Interim Report

June 30, 2018

The Registration Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) on April 27, 2018 (number: D.18-0427).

The Interim Report was filed with the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) on August 29, 2018.

A variable capital limited liability credit cooperative
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AUTORITÉ
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This update of the Registration Document was filed with the Autorité des Marchés Financiers (AMF) on August 29, 2018, in accordance with article 212-13 of its general regulations. It supplements the Registration Document filed on 27 April 2018 under number D18-0427. It may only be used to support a financial transaction if it is accompanied by a prospectus approved by the AMF. This document has been prepared by the issuer and is the responsibility of its signatories.

1. Crédit Mutuel Arkéa Group

Crédit Mutuel Arkéa is a banking and insurance group. It comprises the Crédit Mutuel de Bretagne, Crédit Mutuel du Sud-Ouest and Crédit Mutuel Massif Central federations as well as some thirty specialized subsidiaries which cover all of the business lines in the financial area.

A cooperative and mutual company, Crédit Mutuel Arkéa is not listed on the stock exchange. Crédit Mutuel Arkéa is owned by its customer shareholders, who are both shareholders and customers. The group, which combines a strong financial position and long-term growth strategy, thus puts its performance to work on behalf of the real economy, autonomy and accomplishing the projects of its 4.4 million customers.

As a producer and distributor, Crédit Mutuel Arkéa can offer its customers, whether they are individuals, companies, associations or local authorities, a full range of banking, financial, asset management and insurance products and services. The group also stands apart through its development of private label banking services on behalf of other financial and payment institutions.

A pioneer and innovator, Crédit Mutuel Arkéa is known and recognized for its technology culture, particularly in online banking and insurance services. Building on this expertise, the group has forged very strong links with players in the digital ecosystem and is developing various forms of cooperation with them, whether technological or through capital transactions. The acquisition of Leetchi and Pumpkin as well as the acquisition of stakes in several fintechs (Linxo, Yomoni, Grisbee, Vivienne Investissement, Fluo, Masuccession.fr) enable Crédit Mutuel Arkéa to remain at the cutting edge of technology, to follow the evolution of consumer trends and to invent the bank and digital services of tomorrow.

As a decentralized bank, Crédit Mutuel Arkéa is committed to keeping its decision-making centers and employment catchment areas at the regional level. This approach based on regional strongholds enables the group to extend its reach throughout France and to Europe:

- A network of 457 points of sale, in Brittany, Southwestern France and the Massif Central region.
- 18 regional business centers for Arkéa Banque Entreprises et Institutionnels.
- A presence in Belgium with Keytrade Bank and ProCapital Securities Services. Keytrade Bank is also present in Switzerland and Luxembourg.
- Monext, the subsidiary that specializes in electronic payments, provides customers in 25 European countries.
- Leetchi and Mangopay are present in the United Kingdom, Germany, Spain and Luxembourg.

2. Interim management report

2.1. Summary analysis

Record high interim results and solid fundamentals in a negative economic environment, with persistently low interest rates weighing particularly on the retail banking activities.

Activity (in relation to December 31, 2017):

- The customer portfolio up by 3.6%, to 4.4 million;
- Gross loans outstanding up by 5.1% to €53.3 billion;
- Savings up by 2.4% to €110.3 billion;
- The net loan-to-deposit ratio up one point to 103%;
- The non-life insurance portfolio up by 3.5% to more than 2.1 million policies.

Results (in relation to June 30, 2017):

Net income Group share came out at €247 million, up by €53 million in relation to the first half of 2017:

- Net banking and insurance income up by 7.9% to more than €1 billion.
- A 6.6% increase in operating expenses to €734 million.
  - A 0.8-point improvement in the cost-to-income ratio to 67.8%.
- A cost of risk up by €12 million to €38 million, impacted by the transition to IFRS9 on January 1, 2018.

Solvency:

- The Basel III measures were transposed into EU law in 2013 in the form of CRD4 and CRR1. These regulations began to be implemented on January 1, 2014; transitional provisions will nevertheless continue to apply until 2024.
- Common Equity Tier 1 (CET 1) totaled €5.6 billion and represented 88% of total regulatory capital. It increased by €296 million in the first half of 2018, corresponding primarily to the recognition of undistributed income from the first half of 2018. After factoring in Tier 2 capital, the regulatory capital stood at €6.3 billion.
  - Total share capital remained stable at €2.2 billion.
- The group's capital adequacy requirements increased with the development of commitments.

Change in regulatory capital

(€ millions)	June 2018	December 2017
Common Equity Tier 1	**5,590**	**5,294**
Tier 1 capital	**5,636**	**5,294**
Tier 2 additional capital net of deductions and supplementary reserves	**694**	**845**
Total regulatory capital	**6,330**	**6,139**

Changes in capital adequacy requirements

(€ millions)	June 2018	December 2017
Credit risk	**2,247**	**2,125**
Standardized approach	**413**	**420**
Central and public administrations	84	76
Credit institutions	7	9
Corporates	44	87
Retail customers	245	220
Equities and other assets that are not credit bonds	32	30
Internal ratings-based approach	**1,834**	**1,705**
Credit institutions	62	67
Corporates	752	687
Retail customers	245	235
Equities	720	666
Securitization and other non-credit obligation assets	54	50
Market risk and CVA (standardized approach)	**6**	**7**
Operational risk (almost exclusively advanced measurement approach)	**184**	**155**
Total capital adequacy requirements	**2,437**	**2,287**

Change in regulatory ratios[1]

	June 2018	December 2017
Common Equity Tier 1 ratio	**18.3%**	**18.5%**
Total ratio	**20.8%**	**21.5%**
Leverage ratio	**6.1%**	**6.4%**

In terms of liquidity:

The group is in line with its Basel III targets:

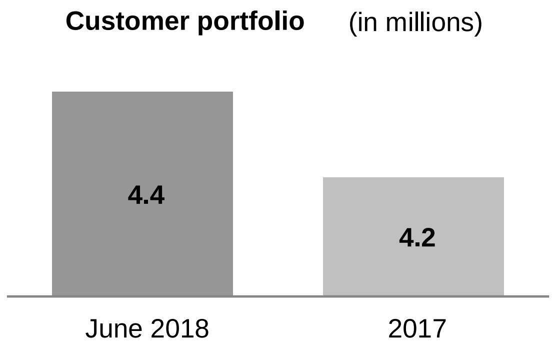
- LCR at 125% at end-June 2018

[1] Ratios including the result and, for the leverage ratio, taking into account the delegated act with the provisions applicable ex officio (mainly excluding the assets of insurance subsidiaries) and without the provisions subject to prior agreement (intra-group and centralized savings).

2.2. Activity

2.2.1. Customers

The customer portfolio increased by 3.6% in the first half of 2018.
On a like-for-like basis[1], it increased by 2.6%, or more than 110,000 additional customers provided by all subsidiaries: insurers (+36,000 customers), online banking (+30,000 customers), retail banking (+23,000 customers), consumer credit subsidiaries (+17,000 customers).

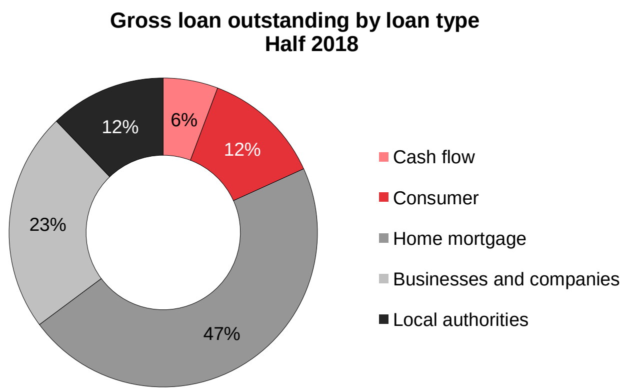


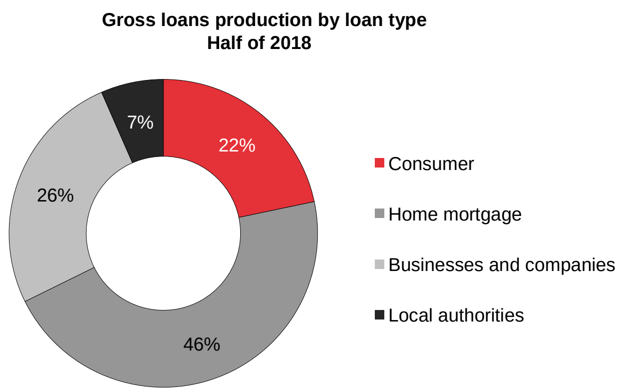
2.2.2. Lending

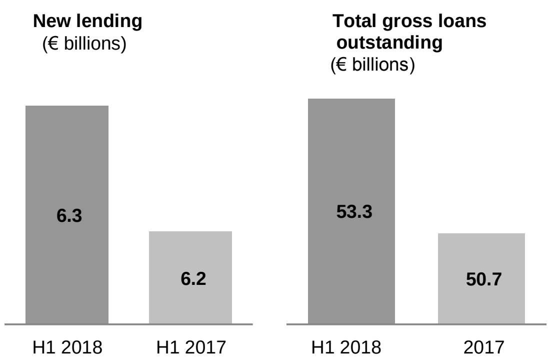
Gross loans outstanding before provisions increased by 5.1% to €53.3 billion. Outstanding loans net of provisions totaled €52.8 billion. On a like-for-like basis[1], gross outstanding loans increased by 4.3% to €53 billion.

New lending in the first half of 2018 reached €6.3 billion, up by 2.4% in relation to the first half of 2017.

This increase concerns loans to businesses (+15% to €1.6 billion) and loans to individuals (+1.7% to €4.3 billion). Meanwhile, new lending to local authorities decreased by 24.6% to €0.4 billion.







[1] Excluding the acquisition of automotive branch of My Money Bank France.

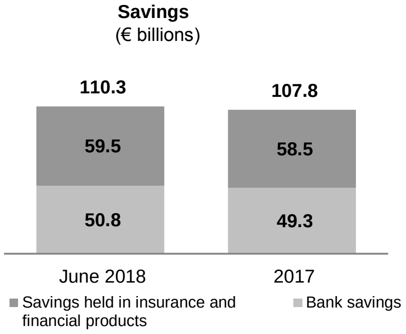
2.2.3. Savings

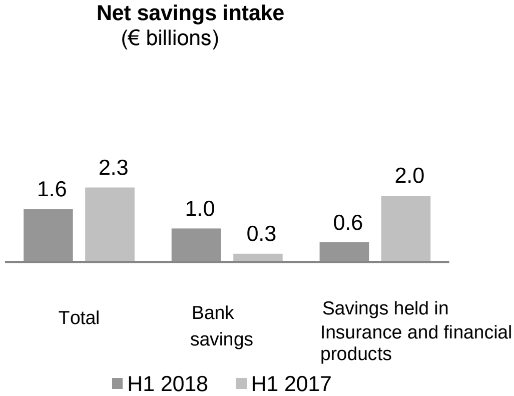
Total savings rose by 2.4 % in relation to the end of 2017, reaching €110.3 billion.

The net savings intake decreased by 28.8% in relation to the first half of 2017, reaching €1.6 billion.

This net savings intake was marked by:

- A rise in bank savings multiplied by 4 compared to the first half of 2017 to reach one billion euros
- A rise in insurance-based savings of 13.6 % to €0.9 billion. A fall in financial savings of €0.3 billion after a record first half 2017.



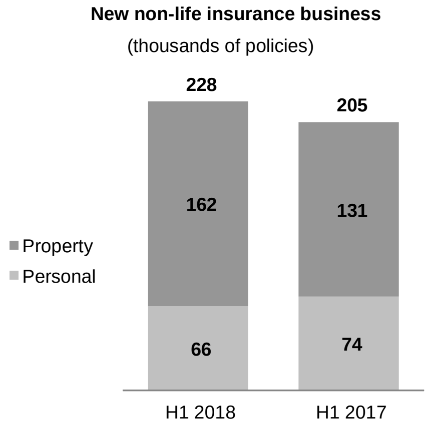


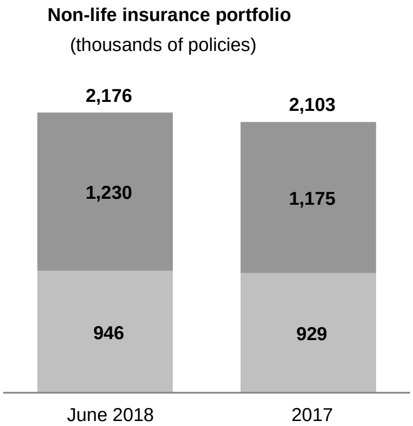
2.2.4. Non-life insurance

Non-life insurance policies are distributed through the group's networks and through external, non-Crédit Mutuel Arkéa group networks.

