100.0	100,0	100.0
ARKEA HOME LOANS SFH	France	Banking / Refinancing entity	100,0	100.0	100,0	100.0
ARKEA PUBLIC SECTOR SCF	France	Banking / Refinancing entity	100,0	100.0	100,0	100.0
ARKEA SCD	France	Banking / Services	99,9	100,0	99,9	100,0
CAISSE DE BRETAGNE DE CREDIT MUTUEL AGRICOLE	France	Banking / Mutual banking	93,3	93,2	93,3	93,2
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANQUE	France	Banking / Specialized networks banking	100,0	100,0	100,0	100,0
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE (branch) (2)	Belgium	Banking / Specialized network banking	100,0	/	100,0	/
FCT COLLECTIVITES	France	Banking / Securitization fund	57,8	57,8	57,8	57,8
FEDERAL EQUIPEMENTS	France	Banking / Services	100,0	100.0	100,0	100.0
FEDERAL FINANCE	France	Insurance and asset management / Private banking and asset management	100,0	100.0	100,0	100.0
FEDERAL FINANCE GESTION	France	Insurance and asset management / Asset management	100,0	100.0	100,0	100.0
FEDERAL SERVICE	France	Banking / Services	97,8	97,8	97,8	97,8
FINANCO	France	Banking / Specialized network banking	100,0	100.0	100,0	100.0
GICM	France	Banking / Services	100,0	100.0	97,8	97,8
IZIMMO	France	Banking / Real estate	100,0	100.0	100,0	100.0
IZIMMO HOLDING	France	Banking / Holding	100,0	100.0	100,0	100.0
KEYTRADE BANK (branch)	Belgium	Banking / Financial and stock market intermediation	100,0	100.0	100,0	100,0
KEYTRADE BANK Luxembourg SA	Luxembourg	Banking / Financial and stock market intermediation	100,0	100.0	100,0	100,0
LEASECOM (3)	France	Banking / Finance leasing	/	100.0	/	100.0
LEASECOM CAR (3)	France	Banking / Finance leasing	/	100.0	/	100.0
LEETCHI SA	France	Banking / Services	100,0	100.0	100,0	100.0
MANGOPAY SA (formerly Leetchi Corp)	Luxembourg / France	Banking / Services	100,0	100.0	100,0	100.0
MONEXT	France	Banking / Services	100,0	100.0	100,0	100.0
NEXTALK	France	Banking / Services	100,0	100.0	100,0	100.0
NOUVELLE VAGUE	France	Banking / Services	100,0	100.0	100,0	100.0
NOVELIA	France	Insurance and asset management / Insurance brokerage	100,0	100.0	100,0	100.0
PROCAPITAL	France / Belgium	Banking / Financial and stock market intermediation	100,0	100,0	100,0	100,0
PUMPKIN	France	Banking / Services	100,0	100,0	100,0	100,0
SCHELCHER PRINCE GESTION	France	Insurance and asset management / Asset management	100,0	100.0	100,0	100.0
SOCIETE CIVILE IMMOBILIERE INTERFEDERALE	France	Banking / Real estate	100,0	100.0	100,0	100.0
SMSPG	France	Insurance and asset management / Holding	100,0	100.0	100,0	100.0
SMSPG 2	France	Insurance and asset management / Holding	100,0	100,0	100,0	100,0
STRATEO (branch)	Switzerland	Banking / Financial and stock market intermediation	100,0	100.0	100,0	100,0
SURAVENIR	France	Insurance and asset management / Life insurance	100,0	100.0	100,0	100.0
SURAVENIR ASSURANCES	France	Insurance and asset management / Non-life insurance	100,0	100,0	100,0	100,0