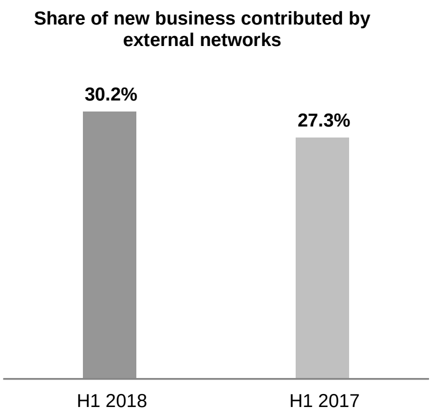
New business in the first half of the year rose by 11.5 % in relation to the first half of 2017, to 228,200 policies, mainly for property insurance, which rose by 23.9 % (+ 31,200 policies).

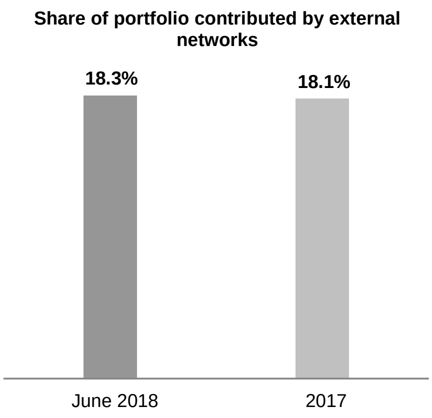
The portfolio continued to post gains in the first half of 2018, rising by 3.5% to more than 2.1 million policies.





Policies contributed by external networks accounted for 30.2% of new business, up 2 points in relation to the first half of 2017. At end-June 2018 the portfolio acquired through external networks represented 18.3% of the total non-life insurance portfolio.





2.3. Balance sheet

Crédit Mutuel Arkéa's balance sheet increased by €4.6 billion in the first half of 2018 thanks to growth in banking activities (€ 1.7 billion increase in deposits outstanding, €2.7 billion in loans outstanding) and also in the insurance activities (+ €0,9 billion).

ASSETS (€ billions)

June 2018	IFRS9	Movements	January 1, 2018	IFRS 9	2017 IAS 39
Customer loans	**52.8**	**2.7**	**Customer loans**	**50.1**	**50.2**
Of which provisions B1	(0.1)	0.0	Provisions B1	(0.1)	0.0
Of which provisions B2	(0.1)	0.0	Provisions B2	(0.1)	0.0
Of which provisions B3	(0.8)	0.0	Provisions B3	(0.9)	(0.9)
Of which collective provisions	0.0	0.0	Collective provisions	0.0	(0.1)
Repayments	**6.6**	**0.8**	**Repayments**	**5.7**	**5.7**
Loans to banks					
Cash flow	**4.2**	**0.0**	**Cash flow**	**4.2**	**4.2**
Financial assets	**13.0**	**(0.8)**	**Financial assets**	**13.8**	**13.7**
Fair Value through profit or loss	1.0	(0.1)	Fair Value through profit or loss	1.1	0.6
Fair Value OIC	10.0	(0.6)	Fair Value OIC	10.6	11.1
Amortized cost	2.0	(01)	Amortized cost	2.1	2.1
Property, plant and equipment	**1.4**	**0.0**	**Property, plant and equipment**	**1.4**	**1.4**
Other assets (non-controlling interests in UCITS)	**6.5**	**1.0**	**Other assets (non-controlling interests in UCITS)**	**5.6**	**5.6**
Insurance assets	**48.4**	**0.9**	**Insurance assets**	**47.5**	**47.5**
TOTAL	**132.9**	**4.6**		**128.3**	**128.4**

LIABILITIES (€ billions)

June 2018	IFRS9	Movements	January 1, 2018	IFRS 9	2017 IAS 39
Customer accounts	51.1	1.7	Customer accounts	49.4	49.4
Market Resources	19.1	0.3	Market Resources	18.8	18.8
Subordinated debt	2.4	0.0	Subordinated debt	2.4	2.4
Other liabilities (including non-controlling interests in UCITS)	7.4	1.2	Other liabilities (including non-controlling interests in UCITS	6.2	6.2
Insurance liabilities	46.3	1.1	Insurance liabilities	45.2	45.2
Shareholders' equity	6.7	0,3	Shareholders' equity	6.4	6.5
TOTAL	132.9	4.6		128.3	128.4

2.4. Consolidated results

In the first half of 2018, Crédit Mutuel Arkéa recorded its highest ever interim net income group share, at €247 million, up 27.5% in relation to the first half of 2017 (€193 million).

(in euro millions)	H1 2018	H1 2017	Change H1 2018 / H1 2017 abs.	%
Net banking and insurance income	**1,082**	**1,003**	**80**	**7.9%**
Operating expenses	**(734)**	**(688)**	**(46)**	**6.6%**
Gross operating income	**349**	**315**	**34**	**10.8%**
Cost of risk	**(38)**	**(25)**	**(12)**	**48.7%**
Net income before tax	**338**	**289**	**49**	**16.8%**
Income tax	**(91)**	**(96)**	**5**	**(4.7%)**
Net income group share	**247**	**193**	**53**	**27.5%**
Cost-to-income ratio [1]	**67.8%**	**68.6%**	**(0.8 pt)**	

2.4.1. Net banking and insurance income

Net banking and insurance income increased by 7.9% in relation to the first half of 2017 to more than €1 billion (+ €80 million).

The analysis of the Net banking and insurance income is based on the segment breakdown presented in the financial statements.

The banking segment

The banking segment includes retail banking for individuals and sole proprietorships (local savings banks of Crédit Mutuel, Arkéa Direct Bank (combining Fortuneo and Keytrade), Financo, CFCAL), retail banking for companies (Arkéa Banque Entreprises et Institutionnels, Arkéa Crédit Bail, Leasecom, Arkéa Capital Investissement and Arkéa Capital Partenaire) and the business process outsourcing (BPO) subsidiaries (Monext, Arkéa Banking Services, ProCapital Securities Services, Leetchi, Nouvelle Vague, Pumpkin and Izimmo).

Net banking and insurance income from the banking segment increased by 13% in relation to the first half of 2017, reaching €828 million.

On a like-for-like basis[2], net banking and insurance income rose by 11.8% to €819 million (+ €87 million):

- Financial margin up 21.9% to €418 million (+ €75 million) mainly due to lower refinancing costs and growth in changes in the value of private equity activities.
- Commission income increased by €8 million to €320 million, mainly in the stock market activity.
- Other operating income and expenses increased by €4 million to €81 million, in line with the solid pace of activity in BPO.

[1] Operating expenses ratio (general operating expenses plus depreciation, amortization and impairment of intangible assets and property, plant and equipment) to net banking and insurance income (NBII).

[2] Excluding changes in the scope of consolidation in the first half of 2018 (Izimmo, Pumpkin, automotive branch of My Money Bank France).

The insurance and asset management segment

The insurance and asset management segment includes the life insurance (Suravenir) and non-life-insurance (Suravenir Assurances) companies and the brokerage (Novélia) and asset management (Federal Finance, Schelcher Prince Gestion and Arkéa Capital Gestion) companies.

Net banking and insurance income in the insurance and asset management segment decreased by €16 million to €255 million, with a higher non-life insurance claims experience in the first half of 2018, after a very low first half of 2017.

2.4.2. Operating expenses

Operating expenses rose by 6.6% to €734 million (+ €46 million). Based on a comparable scope[1], operating expenses rose by €34 million to €720 million:

- Personnel expenses rose by €17 million to €406 million;
- Other expenses increased by €15 million to €257 million;
- Amortization, depreciation and other provision allocations rose by €2 million to €58 million.

2.4.3. Cost of risk

Cost of risk rose by €12 million (+48.7%) to €38 million. Based on a comparable scope[2], cost of risk rose by €9 million, to €34 million.

- Cost of risk on doubtful and disputed customer loans fell from €13 million to €14 million.
- Charges to provisions on healthy loans increased by €21 million with an allocation of €20 million in the first half of 2018 against a recovery of €1 million in the first half of 2017.

At the end of the first half of 2018, the cost of risk represented 0.07% of customer outstandings stated in the balance sheet, or 0.14% annually.

Portfolio's credit risk quality
The amount of doubtful and disputed loans (including interest) fell by 0.9%, to €1,467 million as of June 30, 2018 (compared with €1,481 million as of December 31, 2017).

The ratio of doubtful and disputed loans (including interest) to total outstanding dropped to 2.7% over the first half of 2018 (versus 2.9% as of December 31, 2017).

Provisioning
Crédit Mutuel Arkéa maintained a conservative approach to customer credit risk during the first half of 2018. The provisioning rate for doubtful and disputed loans (principal and interest) was 56.7% as of June 30, 2018 (versus 57.4% as of December 31, 2017). This rate was 66.4% for companies, 53.9% for sole proprietorships and 48.2% for individuals.

[1] Excluding changes in the scope of consolidation in the first half of 2018 (Izimmo, Pumpkin, automotive branch of My Money Bank France, Nouvelle Vague, CFCAL Belgian branch) and in the first half of 2017 (Nouvelle Vague)
[2] Excluding the acquisition of automotive branch of My Money Bank France.

2.5. Ratings

As of 06/30/2018	Short-term ratings
Standard & Poor's	A-1
Moody's	P-1
	Long-term ratings
Standard & Poor's	A
Moody's	Aa3
	Outlook
Standard & Poor's	Negative
Moody's	Negative

2.6 Implementation of the Crédit Mutuel Arkéa Group's unilateral disaffiliation from Crédit Mutuel

Since late 2014, Crédit Mutuel Arkéa has been involved in a series of disputes with Confédération Nationale du Crédit Mutuel (**"CNCM"**), Crédit Mutuel's central body, relating primarily to potential conflicts of interest between the central body and one of its affiliates. These disputes mainly concern administrative, technical and financial supervision by CNCM and the use of the "Crédit Mutuel" name.

This situation led Crédit Mutuel Arkéa's Board of Directors, at its meeting of January 17, 2018, to authorize Crédit Mutuel Arkéa Group's senior management to take all actions enabling Crédit Mutuel Arkéa to become a cooperative and mutual banking group independent from the rest of Crédit Mutuel.

The directors of local savings banks and the directors of Bretagne, Sud-Ouest and Massif Central federations were requested to vote during the first half of 2018. At the conclusion of the consultation process initiated by the Crédit Mutuel Arkéa Group's local savings banks, and after the federations' Boards of Directors had met, the Crédit Mutuel Arkéa Group certified the results of the votes cast by the 307 local banks: 94.5% of the local savings banks voted in favor of Crédit Mutuel Arkéa's independence, which will thus become a cooperative and territorial group with mutualist values, independent from the rest of Crédit Mutuel. This historic inaugural vote, which binds all stakeholders, definitively marks the departure will of the Crédit Mutuel Arkéa Group from Crédit Mutuel. With regard to the process of convergence of Crédit Mutuel Massif Central's local savings banks members to the *Caisse Fédérale de Crédit Mutuel* ("**CFCM**"), the Board of Directors of the CNCM on June 19, 2018 gave its prior approval to the convergence project of Crédit Mutuel Massif Central to the CFCM. The governing bodies of the federation and Crédit Mutuel Massif Central *caisse régionale*, dated June 29, 2018, approved the convergence process. At the date of this Prospectus, the banking activity of each of Crédit Mutuel Massif Central's thirty local savings banks is exercised through the collective authorisation of Crédit Mutuel Arkéa as a credit institution

The Crédit Mutuel Arkéa Group will now begin operational implementation of its unilateral disaffiliation. At its meeting of June 29, 2018, Crédit Mutuel Arkéa's Board of Directors approved the planned organizational structure of the future independent group and called on the local savings banks to convey their opinion, starting in the fall of 2018, on the implementation of this structure. It was also decided that Crédit Mutuel Arkéa will do business under a name other than "Crédit Mutuel." Nevertheless, operational implementation of Crédit Mutuel Arkéa Group's unilateral disaffiliation must be approved by the local savings banks.

It is anticipated that the local savings banks will become Local Cooperative Companies ("LCCs") and will retain their status as cooperative companies with variable capital that, together with Arkéa, will form a union of cooperatives, pursuant to Act 47-1775 of September 10, 1947 which created cooperative

status (the “1947 Act”). The corporate purpose of the new LCCs will be refocused on their primary objective: to develop the cooperative shareholder base and facilitate access to banking and financial services. They will thus be responsible, in particular, for promoting cooperative and mutualist values and for advising cooperative shareholders and prospects within their geographical purview.
To do so, all regulated financial activities of the local savings banks will be contributed or sold to Arkéa, which at the same time will open local branches within the banks. Moreover, under this new organization, all banking operations and investment services will thereafter be carried out by the Arkéa local branch opened on the LCCs’ premises.

To perform their intermediation activities, the LCCs could, if necessary, opt for the status of banking transaction and payment services intermediaries, insurance intermediaries and/or tied agents of Arkéa for the provision of investment services.

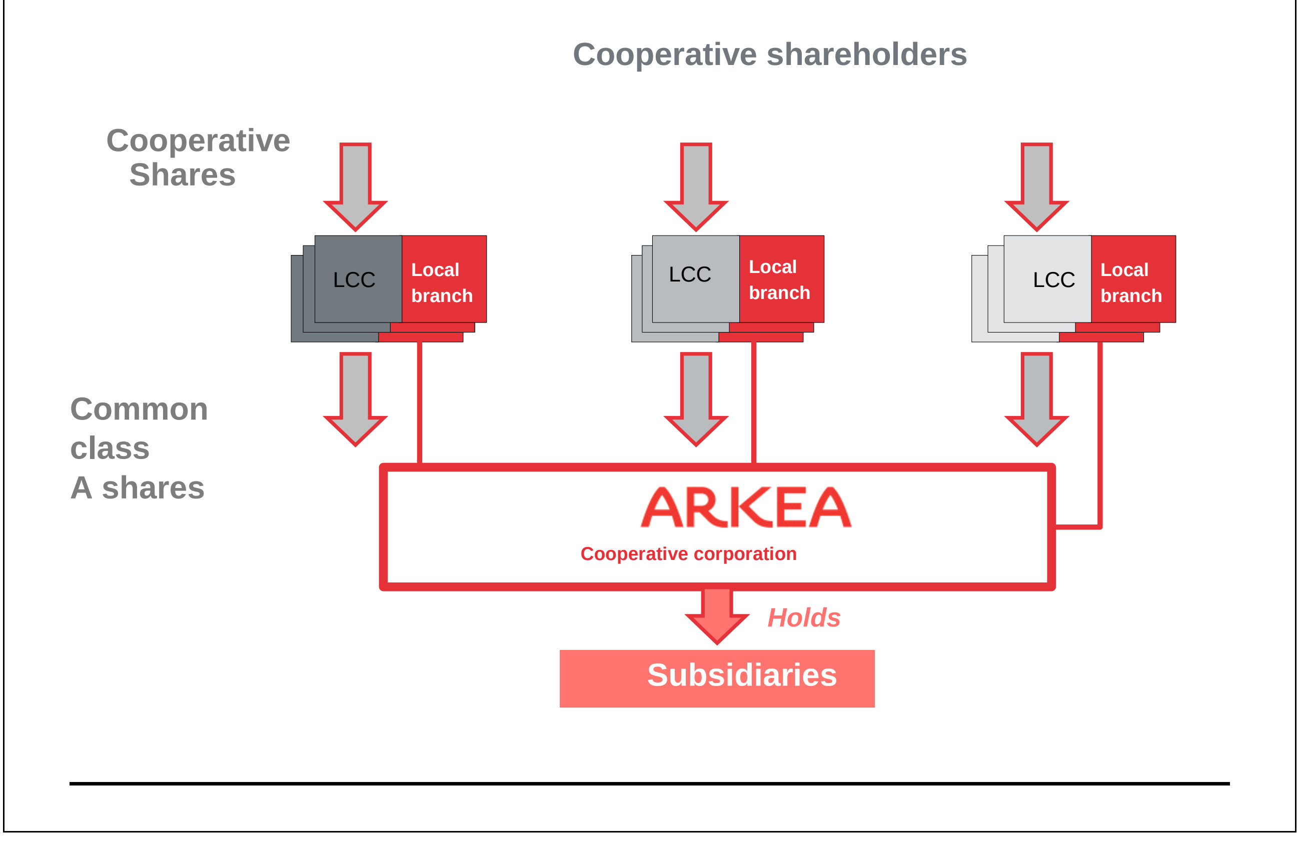
Each LCC could also advise the local branch of Arkéa with which it is affiliated for the purpose of providing appropriate banking and financial services to its cooperative shareholders.

In accordance with the 1947 Act, each cooperative shareholder could continue to take part in the LCCs’ corporate procedures under the “one person, one vote” principle and run for a position on his/her LCC’s board of directors. The LCCs will continue to be the sole holders of the class A common shares issued by Arkéa. In other words, Arkéa’s governance would be rooted in the involvement and participation of each LCC.

In addition, an affiliation agreement between all LCCs and Arkéa will be entered into for a term of 99 years with the aim of implementing solidarity, mutual assistance and support mechanisms to further the achievement of the LCCs’ primary mission, i.e., to promote access to banking and financial services for all.

Regional federations will be set up to structure the operation and governance of the LCCs.

Crédit Mutuel Arkéa Group’s proposed organizational structure



2.7 Risk factors

There has been no significant change in risk factors from the situation described in the 2017 Registration Document, other than the risks related to the Crédit Mutuel Arkéa Group’s unilateral disaffiliation from Crédit Mutuel.

2.7.1 Risks due to the complexity of the situation and risks associated with the Crédit Mutuel Arkéa Group’s disaffiliation from Crédit Mutuel

The situation in relation to the Crédit Mutuel Arkéa Group’s proposed disaffiliation from Crédit Mutuel is complex and generates uncertainties and associated risks. In addition, any commercial stakes linked to the loss of the "Crédit Mutuel" brand and the adoption by Crédit Mutuel Arkéa of a name and commercial brands that do not include the terms "Crédit Mutuel" must be taken into consideration.

The disaffiliation of the Crédit Mutuel Arkéa Group will not change its status as a cooperative and territorial group with mutualist values. However, its disaffiliation from Crédit Mutuel will engender consequences that may be difficult to assess. Because of its unprecedented nature, Crédit Mutuel Arkéa cannot guarantee that the project will be completed, that it will not have to undergo major changes compared to what was initially planned or that new difficulties will emerge during its implementation.

2.7.2 Risks in relation to local savings banks

Uncertainties about the possibility for the local savings banks to continue issuing cooperative shares by making public offerings and possible loss of the local savings banks’ banking licenses

As a result of the local savings banks’ unilateral disaffiliation from Crédit Mutuel they will cease to be covered by the group banking license granted pursuant to Article R. 511-3 of the French Monetary and Financial Code, which could impact their ability to issue cooperative shares to the public in the future. Until now, public offerings of cooperative shares have been an essential source of financing for CMA. The inability of local savings banks to continue making public offerings could have a major impact on its financial position if an alternative plan is not put in place. A share issue program is under discussion with the French Prudential Supervision and Resolution Authority (ACPR) and the European Central Bank (ECB). There is no certainty that the proposed program will be accepted by the authorities.

CMA’s analysis of the implementation of Crédit Mutuel Arkéa Group’s unilateral disaffiliation from Crédit Mutuel has confirmed that the class A, B and C cooperative shares that have been issued by the local savings banks to date would not be affected.

The legal basis for early redemption of the class A, B and C cooperative shares is found in (i) the 1947 Act and (ii) Regulation (EU) No. 575/2013 of June 26, 2013 due to the capital nature of the cooperative shares. These laws do not provide for early redemption on the grounds of loss of the local banks’ banking license or a change in their corporate purpose, provided they retain their cooperative status.

Moreover, the contractual terms of the class A, B and C cooperative shares do not provide for early redemption in the event the local savings banks that are converted into LCCs lose their banking license.

Risk associated with the future status of the local savings banks that voted against the proposed unilateral disaffiliation

The local savings banks that voted against the unilateral disaffiliation from Crédit Mutuel, or that chose not to take part in the vote, may decide not to join this new organization. They may opt to remain a part of Crédit Mutuel, in an organizational structure yet to be defined by Crédit Mutuel. However, the results of the vote on the Crédit Mutuel Arkéa Group’s proposed independence are not necessarily an indication of the outcome of the local savings banks’ future vote on the operational implementation of this unilateral disaffiliation from Crédit Mutuel. Because each local savings bank’s vote in the first half of

2018 was merely a straw poll, each local savings bank will be asked to vote on the Crédit Mutuel Arkéa Group's unilateral disaffiliation implementation.

Local savings banks that choose to vote against unilateral disaffiliation will have to join Crédit Mutuel in order to be covered by a new group banking license. This new affiliation is not grounds for early redemption of the class A, B and C cooperative shares. However, these local savings banks will be repaid the value of the ordinary class A Crédit Mutuel Arkéa shares they hold.

More specifically, with respect to the local savings banks that are members of the Crédit Mutuel Massif Central federation, at the Crédit Mutuel Arkéa Board of Directors' meeting held on January 17, 2018, the Crédit Mutuel Arkéa Group requested the local savings banks of the three federations (Bretagne, Sud-Ouest and Massif Central) to initiate consultations on the Crédit Mutuel Arkéa Group's proposed independence. The board of directors of the Crédit Mutuel Massif Central federation opposed the principle of consulting the boards of directors of the local banks within its purview. Nevertheless, a consultation was initiated by six of the 30 local banks that are members of the Crédit Mutuel Massif Central federation.

Risks associated with the final vote of the cooperative shareholders

Operational implementation of Crédit Mutuel Arkéa Group's unilateral disaffiliation must be voted on and approved by the local banks' Boards of Directors. Local savings banks that vote in favor of disaffiliation from Crédit Mutuel will be required to convene an extraordinary general shareholders' meeting to approve *inter alia* the relevant amendments to their articles of incorporation. The results of the straw poll on the Crédit Mutuel Arkéa Group's proposed independence plan are not necessarily an indication of the outcome of the local banks' future vote on the operational implementation of this unilateral disaffiliation from Crédit Mutuel. There is no certainty as to the outcome of the local savings banks' future votes.

At this stage, there is no certainty as to how this situation may play out and/or when it will be resolved.

2.7.3 Risks in relation to Crédit Mutuel Arkéa

At the conclusion of the unilateral disaffiliation of the Crédit Mutuel Arkéa Group (which will then become the **"Arkéa Group"**) from Crédit Mutuel, whose central body is the CNCM, the Arkéa Group will continue to be structured around Arkéa (currently Crédit Mutuel Arkéa), which will be licensed as a cooperative bank and directly supervised by the ACPR and the ECB.

Risks associated with the approval of the supervisory authorities

In accordance with the French Monetary and Financial Code, at the time of Crédit Mutuel Arkéa's unilateral disaffiliation from Crédit Mutuel, the CNCM, as its central body, should notify the ACPR of Crédit Mutuel Arkéa's unilateral disaffiliation.

Implementation of the proposed unilateral disaffiliation is subject to the approval of the ACPR and the ECB concerning the banking authorization of Crédit Mutuel Arkéa and the local savings banks attached to it, and these authorities will be required to make a decision thereon when the central body notifies the ACPR of each Crédit Mutuel Arkéa Group entity's loss of affiliate status in accordance with Article L. 511-31 of the French Monetary and Financial Code. At this stage, discussions are under way with each of these authorities. However, there is no assurance that their approval will be obtained, and the time frame and conditions for obtaining such approval are uncertain. Changing Crédit Mutuel Arkéa's corporate name will also require the prior approval of these authorities.