Last name	Country	Sector / Activity	% control		% equity interest	
			06.30.2019	12.31.2018	06.30.2019	12.31.2018
Companies consolidated using the equity method						
AVIAFUND FUND FACILITY MANAGEMENT GMBH	Germany	Insurance and asset management / mutual funds	24.8	25.3	25.4	25.9
AVIAFUND FUND SOLUTION SERVICES GMBH	Germany	Insurance and asset management / mutual funds	24.8	25.3	25.4	25.9
AVIARENT CAPITAL MANAGEMENT SARL	Luxembourg	Insurance and asset management / mutual funds	24.8	25.3	25.4	25.9
AVIARENT INVEST AG	Germany	Insurance and asset management / mutual funds	24.8	25.3	25.4	25.9
CAISSE CENTRALE DU CREDIT MUTUEL	France	Banking / Mutual banking	20.6	21.0	20.6	21.0
CODABEL MANAGEMENT	Belgium	Insurance and asset management / mutual funds	10.2	10.4	10.5	10.7
DS INVESTMENT SOLUTIONS SAS (formerly DERIVATIVES SOLUTIONS)	France	Insurance and asset management / mutual funds	23.3	23.8	23.9	24.4
FINANSEMBLE	France	Insurance and asset management / Asset management	30.4	30.4	30.4	30.4
HALLES A FOURAGES SCCV	France	Insurance and asset management / mutual funds	17.5	17.8	17.9	18.3
JIVAI	France	Insurance and asset management / Insurance brokerage	32.4	32.4	32.4	32.4
LA COMPAGNIE FRANCAISE DES SUCCESSIONS	France	Insurance and asset management / Asset management	32.6	32.6	32.6	32.6
LA FINANCIERE DE L'ECHIQUIER	France	Insurance and asset management / mutual funds	11.7	11.9	12.0	12.2
LEEMO	France	Insurance and asset management / mutual funds	11.7	11.9	12.0	12.2
LINK BY PRIMONIAL	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
LINXO GROUP	France	Banking / Services	29.8	29.8	29.8	29.8
MARSEILLE FURNITURE SARL	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
MATA CAPITAL	France	Insurance and asset management / mutual funds	11.7	11.9	12.0	12.2
NEW PORT	France	Banking / Holding	31.0	31.0	31.0	31.0
NEW PRIMONIAL HOLDING	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
OIKO GESTION (formerly AIBO GESTION)	France	Insurance and asset management / mutual funds	14.9	15.2	15.2	15.5
PFP	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL HOLDING	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL IMMOBILIEN GMBH (formerly EC ADVISORS GMBH)	Germany	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL LUXEMBOURG	Luxembourg	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL LUXEMBOURG FUND SERVICES	Luxembourg	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL LUXEMBOURG REAL ESTATE	Luxembourg	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL MANAGEMENT	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL MANAGEMENT 2	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL PARTENAIRES (formerly PATRIMMOFI)	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
PRIMONIAL REIM	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
SEFAL PROPERTY	France	Insurance and asset management / mutual funds	28.8	29.4	29.5	30.1
SPORTINVEST	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
UPSTONE SAS	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
VIVIENNE INVESTISSEMENT	France	Insurance and asset management / Asset management	34.4	34.4	34.4	34.4
VOLTAIRE CAPITAL	France	Insurance and asset management / mutual funds	29.2	29.7	29.9	30.5
YOMONI	France	Insurance and asset management / Asset management	34.0	34.5	34.0	34.5
YOUNITED CREDIT	France/Italy/Spain/ Portugal	Banking / Services	25.8	25.8	25.8	25.8