Risk associated with prudential calculations

The Crédit Mutuel Arkéa Group's disaffiliation from Crédit Mutuel may result in a change in the weighted risk calculation internal model, which may generate higher capital requirements, or may require a transition to a standard model.

As of December 31, 2017, credit risk was assessed on the basis of net risk exposure totaling €88 billion, of which:

- risk exposure totaling €58.3 billion was measured using an internal rating approach; and
- risk exposure totaling €29.7 billion was already measured using a standard approach.

Therefore, the disaffiliation from Crédit Mutuel may lead to a review of the weighted risk assessment method for the €58 billion in risk exposure that is currently measured using an internal rating approach.

Risks associated with compensation claims by the CNCM

On June 19, 2018, the CNCM issued a press release in which it raised the possibility of claiming compensation from the Crédit Mutuel Arkéa Group on " the basis of the €3.5 billion in accumulated reserves of Crédit Mutuel Arkéa and its local savings banks, for the retrocession to Crédit Mutuel of the pooling profit created the community of customers and cooperative shareholders" and compensation for the "losses caused, in particular as a result of the need to reestablish its network in the Southwest and Brittany." Crédit Mutuel Arkéa considers this communication to be misleading because it lacks any legal basis, either as regards the calculation bases mentioned or as regards the very principle of compensation To date, the Crédit Mutuel Arkéa Group has not received any formal and substantiated demand. However, if such a demand is made, Crédit Mutuel Arkéa will dispute it.

Risks associated with CMA's governance

At its meeting held on April 20, 2018, the CNCM's board of directors proposed new draft articles of incorporation for the CNCM that would enable it to expel key executives of the regional federations. In reaction thereto, Crédit Mutuel Arkéa's general shareholders' meeting held on May 16, 2018 adopted a resolution authorizing CMA's Board of Directors, its Chairman and the executives effectively running CMA to decide to unilaterally disaffiliate from the CNCM in the event of hostile action. This exit would be carried out by exercising the right of withdrawal available to any member of a 1901 Act association such as the CNCM. These new provisions of the articles of incorporation were approved by CNCM's general shareholders' meeting held on May 31, 2018 and were then approved by the Economy and Finance Minister in a letter dated July 10, 2018.

Litigation risks

Implementation of the Crédit Mutuel Arkéa Group's unilateral disaffiliation from Crédit Mutuel creates the risk that the CNCM may legally challenge the Crédit Mutuel Arkéa Group's unilateral disaffiliation.

Moreover, operational implementation of the Crédit Mutuel Arkéa Group's disaffiliation may generate litigation or various claims against Crédit Mutuel Arkéa by the Group's customers or counterparties, in particular due to the unprecedented nature of such disaffiliation.

Risk associated with the loss of inter-federation solidarity

Crédit Mutuel Arkéa will lose the benefit of the inter-federation solidarity mechanism if the Crédit Mutuel Arkéa Group becomes independent from Crédit Mutuel as described above. However, Crédit Mutuel Arkéa has its own solidarity mechanism which would function in the first instance.

An affiliation agreement between all LCCs and Arkéa will be entered into for a term of 99 years with the aim of implementing solidarity, mutual assistance and support mechanisms to further the achievement of the LCCs' primary mission, i.e., to promote access to banking and financial services for all.

At this stage, there is no certainty as to how this situation may play out and/or when it will be resolved.

3) Consolidated financial statements at June 30, 2018

Balance sheet (In thousands of euros)

Assets	Notes	06/30/2018 IFRS 9	01/01/2018 IFRS 9	12/31/2017 IAS 39
Cash, due from central banks	1	4,168,222	4,182,765	4,182,765
Financial assets at fair value through profit or loss	2	1,022,508	1,120,970	22,981,741
Derivatives used for hedging purposes	3	664,371	685,923	685,923
Financial assets at fair value through equity	4a	10,013,020	10,607,608	
Financial assets available for sale	4b			38,031,257
Securities at amortized cost	5	148,735	157,737	
Loans and advances to banks at amortised cost	1	8,379,171	7,599,543	7,259,426
Loans and advances to customers at amortised cost	6	52,824,778	50,135,759	50,483,395
Remeasurement adjustment on interest-rate risk hedged portfolios		261,782	264,848	264,850
Financial assets held to maturity				101,294
Placement of insurance activities	7	52,395,847	50,600,452	
Current tax assets		160,255	209,444	209,205
Deferred tax assets		76,393	114,092	54,848
Accruals, prepayments and sundry assets		1,162,390	1,054,892	2,170,984
Non-curent assets held for sale		0	0	0
Deferred profit-sharing		0	0	0
Equity method investments		201,960	190,340	190,347
Investment property		162,994	168,838	515,395
Property, plant and equipment		258,245	253,085	253,085
Intangible assets		427,830	427,580	427,580
Goodwill	8	571,184	572,684	572,684
TOTAL ASSETS		**132,899,685**	**128,346,560**	**128,384,779**

Liabilities	Notes	06/30/2018 IFRS 9	01/01/2018 IFRS 9	12/31/2017 IAS 39
Due to central banks	9	0	0	0
Financial liabilities at fair value through profit or loss	10	559,648	558,817	610,438
Derivatives used for hedging purposes	3	392,531	398,672	398,672
Debt securities	12	11,282,997	10,737,984	10,787,859
Due to banks	9	7,255,272	7,999,171	9,814,554
Customer accounts	13	51,068,351	49,379,692	49,436,172
Remeasurement adjustment on interest-rate risk hedged portfolios		53,514	46,800	46,800
Current tax liabilities		83,610	119,391	119,045
Deferred tax liabilities		114,439	162,207	152,025
Accruals, deferred income and sundry liabilities		2,385,508	2,005,388	5,471,948
Liabilities associated with non-current assets held for sale		0	0	0
Insurance companies' technical reserves	14	50,254,488	48,247,133	42,807,688
Provisions	15	394,365	413,281	394,857
Subordinated debt		2,402,215	1,892,119	1,892,773
Total equity		**6,652,747**	**6,385,905**	**6,451,948**
Shareholders' equity, group share		6,649,794	6,383,023	6,449,066
Share capital and reserves		2,244,983	2,207,864	2,207,864
Consolidated reserves		3,904,814	3,941,361	3,531,437
Gains and losses recognised directly in equity		253,486	233,798	281,644
Net income		246,511		428,121
Minority interests		2,953	2,882	2,882
TOTAL LIABILITIES		**132,899,685**	**128,346,560**	**128,384,779**

Income statement

(In thousands of euros)

	Notes	06/30/2018 IFRS 9	12/31/2017 IAS 39
Interest and similar income	18	894,818	915,752
Interest and similar expense	18	(564,804)	(620,506)
Fee and commission income	19	319,343	325,792
Fee and commission expense	19	(67,203)	(121,919)
Net gain (loss) on financial instruments at fair value through profit or loss	20	59,708	18,547
Net gain (loss) on financial assets at fair value through equity	21a	25,397	
Net gain (loss) on financial assets available for sale	21b		57,549
Net loss arising from derecognition of financial assets measured at amortised cost	22	1	
Net income from insurance activities	23	334,061	
Income from other activities	24	118,116	3,580,688
Expense from other activities	24	(37,014)	(3,153,137)
Net banking income		**1,082,423**	**1,002,766**
General operating expenses	25	(675,464)	(632,298)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(58,106)	(55,572)
Gross operating income		**348,853**	**314,896**
Cost of risk	26	(37,663)	(25,333)
Operating income		**311,190**	**289,563**
Share of earnings of companies carried under equity method		6,546	1,674
Net income on other assets	27	474	(2,032)
Goodwill variations	32	19,626	0
Pre-tax income		**337,836**	**289,205**
Income tax	28	(91,285)	(95,826)
Net profit from discontinued operations		0	0
NET INCOME		**246,551**	**193,379**
O/w Minority interests		41	117
NET INCOME - GROUP SHARE		**246,511**	**193,262**

Statement of net income and gains and losses recognised directly in equity

(In thousands of euros)

	Notes	06/30/2018 IFRS 9	01/01/2018 IAS 39
Net income		**246,551**	**193,379**
Actuarial gains and losses on defined-benefit plans (net of taxes)		-3,964	-976
Credit risk revaluation of financial libailities recorded at fair value through profit and loss by option (net of taxes)		883	
Revaluation of equity instrument recorded at fair value through equity (exluding securities sold during the year) (net of taxes)		34,879	
Share of revaluation of financial assets in equity recorded at fair value through equity, sold during the year (net of taxes)		-1,055	
Share of gains or losses booked directly to equity from equity-method entities (net of taxes)		4,805	-67
Items not to be recycled in profit and loss		**35,548**	**-1,043**
Revaluation of available-for-sale financial assets (net of taxes)		-7,416	
Revaluation of debt instruments at fair value through equity transferable (net of taxes)		-8,537	116,194
Revaluation of derivative hedging instruments (net of taxes)		-142	1,331
Share of gains or losses booked directly to equity from equity-method entities (net of taxes)		236	14,529
Items to be recycled in profit and loss		**-15,859**	**132,054**
Total gains and losses recognised directly in equity	**40**	**19,689**	**131,011**
Net income and gains and losses recognised directly in equity		**266,240**	**324,390**
O/w group share		266,199	324,273
O/w minority interests		41	117

CHANGE IN SHAREHOLDERS' EQUITY

(In thousands of euros)

	Share capital and reserves	Consolidated reserves	Total gains and losses recognised directly in equity	Net income, group share	Total equity, group share	Minority interest in equity	Total equity
Position at 1 January 2017	**2,203,108**	**3,239,290**	**291,625**	**336,187**	**6,070,210**	**2,747**	**6,072,957**
Capital increase	8,774				8,774		8,774
Elimination of own shares					0		0
Issuance of preferred shares					0		0
Equity components of hybrid instruments					0		0
Equity components whose payment is share-based					0		0
Allocation of the previous year income		336,187		(336,187)	0		0
Dividend paid in 2017 in respect of 2016		(37,456)			(37,456)	(4)	(37,460)
Change in equity interests in subsidiaries with no loss of control		170			170	(16)	154
Subtotal of movements related to relations with shareholders	**2,211,882**	**3,538,191**	**291,625**	**0**	**6,041,698**	**2,727**	**6,044,425**
Changes in gains and losses recognised directly in equity			131,011		131,011	(1)	131,010
First half of 2017 net income				193,262	193,262	117	193,379
Subtotal	**2,211,882**	**3,538,191**	**422,636**	**193,262**	**6,365,971**	**2,843**	**6,368,814**
Impact of acquisitions and disposals on minority interests					0		0
Share of changes in shareholders' equity of equity method associates and joint ventures		(1)			(1)		(1)
Change of accounting methods					0		0
Other changes		(867)			(867)	54	(813)
Position at 30 June 2017	**2,211,882**	**3,537,323**	**422,636**	**193,262**	**6,365,103**	**2,897**	**6,368,000**
Capital increase	(4,018)				(4,018)		(4,018)
Elimination of own shares					0		0
Issuance of preferred shares					0		0
Equity components of hybrid instruments					0		0
Equity components whose payment is share-based					0		0
Allocation of the previous year income					0		0
Dividend paid in 2017 in respect of 2016					0		0
Change in equity interests in subsidiaries with no loss of control		(6,936)			(6,936)	(18)	(6,954)
Subtotal of movements related to relations with shareholders	**2,207,864**	**3,530,387**	**422,636**	**193,262**	**6,354,149**	**2,879**	**6,357,028**
Changes in gains and losses recognised directly in equity			(140,992)		(140,992)	(1)	(140,993)
Second half of 2017 net income				234,859	234,859	3	234,862
Subtotal	**2,207,864**	**3,530,387**	**281,644**	**428,121**	**6,448,016**	**2,881**	**6,450,897**
Impact of acquisitions and disposals on minority interests					0		0
Share of changes in shareholders' equity of equity method associates and joint ventures		886			886		886
Change of accounting methods					0		0
Other changes		164			164	1	165
Position at 31 December 2017	**2,207,864**	**3,531,437**	**281,644**	**428,121**	**6,449,066**	**2,882**	**6,451,948**
Capital increase	37,119				37,119		37,119
Elimination of own shares					0		0
Issuance of preferred shares					0		0
Equity components of hybrid instruments					0		0
Equity components whose payment is share-based					0		0
Allocation of the previous year income		428,121		(428,121)	0		0
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 movements related to relations with shareholders	**2,244,983**	**3,923,429**	**281,644**	**0**	**6,450,056**	**2,879**	**6,452,935**
Changes in gains and losses recognised directly in equity			19,688		19,688		19,688
First half of 2018 net income				246,511	246,511	41	246,552
Subtotal	**2,244,983**	**3,923,429**	**301,332**	**246,511**	**6,716,255**	**2,920**	**6,719,175**
Impact of acquisitions and disposals on minority interests					0		0
Share of changes in shareholders' equity of equity method associates and joint ventures		160			160		160
Change of accounting methods					0		0
Other changes		(18,775)	(47,846)		(66,621)	33	(66,588)
Position at 30 June 2018	**2,244,983**	**3,904,814**	**253,486**	**246,511**	**6,649,794**	**2,953**	**6,652,747**

CASH FLOW STATEMENT

(In thousands of euros)

	30/06/2018	30/06/2017
Cash flows from operating activities		
Net income	246,551	193,379
Income Tax	91,285	95,826
Pre-tax income	**337,836**	**289 205**
Amortisation and depreciation of property, plant and equipment and intangible assets	56,812	54,628
Depreciation and impairment of goodwill and other fixed assets	331	(2)
Net additions to depreciations	31,518	15,293
Share of earnings of companies carried under equity method	(6,546)	(1,674)
Net loss/(gain) from investing activities	(7,260)	(37,579)
Net loss/(gain) from financing activities	0	0
Other movements without cash flows	1,362,579	1,082,164
Total non-cash items included in net income and other adjustments	**1,437,434**	**1,112,830**
Interbank and money market items	(1,246,236)	1,689,019
Customer items	(792,198)	(93,071)
Other financial items	(634,739)	(4,469,114)
Other non-financial items	1,196,968	2,006,598
Dividends received from companies carried under equity method	874	0
Taxes paid	(78,343)	13,303
Increase/(decrease) in operating assets/liabilities	**(1,553,674)**	**(853,265)**
CASH FLOWS FROM OPERATING ACTIVITIES	**221,596**	**548,770**
Cash flows from investing activities		
Financial investments	(535,780)	73,072
Investment property	(1,440)	(17,342)
Plant, equipment and intangible assets	(62,816)	(60,655)
Other	0	0
CASH FLOWS FROM INVESTING ACTIVITIES	**(600,036)**	**-4 925**
Cash flows from financing activities		
Cash flows from/(to) the shareholders	34,524	(61,502)
Other cash flows from financing activities	707,000	(1,610,000)
CASH FLOWS FROM FINANCING ACTIVITIES	**741,524**	**(1,671,502)**
Net increase/(decrease) in cash and cash equivalents	**363,084**	**(1,127,657)**
Cash flows from operating activities	221,596	548,770
Cash flows from investing activities	(600,036)	(4,925)
Cash flows from financing activities	741,524	(1,671,502)
Cash and cash equivalents, beginning of the year	**3,874,179**	**3,814,302**
Cash, due from/to central banks (Assets and liabilities) (Notes 1 and 9)	4,182,765	3,617,196
Loans and receivables due from/to banks (Assets and liabilities)	(308,586)	197,106
Cash and cash equivalents, end of the year	**4,237,263**	**2,686,645**
Cash, due from/to central banks (Assets and liabilities) (Notes 1 and 9)	4,168,222	2,937,643
Loans and receivables due from/to banks (Assets and liabilities) (Notes 1, 7c, 9 and 14b)	69,041	(250,998)
CHANGE IN NET CASH	**363,084**	**(1,127,657)**

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 from operations record the cash flow generated by the Group’s lines businesses including such flows arising from negotiable debt securities.

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

Notes to the consolidated financial statements at June 30, 2018

MAJOR EVENTS

Nearly midway through the Arkéa 2020 strategic plan, the Arkéa group's performance for the period ended June 30, 2018 was excellent. Net income attributable to equity holders of the parent company was €247 million thanks to strong sales activity in all the group's business lines.

Net banking and insurance income rose by 8% to €1,082 million; despite the pressures of a persistently low interest rate environment, this figure reflects the effectiveness of Arkéa's diversified business model. At the same time, keeping operating expenses under control at €733 million helped strengthen the group's profitability.

The cost of risk at June 30, 2018 of €38 million.

In the first half of the year, via its Financo subsidiary, the group finalized the acquisition of the auto financing activity of My Money Bank in France. This acquisition resulted in the recognition of badwill in the income statement for the first half of 2018.

The Crédit Mutuel Arkéa's Board of Directors has given to the group's directors, on 17th January 2018, a mandate to take any action enabling Crédit Mutuel Arkéa to become an independent cooperative and mutual banking group, entirely separate from the rest of Crédit Mutuel.

Directors of the local savings banks and Federations of Brittany, South-West and Massif Central were invited to vote in the first half of 2018. 94.5% of the local savings banks which voted did so in favour of Crédit Mutuel Arkéa's independence. Crédit Mutuel Arkéa will thus become a cooperative and territorial group, with mutualist values.

Crédit Mutuel Arkéa group will now start the operational implementation of its unilateral desaffiliation from Crédit Mutuel. The Board of Directors of Crédit Mutuel Arkéa approved on 29th June 2018 a target organisation scheme for the future independent group and invited local savings banks to take a position on the implementation of this scheme.

ACCOUNTING STANDARDS APPLIED

Pursuant to European Regulation 1606/2002 of July 19, 2002 on the application of international standards, Crédit Mutuel Arkéa group prepared its interim consolidated financial statements for the period ending June 30, 2018 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of that date. These statements are presented in accordance with ANC recommendation 2017-02. The content of these financial statements was determined in accordance with the provisions of IAS 34 relating to condensed interim financial reporting.

As of June 30, 2018, the Group is subject to new standards, applicable at January 1, 2018, which are adopted by the European Union.

The Group decided not to apply optional new standards and interpretations adopted by the European Union when application is only optional in 2018.

IFRS 9 Financial instruments

The Group applies IFRS 9 since January 1, 2018.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It defines new rules regarding:
- classification and measurement of financial instruments (stage 1)
- impairment for credit risk of financial assets (stage 2)
- hedge accounting, excluding macro hedging (stage 3).

Classification and measurement and the new impairment model under IFRS 9 are applied retrospectively by adjusting the opening balance sheet at January 1, 2018 (impact on equity), with no requirement to restate prior years for comparison purposes.

Therefore, the group is presenting its 2018 financial statements without a 2017 comparison in IFRS 9 format, and an explanation of the movement of the portfolios between the two standards and the impacts on equity at January 1, 2018 are presented below (section Notes – First-Time Application). The group is not applying stage 3, which is optional, and hedging therefore continues to be recognised according to IAS 39 as adopted by the European Union.

The implementation of IFRS 9 pertains to all the group's activities except the insurance entities, which may defer application until 2021, as provided by the amendment to IFRS 4 as adopted by the European Union.

The IFRS 9 principles applied by the group are described in detail in the section entitled Accounting principles and measurement methods.

NOTES – FIRST TIME APPLICATION

The main impacts of the first-time application of IFRS 9 at January 1, 2018 are as follows:

Note 1 – IAS 39 - IFRS 9 transition table / Classification and measurement

This table presents gross outstanding loans.

Valuation classes IAS 39	12/31/2017 IAS 39 balance	Instrument natures and accounting categories IAS 39	12/31/2017 IAS 39 detailed balances	Instrument natures and accounting categories IFRS 9	Reclassification to iso value	Revaluation	Reclassification insurance	Other reclassifications (1)	01/01/2018 IFRS 9 balance
Financial assets at fair value through profit or loss	22,981,741	Assets held for trading purposes of which derivative instruments	364,055	Assets held for trading purposes of which derivative instruments		(116)	(686)		363,253
		Equity intruments classified at fair value option	16,802,014	Equity intruments classified at fair value through profit or loss	(79,238)		(16,618,709)		104,067
				Equity intruments classified at fair value OCI					
		Debt instruments and loans classified at fair value option	5,815,672	Debt instruments designated as at fair value through profit or loss	(30,042)		(5,776,248)		9,382
				Debt instruments or loans mandatorily measured at fair value through profit or loss	109,280				109,280
				Debt instruments mesured at fair value through profit or loss - trading					
				Debt instruments mesured at fair value OCI					
				Securities at amortised cost					
Available-for-sale financial assets	38,031,257	Availaible-for-sale equity intruments	2,221,955	Equitiy instruments designated as at fair value OCI	(247,394)		(1,501,201)		473,360
				Equity instruments mesured at fair value through profit or loss	159,001			2	159,003
		Availaible-for-sale debt intruments	35,809,302	Debt instruments mesured at fair value OCI	(217,765)		(25,457,286)	(3)	10,134,248
				Debt instruments mesured at fair value through profit or loss					
				Debt instruments or loans mandatorily measured at fair value through profit or loss	215,374			(4)	215,370
				Securities at amortised cost	78,118	(1,577)		3	76,543
Financial assets recognised at amortised cost	60,966,932	Cash, due from central banks	4,182,765	Cash, due from central banks					4,182,765
		Loans and receivables to banks	7,259,426	Loans and receivables to banks, at amortised cost	(62,994)		(20,264)	425,075	7,601,243
				Loans and receivables, at fair value through profit or loss	63,441	(663)		609	63,387
		Loans and receivables to customers *(excluding finance lease)*	49,423,447	Loans and receivables to customers, at amortised cost (excluding finance lease)			(107,655)	156	49,315,948
				Loans and receivables, at fair value through profit or loss					
		Held-to-maturity financial assets	101,294	Securities at amortised cost	(82,367)		(6,708)	70,246	82,465
				Debt instruments mesured at fair value OCI					
				Debt instruments mesured at fair value through profit or loss					
				Debt instruments or loans mandatorily measured at fair value through profit or loss	94,587	1,462		1,180	97,229

01/01/2018 IFRS 9 balance	Financial assets at fair value through profit or loss	1,120,970
	Financial assets at fair value through equity	10,607,608
	Financial assets at amortised cost	61,258,964

(1) Other reclassifications include reclassifications of guarantee deposits to financial instruments in accordance with ANC recommendation 2017-02

Application, in terms of classification, of the provisions of IFRS 9 to financial assets for those whose classification has changed:

• By default, equity instruments are recognised at fair value through profit or loss. Those that were designated at fair value through non-recyclable equity were submitted to a validation committee (Executive Committee).

• Debt instruments were analyzed based on the following two criteria:

(i) Business model: all the portfolios were assigned to a "Collection", "Collection and sale" or "Sale" business model based on the criteria defined by IFRS 9 and applied on the date of first-time application.

(ii) An analysis of the SPPI – Solely Payments of Principal and Interest – criteria (see accounting principles) on the date of initial recognition.

Most of the financial assets that were measured at amortized cost continue to meet the conditions for recognition at amortized cost under IFRS 9.
The main reclassifications relate to:
• For the loan portfolios: specific loans granted to credit institutions
• For the investment securities portfolios: structured bonds or bonds whose variable interest rates are not in sync with the time value of dividend payments.

The main reclassifications of debt securities that were measured at fair value through equity (available-for-sale assets) and are reclassified at fair value through profit or loss relate to:
• Units of UCITS or venture capital mutual funds
• Securitizations

Note 2 – IFRS 9 reclassification of financial assets through profit or loss using the fair value option under IAS 39

Reclassification of assets through profit or loss using the fair value option at 12/31/2017 (IAS 39) which are no longer designated as such at 01/01/2018 (IFRS 9)			
in thousands of euros	**Reclassification required by the standard**	**Reclassification chosen by the group**	*IFRS 9 target accounting category*
Equity instruments	**104,067**		Equity intruments classified at fair value through profit or loss
			Equity intruments classified at fair value OCI
Debt instruments and loans	**109,280**		Debt instruments designated as at fair value through profit or loss
			Debt instruments mesured at fair value OCI
			Securities at amortised cost

These are mainly equity instruments for which the option no longer exists and debt instruments that were classified through profit or loss using the fair value option since they contained an embedded derivative.