Last name	Country	Sector / Activity	% control		% equity interest	
			06.30.2019	12.31.2018	06.30.2019	12.31.2018
Companies consolidated using the shortcut method						
AIS MANDARINE ACTIVE (formerly FEDERAL CONVICTION ISR EURO)	France	Insurance and asset management / mutual funds	78.1	77.2	78.1	77.2
AIS MANDARINE ENTREPRENEURS (formerly FEDERAL ACTIONS ETHIQUES)	France	Insurance and asset management / mutual funds	79.8	73.4	79.8	73.4
AIS MANDARINE MULTI-ASSETS (formerly SURAVENIR REFERENCE ACTIONS)	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
ARKEA CAPITAL 1	France	Banking / mutual funds	100.0	100.0	100.0	100.0
ARKEA CAPITAL MANAGERS	France	Banking / mutual funds	100.0	100.0	100.0	100.0
AUTOFOCUS CROISSANCE + SEPTEMBRE 2017	France	Insurance and asset management / mutual funds	99.2	99.3	99.2	99.3
AUTOFOCUS CROISSANCE JANVIER 2017 (4)	France	Insurance and asset management / mutual funds	/	97.2	/	97.2
AUTOFOCUS CROISSANCE JUIN 2015	France	Insurance and asset management / mutual funds	93.8	93.9	93.8	93.9
AUTOFOCUS CROISSANCE MAI 2017	France	Insurance and asset management / mutual funds	97.3	97.3	97.3	97.3
AUTOFOCUS CROISSANCE MARS 2015	France	Insurance and asset management / mutual funds	81.3	78.6	81.3	78.6
AUTOFOCUS JANVIER 2016 (4)	France	Insurance and asset management / mutual funds	/	92.4	/	92.4
AUTOFOCUS RENDEMENT DECEMBRE 2014	France	Insurance and asset management / mutual funds	93.5	93.6	93.5	93.6
AUTOFOCUS RENDEMENT JANVIER 2018 (2)	France	Insurance and asset management / mutual funds	99.3	/	99.3	/
AUTOFOCUS ENDEMENT JUIN 2018 (2)	France	Insurance and asset management / mutual funds	98.4	/	98.4	/
AUTOFOCUS RENDEMENT MARS 2015	France	Insurance and asset management / mutual funds	92.9	93.1	92.9	93.1
AUTOFOCUS RENDEMENT MARS 2017	France	Insurance and asset management / mutual funds	97.2	97.3	97.2	97.3
AUTOFOCUS SEPTEMBRE 2016	France	Insurance and asset management / mutual funds	96.7	96.6	96.7	96.6
BREIZH ARMOR CAPITAL (2)	France	Banking / mutual funds	50.0	/	50.0	/
DIAPAZEN CLIMAT SEPTEMBRE 2016	France	Insurance and asset management / mutual funds	97.6	97.8	97.6	97.8
FCT SP EUROCREANCES	France	Insurance and asset management / mutual funds	43.4	43.4	43.4	43.4
FCT SUR PRIV DEBT II	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FCT SURAVENIR PRIVAT	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FEDERAL AMBITION CLIMAT (2)	France	Insurance and asset management / mutual funds	99.3	/	99.3	/
FEDERAL APAL	France	Insurance and asset management / mutual funds	73.9	74.4	73.9	74.4
FEDERAL CAPITAL INVESTISSEMENT	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FEDERAL CONVICTION GRANDE ASIE	France	Insurance and asset management / mutual funds	81.9	83.9	81.9	83.9
FEDERAL CROISSANCE	France	Insurance and asset management / mutual funds	91.4	90.5	91.4	90.5
FEDERAL ESSOR INTERNATIONAL	France	Insurance and asset management / mutual funds	41.9	45.0	41.9	45.0
FEDERAL INDICIEL JAPON	France	Insurance and asset management / mutual funds	64.0	66.7	64.0	66.7
FEDERAL INDICIEL US	France	Insurance and asset management / mutual funds	54.2	56.0	54.2	56.0
FEDERAL MULTI ACTIONS EUROPE	France	Insurance and asset management / mutual funds	73.6	74.0	73.6	74.0
FEDERAL MULTI L/S	France	Insurance and asset management / mutual funds	53.2	63.2	53.2	63.2
FEDERAL MULTI OR ET MATIERES 1ERES	France	Insurance and asset management / mutual funds	89.3	89.4	89.3	89.4
FEDERAL MULTI PATRIMOINE	France	Insurance and asset management / mutual funds	90.6	91.4	90.6	91.4
FEDERAL MULTI PME	France	Insurance and asset management / mutual funds	58.6	67.5	58.6	67.5
FEDERAL OPPORTUNITE EQUILIBRE	France	Insurance and asset management / mutual funds	99.8	99.9	99.8	99.9
FEDERAL OPPORTUNITE MODERE	France	Insurance and asset management / mutual funds	98.6	98.5	98.6	98.5