No assets were newly designated at fair value through profit or loss as of the date of first-time application.

Note 3 – Tracking of fair values for instruments reclassified at amortized cost and those reclassified from fair value through profit or loss to fair value through equity

Classification IAS 39	Classification IFRS 9	Fair value at the reporting date	Gains/losses on fair value that would have been recognized through profit or loss or OCI during the period if they had not been reclassified
Assets held for trading *Fair value through profit or loss*	Equitiy instruments designated as at fair value OCI		
	Debt instruments mesured at fair value OCI		
	Debt instruments at amortised cost		
Assets mesured at fair value option *Fair value through profit or loss*	Equitiy instruments designated as at fair value OCI		
	Debt instruments mesured at fair value OCI		
	Debt instruments at amortised cost		
Available-for-sale assets *Fair value through equity*	Debt instruments at amortised cost	74,210	196

Note 4 – IAS 39 - IFRS 9 transition table / Impairment

a- Changes in value adjustments for depreciation as at FTA

	IAS 39	IFRS 9	Closing balance of value adjustments for impairment or provisions IAS 39 / IAS 37	Impacts of IAS 39 collective provisions / IFRS 9 Buckets 1 and 2	Other impacts (chg. in provisions due to reclassification of the asset and elimination of provisions for equity instruments)	Opening balance of value adjustments for losses IFRS 9
Assets...	...mesured at fair value through profit or loss *Fair value through profit or loss*	Fair value through profit or loss				
		Fair value OCI				
		Amortised cost				
	...Available-for-sale *Fair value through equity*	Fair value through profit or loss	(14,253)		14,253	-
		Fair value OCI	(21,542)	(4,783)	21,542	(4,783)
		Amortised cost		(1,271)		(1,271)
	...Held-to-maturity *Amortised cost*	Fair value through profit or loss				
		Fair value OCI				
		Amortised cost				
	Loans and receivables to banks *Amortised cost*	Fair value through profit or loss				
		Fair value OCI				
		Amortised cost	-	(1,700)		(1,700)
	Loans and receivables to customers (excluding finance lease) *Amortised cost*	Fair value through profit or loss				
		Fair value OCI				
		Amortised cost	(948,751)	(70,238)		(1,018,989)
	Finance lease		(48,610)	(23,349)		(71,959)
	Other assets					
Commitments given	Financing commitments			(14,462)		(14,462)
	Financial guarantees			(3,963)		(3,963)
	Other commitments given					

b - Presentation of IFRS 9 opening balance

Instrument natures and accounting categories IFRS 9		Calculation basis - IFRS 9 Provisions			Opening balance - IFRS 9 Provisions		
		Bucket 1	Bucket 2	Bucket 3	Bucket 1	Bucket 2	Bucket 3
Fair value through equity	Debt instruments	10,060,849	78,182	-	(4,607)	(176)	-
	Loans and receivables	-	-	-	-	-	-
Amortised cost	Debt instruments	133,603	25,405	-	(228)	(1,043)	-
	Loans and receivables to banks	7,601,243	-	-	(1,700)	-	-
	Loans and receivables to customers (excluding finance lease)	45,639,247	2,266,119	1,410,582	(94,228)	(122,501)	(802,260)
	Finance lease	1,686,505	153,317	70,937	(12,809)	(10,540)	(48,610)

Note 5 – Change in shareholders's equity

	Share capital and reserves	Consolidated reserves	Gains and losses recognised directly in equity	Net income - group share	Shareholders' equity - group share	Minority interests	Consolidated shareholders' equity
Shareholders' equity at 31 December 2017	2,207,864	3,531,437	281,644	428,121	6,449,066	2,882	6,451,948
Impacts on consolidated reserves		70,625	(70,734)		(109)		(109)
Impairment		(119,786)	4,789		(114,997)		(114,997)
Deferred tax		30,965	18,100		49,065		49,065
Shareholders' equity at 1 January 2018	2,207,864	3,513,241	233,800	428,121	6,383,025	2,882	6,385,907

IFRS 15 Revenue from Contracts with Customers

This standard defines the principles for measuring revenue related to contracts with customers, with the exception of contracts governed by specific standards such as those related to leases, insurance contracts and financial instruments. The standard is based on a five-step model that includes: identification of a contract with a customer, identification of the performance obligations in the contract, determination of the transaction price of the contract, allocation of the transaction price to the performance obligations and recognition of revenue when a performance obligation is satisfied.

Amendments have been issued to provide clarification on its implementation in the following areas: identification of performance obligations, agent/principal distinction, intellectual property licenses.
The European Union adopted IFRS 15 on October 29, 2016 and it has been applicable since January 1, 2018.

An analysis of the standard and identification of its potential effects indicated that there was no significant impact for the group; the method used to recognize business revenue therefore did not change.

Other standards

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

They pertain to:
- application of the fair value through profit or loss option by venture capital/private equity entities to their associates and joint ventures. The amendment to IAS 28 specifies that this option may be exercised on an entity-by-entity basis;
- information regarding transfers to or from the investment property category (IAS 40),
- transactions for which payment is share-based according to IFRS 2.

The changes relate to:

- the recognition of vesting conditions for the measurement of cash-settled transactions,
- transactions that include a net settlement feature related to withholding tax,
- modification of the terms of a share-based payment, which results in a change in the classification of the transaction from cash-settled to equity-settled.

Main standards adopted by the European Union and not yet applied

IFRS 16 Leases

IFRS 16 Leases, published in January 2016, will replace IAS 17 Leases and the interpretations related to the recognition of such contracts.
The new definition of lease contracts implies the existence of an identified asset, on the one hand, and control by the lessee of the right to use the asset, on the other.
From the lessor's standpoint, the expected impact should be more limited, as the provisions applied are substantially unchanged relative to IAS 17.
For the lessee, the standard will require the recognition, on the assets side, of all leases in the form of a right to use the leased asset recorded under fixed assets and the recognition, on the liabilities side, of a financial liability for the lease payments and other payments to be made during the lease term.

IFRS 16 will become mandatory for fiscal years beginning on or after January 1, 2019.
The group continued to analyze the standard during the year. It took an inventory of its lease agreements. A study of the potential impacts of IFRS 16 on the group's financial statements is underway.

Main standards not yet adopted by European Union

IFRS 17 Insurance Contracts

On May 18, 2017, the IFRS Foundation published the new standard IFRS 17 Insurance Contracts. IFRS 17 replaces IFRS 4 Insurance Contracts published in 2004. IFRS 4 allowed companies to continue to use 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 recognised in a standardized manner.

Subject to its adoption by the European Union, IFRS 17 will take effect on January 1, 2021.

The Group has launched a task force to analyze the standard and its main impacts.

The standards adopted by the European Union may be viewed on the European Commission web site:

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 PRINCIPLES AND EVALUATION METHODS

The group has applied IFRS 9 since January 1, 2018 for the recognition of financial instruments for its banking activity. The insurance business continues to apply IAS 39 following the adoption of the temporary exemption from applying IFRS 9, as provided by the amendment to IFRS 4.

To take advantage of this deferral, the following conditions must be met:

- no transfer of financial instruments between the insurance segment and the conglomerate's other segments (with the exception of financial instruments at fair value through profit or loss for both segments involved in the transfer),
- indication of the insurance entities deferring application of IFRS 9,
- the provision of additional information in notes by presenting the activities related to insurance separately from those related to banking.

Respectful of the conditions listed above, the group's entities that are deferring application of IFRS 9 are Suravenir and Suravenir Assurances.

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

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

Accounting principles for the banking activity

IFRS 9 sets out different classification rules for equity instruments (shares or other variable-income securities) and for debt instruments (bonds, loans or other fixed-income securities).

To determine the accounting category of debt instruments (debt securities, loans and receivables), the following two criteria must be analyzed:

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

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

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

- future sales forecasts,
- the way in which risk is assessed.

Under the collection model, certain examples of authorized sales are explicitly indicated in the standard:

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

These "authorized" sales are not included in the analysis of the significant and frequent nature of the sales carried out on a portfolio. Moreover, sales related to changes in the regulatory or fiscal framework will be documented on a case-by-case basis to demonstrate the "infrequent" nature of such sales.
For other sales, thresholds have been defined based on the maturity of the securities portfolio (the group does not sell its loans).

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

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

- Cash flow characteristics

The contractual cash flows, which represent only repayments of principal and payments of interest on the principal balance, are compatible with a so-called basic agreement.
In a basic agreement, interest mainly represents consideration for the time value of money (including in case of negative interest) and credit risk. Interest may also include liquidity risk, administrative fees to manage the asset and a profit margin.

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist mainly of debt securities (fixed- or variable-rate) 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). UCI (undertaking for collective investment) and mutual fund instruments will be recognised as such.

By default, shares are also recognised at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised at fair value excluding acquisition costs and including accrued dividends.
The accrued or earned income from fixed-income securities is recognised 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 payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Dividends from variable-income securities are recognised in the income statement under the heading “Net gain (loss) on financial instruments at fair value through profit and loss.”
Changes in fair value during the period, at the reporting date, as well as capital gains or losses on assets in this category are also recognised in "Net gain (loss) on financial instruments at fair value through profit or loss".
No impairment is recognised on the assets at fair value through profit or loss, since the counterparty risk is included in the market value (fair value).

Financial derivative instruments of transaction and hedging - assets and liabilities

According to the option offered by IFRS 9 pending the finalization and adoption of the standard's macro hedging component, the Crédit Mutuel Arkéa group has decided not to adopt the Hedging component of IFRS 9 and continues to apply all the provisions of IAS 39 with regard to hedging.
However, the additional disclosures on hedging required by amended IFRS 7 are presented as of January 1, 2018.

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

Derivatives are covered by master netting agreements, which make it possible to net winning and losing positions in case of counterparty default. The Group negotiates ISDA-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 allows for the recognition of own credit risk when valuing derivative financial liabilities (debt value adjustment – DVA). Moreover, the change in valuation techniques, which in particular takes into account the clarifications provided by this standard, led the Group to adjust the methods for measuring counterparty risk in the fair value of derivative financial assets (credit value adjustment – CVA).
The Group calculates the CVA and DVA on derivative instruments for each counterparty to which it is exposed.

The credit valuation adjustment (CVA) calculation consists of multiplying the Group’s expected positive exposure with regard to the counterparty, estimated using the so-called swaptions method, by the probability of default (PD) of the counterparty and the loss given default (LGD) rate. The debt valuation adjustment (DVA) calculation consists of multiplying the Group’s expected negative exposure with regard to the counterparty, estimated using the so-called swaptions method, by the Group’s probability of default (PD) and loss given default (LGD) rate.

The calculation methodology uses market data, notably CDS curves to estimate the PD.

The funding valuation adjustment (FVA) is intended to materialize the cost to finance positions on derivative instruments that do not involve any posting of collateral. The FVA calculation consists of multiplying the Group's expected exposure with regard to the counterparty by the estimated market financing cost.

A positive amount of €18.1 million was recognised on the balance sheet for valuation adjustments as of June 30, 2018.

To classify a financial instrument as a hedging derivative, the Group prepares formalised 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%,
- 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.

Fair value hedging:

The goal of fair value hedging is to reduce the risk of a change in 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 hedged transaction. The only impact on the income statement is the potential ineffectiveness of the hedge.

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 depreciations 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. Retrospectively, hedges must be discontinued when the underlyings to which they are linked become insufficient.

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 “Gains and losses recognised directly in equity” while the ineffective portion is recognised in the profit and loss account 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)” synchronised with the cash flows of the hedged instrument impacting profit or loss. If the hedging relationship is discontinued or if it 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 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).

Debt instruments at fair value through equity are initially recognised at fair value, i.e. their purchase price, including acquisition costs – if material – and accrued dividends. At the reporting date, these securities are measured at fair value, with any changes in value recognised in equity under "unrealized gains and losses recognised directly in equity".

These unrealized gains or losses recognised in equity are recognised through profit or loss only in case of a sale or impairment for credit risk.
The accrued or earned income from fixed-income securities is recognised through profit or loss under "interest and similar income" according to the effective interest rate method.

This category also include shares resulting from the application of the irrevocable option made available under IFRS 9 at the time of initial recognition. This irrevocable choice is made on a deal-by-deal basis, i.e. each time a security is added to the portfolio.
Impairment is not recorded for these assets.
The unrealized gains or losses on these instruments recognised in equity are never recognised through profit or loss for equity instruments, even in case of a sale.

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

Debt securities at amortized cost

Debt securities at amortized cost meet the following criteria:

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

They are recognised initially at their purchase price, including acquisition costs – if material – and accrued dividends. At the reporting date, they are measured using the amortized cost method at the effective interest rate and must give rise to a provision for impairment for credit risk.

Loans and receivables due from financial institutions and customers, at amortized cost

“Loans and receivables” are financial assets with fixed or determinable payments that are not quoted on an active market.

Loans and receivables at amortized cost meet the following criteria:
- they are held in order to collect the cash flows inherent in the instrument; and
- the cash flows correspond to those of a basic loan ("SPPI" cash flows).

All loans and receivables owed to Crédit Mutuel Arkéa group by financial institutions and customers that are not intended for sale when extended are recognised in the “loans and receivables at amortized cost” category

Initially, they are recognised at market value which is usually the net amount initially paid out including the transaction costs directly attributable to the transaction and fees analysed as an adjustment to the effective yield of the loan. On the balance sheet date, loans and receivables are valued at amortised cost. Interest, transaction costs, and fees included in the initial value of the loans are amortised over the life of the loan. In this manner they contribute to the formation of income over the life of the loan.

Fees received in connection with financing commitments that have a low probability of being drawn or which are used haphazardly over time and in terms of amount are spread on a straight-line basis over the term of the commitment.

The fees received for commercial loan renegotiations are deferred. The renegotiation of the loan results in the derecognition or modification of the former loan. According to this principle, the fees remaining to be deferred on former loans are recognised immediately in income.

The restructuring of a loan following the debtor’s financial difficulties results in the novation of the loan agreement. Based on the definition of this concept by the European Banking Authority (EBA), the Group identified loan restructuring (Forbearance) on those loans held.

Customer finance leases

Leasing operations are classified as finance leases when they transfer to the lessee substantially all the risks and rewards incidental to the ownership of the leased property. When this is not the case, leasing operations are classified as operating leases.
Finance leases are posted on the balance sheet at the amount corresponding to the value of the minimum payments receivable from the lessee discounted at the implied interest rate of the contract plus any unsecured residual value. The interest portion of the rental 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 recognised when the financial asset is recorded on the balance sheet.

The financial assets in question include:
- debt instruments (securities and loans and receivables) recognised at amortized cost or at fair value through equity
- assets related to leasing and finance lease activities
- other receivables, such as trade receivables, and receivables under IFRS 15 *Revenue from Contracts with Customers*, etc.

Financing or guarantee commitments given that are not measured at fair value through profit or loss are also subject to impairment.
Equity instruments and debt instruments recognised at fair value through profit or loss are not covered by provisions for impairment for credit risk.

Provisions for impairment are also set up for receivables with guarantees when an expected credit risk exists.

Impairment is recognised under “net additions to/reversals from provisions for loan losses" and may be reversed through profit or loss when the provision for calculated expected loss decreases.

Under the IFRS 9 provisioning model, financial assets for which a provision for impairment is recognised are classified into three groups called "buckets" based on the credit risk level:

- Bucket 1: IFRS 9 introduces the notion of "expected loss"; consequently, since credit/counterparty risk cannot be zero regardless of the asset, a provision for individual credit risk is calculated (based on one-year expected losses) and recognised when the financial asset is recorded on the balance sheet.

- Bucket 2: if, during the life of the instrument, credit risk increases significantly, the loan is reclassified into bucket 2 and a provision for expected loss calculated on the basis of lifetime expected losses is recognised.

- Bucket 3: in case of actual credit risk (a counterparty's default, for example), the loan is classified into bucket 3. A provision for expected loss calculated on the basis of lifetime expected losses will be recognised.

Actual loss exists:
  - there have been one or more delinquent payments lasting at least three months ;
  - the position of a counterparty presents characteristics such that even if there has been no delinquency, we can conclude that there is an established risk ;
  - the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganisation/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy, liquidation of property, including assignments in 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, and this irrespective of the existence of guarantees or collateral. 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.

- Definition of the boundary between buckets 1 and 2

The group uses the models developed for prudential purposes and has therefore applied a similar breakdown of its outstanding loans:
  - low default portfolios (LDP), for which the rating model is based on an expert assessment: Large accounts, banks, local governments, sovereigns, specialized financing,
  - high default portfolios (HDP), for which historical data is used to develop a statistical rating model: mass corporate, retail.

A significant increase in credit risk, which entails transferring a loan out of bucket 1 into bucket 2, is assessed by:
  - taking into account all reasonable and justifiable information, and

- comparing the risk of default on the financial instrument at the reporting date with the risk of default at the initial recognition date.

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

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

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

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

➢ Quantitative criteria

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

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

➢ Qualitative criteria

As well as this quantitative data, the group uses qualitative criteria such as payments not made or overdue by more than 30 days, the notion of restructured loans, etc.
Methods based exclusively on qualitative criteria are used for entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

- Buckets 1 and 2 – calculation of expected credit losses

In terms of calculation, the provisioning model takes into account:
- Probability of the debtor's default
- Loss given default of the debtor
- The Crédit Mutuel Arkéa group's exposure (i.e. the outstanding loans related to this counterparty on the balance sheet and the commitments given).

Provisions must also take into account past, present and future forward-looking information.

Expected credit losses are measured by multiplying the outstanding amount of the loan by its probability of default (PD) and by the loss given default (LGD). The off-balance sheet exposure is converted to an on-balance sheet equivalent based on the probability of a drawdown. The one-year probability of default is used for bucket 1 and the probability of default at termination for bucket 2.
These parameters are taken from the models developed for prudential purposes and adapted to IFRS 9 requirements. They are used for both assignment to the buckets and the calculation of expected losses.

➢ Probability of default

This is based:

- for high default portfolios, on the models approved under the IRB-A approach,
- for low default portfolios, on an external probability of default scale.

➢ Loss given default

This is based:

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

➢ Conversion factors

These are used to convert off-balance sheet exposure to an on-balance sheet equivalent and are mainly based on the prudential models.

➢ Forward-looking aspect

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

For high default portfolios, the forward-looking aspect included in the probability of default takes into account three scenarios (optimistic, neutral, pessimistic), which will be weighted based on the group's view of changes in the economic cycle over five years. The group mainly relies on macroeconomic data available from well-known national or international statistics agencies. The forward-looking approach is adjusted to include elements that were not captured by the scenarios because:
- they are recent, meaning they occurred a few weeks before the reporting date;
- they cannot be included in a scenario: for example, regulatory changes that will certainly have a significant effect on the risk parameters and whose impact can be measured by making certain assumptions.

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

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

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

- Bucket 3: recognition

The loss due to impairment is the difference between amortised 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 amounts estimated conservatively. As a result, only the impairment on disputed receivables has been discounted. In the income statement, impairment loss movements are recorded under the heading “cost of risk” except for the add-backs for the effects of the reversal of discounting, which are recorded under “Interest and similar income.”

- Originated credit-impaired financial assets

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

Financial assets that are impaired as of the date of initial recognition must be subject to specific recognition according to the provisions of IFRS 9.

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 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 or liabilities measured and managed at fair value,
- substantial elimination or reduction of an accounting treatment inconsistency.

The Crédit Mutuel Arkéa group uses this option to record at fair value through profit or loss issues of liabilities originated and structured on behalf of clients whose risks and any hedging thereof are managed as part of the same whole.

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

- under "Gains or losses recognised directly in non-recyclable equity", for the portion corresponding to own credit risk;
- in profit or loss for the period under "Net gain (loss) on financial instruments at fair value through profit or loss", for the remaining portion.

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.
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 three 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 embedded derivative meets the definition of a derivative,
- the separate measurement of the embedded derivative to be separated is sufficiently reliable to provide an accurate assessment.

Realised and unrealised gains and losses are recognised 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 recognised at fair value, which is normally the net amount received initially less transaction costs that can be directly attributed to the transaction when they are significant. On the balance sheet date, such amounts are valued at their amortised 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 the heading "Interest and similar expense."

Debt securities

Liabilities in the form of securities issued are broken down by type of security (certificates of deposit, interbank market securities and negotiable debt securities, bond issues and similar).

Initially, they are recognised at fair value i.e. at their issue price less any transaction costs that can be directly related to the transaction when they are significant. On the balance sheet date, said amounts are valued at amortised cost according to the effective interest rate method. Accrued interest or interest due on debt securities represented by a certificate are recorded in the income statement under the “Interest and similar expense.”

Subordinated debt

Subordinated debt are fixed or indefinite term debt that may or may not be represented by a certificate and which differ from receivables or bonds because repayment will take place only in the event of the liquidation of the debtor and after all the secured creditors have been paid. They are valued according to the amortised cost method. The accrued interest or interest due on subordinated debt is recorded on the income statement under the heading “Interest and similar expense.”

Under IFRS 9, a renegotiated debt that does not result in derecognition must be maintained at its original effective interest rate and the impact related to renegotiation (gain or loss) is recognized immediately through profit or loss.

It should be noted that, following clarification by the IFRS Interpretations Committee (IFRIC) regarding the accounting treatment of a debt renegotiation under IFRS 9, the Crédit Mutuel Arkéa Group has not adjusted the amortized cost of renegotiated liabilities given the immateriality of the amounts in question.

Accounting principles for the insurance business

The insurance activity may defer application of IFRS 9 until 2021, as provided by the amendment to IFRS 4 as adopted by the European Union.
The financial assets and liabilities of the insurance companies are subject to the provisions of IAS 39, as described below. They are presented under "Investments of insurance activities" and "Liabilities related to contracts of insurance activities", respectively, on the balance sheet.
Income and expenses related to the insurance activities are presented under "Net income from insurance activities" in the income statement, within which:

- Income and expenses recognized in respect of insurance contracts issued are presented under "other income/expense related to insurance activities".
- Income and expenses related to the insurance entities’ proprietary activities are recognized under the appropriate line items.

When they are relevant, the disclosures under IFRS 7 are produced separately for the insurance entities.

In accordance with the regulation on adoption of November 3, 2017, the group ensures that there are no transfers of financial instruments that could lead to derecognition between the insurance segment and the group's other segments, other than those measured at fair value through profit or loss in both segments.

The specific accounting policies and valuation methods applied to assets and liabilities arising from the issuance of insurance policies are established in accordance with IFRS 4. The latter is also applicable to reinsurance contracts entered into and financial contracts that include a discretionary profit-sharing provision.

Aside from the aforementioned cases, the other assets held and liabilities issued by the insurance companies follow the rules common to all 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 and liabilities 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 or liabilities 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 accounting treatment with the related insurance liabilities,
- shares of UCITS in which the management company is in 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 recognised at fair value. Not eliminated fixed-income securities totaled €346 million as of June 30, 2018 compared with €351 million as of December 31, 2017. Their elimination would have reduced pre-tax net income by €8 million as of June 30, 2018.

The financial assets representing the technical provisions on unit-linked contracts are presented in "Financial assets at fair value through profit or loss." (insurance activities).

The treatment described in the banking section also applies to derivatives.

Initially, financial assets at fair value through profit or loss are recognised at their fair value excluding acquisition costs and including accrued dividends.
The accrued or earned income from fixed-income securities is recognised in the income statement under the heading "interest and similar income" (insurance activities) according to the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Dividends from variable-income securities are recognised in the income statement under the heading "Net gain (loss) on financial instruments at fair value through profit and loss."
Changes in fair value during the period, at the reporting date, as well as capital gains or losses on securities in this category are also recognized in "Net gain (loss) on financial instruments at fair value through profit or loss" (of the insurance activities).
No impairment is recognised 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.
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 three 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.