FEDERAL OPPORTUNITE TONIQUE	France	Insurance and asset management / mutual funds	99.0	99.0	99.0	99.0
FEDERAL STRATEGIES ACTIVES	France	Banking / mutual funds	/	99.8	/	99.8
FEDERAL SUPPORT COURT TERME	France	Insurance and asset management / mutual funds	31.2	/	31.2	/
FEDERAL SUPPORT MONETAIRE	France	Insurance and asset management / mutual funds	39.6	/	39.6	/
FORMUL'ACTION SECURITE (4)	France	Insurance and asset management / mutual funds	/	93.7	/	93.7
FPS SURAVENIR ACTIONS INTERNATIONALES PROTECT	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS LOW VOL	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS PROTECT	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FPS SURAVENIR ACTIONS PROTECT II	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
FSP / COMPARTIMENT 5	France	Insurance and asset management / mutual funds	42.4	42.4	42.4	42.4
KALEIDOSCOPE	France	Insurance and asset management / mutual funds	98.7	98.5	98.7	98.5
OPCI CLUB FRANCE RET	France	Insurance and asset management / mutual funds	46.3	46.3	46.3	46.3
OPCI PREIM DEFENSE 2	France	Insurance and asset management / mutual funds	37.5	37.5	37.5	37.5
OPCI PREIM EUROS	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
OPCI PREIM EUROS 2	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
OPCI PREIMIUM	France	Insurance and asset management / mutual funds	77.9	89.5	77.9	89.5
OPCI SOFIDY PIERRE EUROPE	France	Insurance and asset management / mutual funds	77.9	84.5	77.9	84.5
OPCI TIKEHAU RET PRO	France	Insurance and asset management / mutual funds	39.3	39.3	39.3	39.3
PRIMO ELITE	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
PRO FEDERAL LIQUIDITES	France	Insurance and asset management / mutual funds	79.0	63.3	79.0	63.3
S.C.I PROGRES PIERRE	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
S.C.I SURAV PIERRE	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
SCI CLOVERHOME	France	Insurance and asset management / mutual funds	50.0	50.0	50.0	50.0
SCI LE VINCI HOLDING	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
SCI PR2 PREIM RET 2	France	Insurance and asset management / mutual funds	38.0	38.0	38.0	38.0
SCI SOFIDY CONV IMMO	France	Insurance and asset management / mutual funds	40.8	52.0	40.8	52.0
SCI USUFRUIMMO	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
SCPI PIERRE EXPANSION	France	Insurance and asset management / mutual funds	57.0	57.0	57.0	57.0
SCPI PRIMOFAMILY	France	Insurance and asset management / mutual funds	44.5	55.7	44.5	55.7
SCPI PRIMONIA CAP IM	France	Insurance and asset management / mutual funds	38.5	40.1	38.5	40.1
SP CONVERTIBLES ISR EUROPE	France	Insurance and asset management / mutual funds	/	26.6	/	26.6
SP HAUT RENDEMENT	France	Insurance and asset management / mutual funds	38.2	38.3	38.2	38.3
SP NS FAMILLE	France	Insurance and asset management / mutual funds	45.0	43.1	45.0	43.1
SP OPPORTUNITES EUROPEENNES	France	Insurance and asset management / mutual funds	34.9	31.2	34.9	31.2
SURAVENIR INITIATIVE ACTIONS	France	Insurance and asset management / mutual funds	100.0	100.0	100.0	100.0
SYNERGIE FINANCE INVESTISSEMENT	France	Banking / mutual funds	100.0	100.0	100.0	100.0
WE POSITIVE INVEST	France	Banking / mutual funds	100.0	100.0	100.0	100.0
WEST WEB VALLEY	France	Banking / mutual funds	35.4	35.4	35.4	35.4

(1) Merger of assets and liabilities
(2) Companies first-time consolidated in 2019
(3) Transfer
(4) Liquidation

Recognition using the short-cut method is based on the use of the fair value option for all assets held through UCITS to be consolidated.

The short-cut method entails:

- recognizing fund shares under assets at fair value for their full amount;
- creating a liability (financial liability) for the amount corresponding to non-controlling interests.

Note 32. Events after the reporting period

No significant events occurred after the June 30, 2019 closing date.