Realised and unrealised gains and losses are recognised on the income statement under "Net gain (loss) on financial instruments at fair value through profit or loss" (insurance activities).

Derivative financial hedging instruments – assets and liabilities

The treatment described in the banking section also applies to derivative financial hedging instruments.

Available-for-sale financial assets

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

Available-for-sale securities are recognised initially at their fair value i.e. the purchase price, including acquisition costs - if they are material – and accrued dividends. On the balance sheet date, such securities are measured at their fair value through equity “Gains and losses recognised directly in equity”.

Such unrealised gains or losses recognised in equity are only recognised in the income statement if the securities are disposed or if there is permanent impairment.

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

Impairment of securities

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

In the case of variable-income securities, the group employs a quantitative criterion to identify material and long-term declines: impairment is recognised 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. 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 recognised in the income statement under “Net gain (loss) on financial instruments available-for-sale”. Any subsequent decline in value leads to an increase in impairment charged against net income. In the event of an increase in value, the provision may not be reversed through the income statement. In the case of on debt securities, impairment is recorded in “Cost of risk,” and may be written back through profit when the market value of the security has increased due to some objective event that has taken place since the last time it was written down.

Held-to-maturity financial assets

Held-to-maturity financial assets are primarily fixed-income or determinable income securities with a fixed maturity that the Group intends and is able to hold to maturity.
Initially, they are recognised at their acquisition price including acquisition costs – when material – and accrued dividends. On the balance sheet date, they are valued according to the amortised cost method at the effective interest rate and may be the subject of impairment when necessary.

Loans and receivables due from financial institutions et loans and receivables related to insurance business

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

The treatment of these financial assets (excluding impairment) is identical to the treatment applied to Loans and receivables with credit institutions and with customers at amortized cost, pursuant to IFRS 9.

Impairment of loans and receivables

Receivables written-down on an individual basis

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

- there have been one or more delinquent payments lasting at least three months ;
- the position of a counterparty presents characteristics such that even if there has been no delinquency, we can conclude that there is an established risk;
- the counterparty is involved in litigation, including proceedings for overindebtedness, court-ordered reorganisation/receivership, court-ordered settlement, court-ordered liquidation, personal bankruptcy, liquidation of property, including assignments in an international court.

The loss due to impairment is the difference between amortised 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, impairment loss movements are recorded under the heading “cost of risk” (insurance activities).

Financial liabilities

With regard to financial liabilities, the rules for the accounting treatment of financial liabilities at fair value through profit or loss, liabilities with credit institutions and customers, debt securities and subordinated debt are the same under IAS 39 and IFRS 9 (excluding recognition of renegotiated debts).

The rules related to provisioning are also similar, except for provisions for commitments given, for which the provisions of IAS 39 continue to apply for the insurance activities.

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

The 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 insured. The risks covered include primarily death, disability and inability to work (for credit 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 premium (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 insured) 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 unrealised capital gains and losses on assets attributable to the insured. 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 recognised in income for the period (and would be reversed, if necessary, at a subsequent date).

Common accounting principles for banking and insurance activities

Equity

Difference between liabilities and equity

A debt instrument or a 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 interpretation and treated as such in the Group’s consolidated financial statements.

Measurement of fair value of financial instruments

Fair value is defined by 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". Initially, fair value is usually the transaction price.

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

- Financial assets and liabilities at fair value through profit or loss ;
- Financial assets and liabilities at fair value through equity ;
- Available-for-sale financial assets ;
- Derivatives used for hedging purposes.

Other financial assets and liabilities are initially recognised at fair value. They are subsequently recognised 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 with credit institutions and with customers at amortized cost under IAS 39 and IFRS 9 (including loans and receivables related to the insurance activities);
- Debt securities at amortized cost;
- Held-to-maturity securities ;
- Liabilities to credit institutions and customers ;
- Debt securities ;
- Subordinated debt.

Assets and liabilities are furthermore broken down into three hierarchy levels, corresponding to the degree of observability of inputs used in the valuation techniques to determine their 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 as to provide price information on a continuous basis.

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

Level 2: Assets and liabilities whose fair value is calculated using 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 for swaps or the Black & Scholes model for options.
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 like swaps and options products;
- Structured products.

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

Two methods are used to measure banks loans and receivables deposits :

- 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, maturing in over one year is measured using the Black & Scholes model.

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

The market value of loans, borrowings, debt securities and variable-rate subordinated debt is obtained by discounting future cash flows with calculation of a forward and the use of dedicated yield curve spreads.
Signature cost of the Group is included in the rate curve held for the valuation of debt securities and subordinated debt.

The nominal value of short-term receivables and debt (under one year) is equivalent to their fair value.

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

Valuation methods using unobservable market data are used only in the folowing 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.

Equity investments that are 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.

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 as null: transactions carried out by the Group for its own account are recognised at their fair value. Transactions carried out on behalf of customers generate a premium, which is recognised as revenue at inception.

Use of judgments and estimates in the preparation of financial statements

Preparation of the Group's financial statements requires making assumptions and estimates whose future realisation 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 principles and valuation methods described below.

Property, plant and equipment, intangible assets and investment property

Pursuant to IAS 16, IAS 38 and IAS 40, property, plant and equipment or investment property is recognised as an asset if:

- it is likely that the future economic rewards from this asset will belong to the enterprise
- and if the cost of said asset can be measured reliably.

Pursuant to IAS 40, the Group's property is classified as "investment property" (banking or insurance activities) when it is held primarily to earn rentals or for capital appreciation. Property held primarily to be occupied by the Group for administrative or sales uses is classified as "property, plant and equipment."

Property, plant and equipment and investment property 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 initial recognition, property, plant and equipment and investment property are valued at cost minus accumulated depreciation and any impairment losses.

The fair value of investment properties, disclosed in the notes, is subject to an expert valuation.

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

In cases where the software is used in connection with a commercial contract the amortisation period can exceed five years, and is defined in terms of the contract period.

If one or more components of property, plant and equipment or investment property have a different use or earn economic rewards at a different pace than that of the property, plant and equipment or investment property as a whole, said components are depreciated according to their own useful life. The Group applied this accounting method for “Property, plant and equipment” and “Investment property”. The following components and amortisation periods have been adopted by the Group:

Component	Amortisation period
Land	Not amortised
Structural works	Head offices and investment property: 50 years Agencies: 25 years
Non-structural works	25 years
Plant and Equipment	20 years
Fixtures and fittings	3 to 10 years

The other tangible and intangible assets are depreciated according to their own useful life :

	Amortisation period
Furnitures	10 years
Computer equipment	3 to 5 years
Self-produced and acquired software	2 to 5 years
Portfolio of customer contracts acquired	6 to 13 years

Amortisation is calculated using the straight-line method. For tangible and intangible non-current assets, amortisation is recorded on the income statement under the heading “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”. For investment property, they are recorded under the heading “expense from other activities.”

Indefinite-life assets are not depreciated but are the subject of impairment tests at least once a year.

Gains or losses on the disposal of property, plant and equipment are recorded in the income statement under the heading “net income on other assets” while net gains and losses on the disposal of investment property are recorded under the heading “income or expense from other activities.”

Insofar as concerns goodwill, if the recoverable amount of the related cash-generating unit is less than its carrying amount, an irreversible provision for impairment loss of goodwill is recognised. The impairment loss 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 cash-generating unit.

Given favorable market parameter trends and the absence of any factors that would fundamentally call into question the CGU forecasts for 2018 and the medium term, no impairment test was performed as part of the June 30, 2018 financial statements closing.

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 statement of financial position, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". Items in this category are recorded at the lower of their carrying amount and fair value less costs to sell, and are no longer amortised.

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

Discontinued operations include operations which are held for sale or which have been shut down, and subsidiaries acquired exclusively with a view to resale. They are shown separately in the income statement, on the line "After-tax income (loss) from discontinued operations."

Provisions

The Group's obligations for which it is probable that an outflow of resources will become necessary to settle them and whose amount or due date are uncertain but which may be estimated reliably are the subject of provisions. In particular, such provisions cover labor-related commitments, home savings product risks and disputes.

Pension commitments

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 recognised as an expense, recorded in « personnel expenses ». Defined benefit plans are plans for which the Group has made a commitment to ensure a benefit amount or level. This commitment constitutes a medium- or long-term risk. Retirement commitments outside the scope of defined contribution plans are fully provisioned in the balance sheet under "Provisions". Retirement bonuses, supplementary retirement plans, time-savings accounts and long-term service awards are recorded in this account.

The Group's obligation is calculated with the projected unit credit method, and takes into account demographic and financial assumptions. Specifically, the calculations use a discount rate of 1.55% in June 2018, this rate is determined by reference to the iBoxx corporate AA 10+ euro zone index based on corporate bonds, index adjusted to take into account the specific rate context. The calculations also include an employee turnover rate of between 0.91% and 6.73% and a salary increase rate of between 2.18% and 3.26%[1]. Commitments are calculated using the TH00-02 and TF00-02 life expectancy tables for the phase during which the commitment is being constituted and the TGH05 and TGF05 life expectancy tables for the phase during which pensions are paid out.

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

[1] Arkade UES (Unité Economique et Sociale) and Arkéa-SCD rates representing 98% of the commitment

For others long-term benefits, differences are recognised immediately in the income statement for the year.

As for post-employment benefits, actuarial differences are recognised under “Gains and losses recognised 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 mandated interest rate that could 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 write-backs are recognised in the income statement under “Interest and similar income” and “Interest and similar expense“ (banking activity).

CONSOLIDATION PRINCIPLES AND METHODS

SCOPE OF CONSOLIDATION AND CRITERIA

Consolidating entity

The consolidating entity of the Crédit Mutuel Arkéa group is Crédit Mutuel Arkéa as defined in the collective license issued by the "Autorité de Contrôle Prudentiel et de Résolution". This credit institution consists of:

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

Entities included in the consolidation scope are those over which the Group exercises exclusive or joint control or has significant influence and whose financial statements have a material impact on the Group's consolidated financial statements, in particular with respect to total assets and net income contribution.

Shareholdings owned by private equity companies over which joint control or significant influence is exercised are excluded from the scope of consolidation. These investments are recognised at fair value through profit or loss.

Controlled entities

Control exists when the Group (i) has power over an entity, (ii) is exposed to or has a claim on variable returns through its ties to the entity, and (iii) has the ability to exercise its power over the entity in such a way as to influence the amount of the return it obtains.

The consolidation of a subsidiary in the Group's consolidated financial statements begins on the date when the Group obtains such control and ends on the date when the Group relinquishes control over 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 minority interests in equity and in the profit and loss account is recorded separately on the liabilities side of the consolidated balance sheet and in the consolidated income statement.

Participations dans les entreprises associées et des co-entreprises

An associate is an entity over which the Group exercises significant influence. Such influence is characterized by the ability to participate in decisions involving the entity's financial and operating policies, even though control or joint control over these policies has not been obtained.
Significant influence is presumed if the Group owns, 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 can be shown through the lack of representation on governing bodies or the absence of participation in the process for determining company policies.

A joint venture is a partnership in which the parties exercising joint control over the entity have claims on the entity's net assets.

Joint control is determined by the contractually agreed upon control exercised over an entity, which only exists in cases where decisions affecting the relevant activities require the unanimous consent of the parties sharing control.

The earnings, assets and liabilities of investments in associates and joint ventures are recognised in the Group's consolidated financial statements using the equity method.

Under this method, investments in associates and joint ventures are initially recognised at their acquisition cost, subsequently adjusted to reflect the Group's share in the earnings and other comprehensive income of the associates or joint ventures.

An investment is recognised using the equity method as of the date when the entity becomes an associate or joint venture. At the time of acquisition of an associate or joint venture, the difference between the cost of the investment and the Group's share of the fair value of the entity's identifiable net assets and liabilities is recognised as goodwill. In cases where the fair value of the entity's identifiable net assets and liabilities exceeds the cost of the investment, the difference is shown through profit and loss.

Investment in joint operations

A joint operation is a partnership in which the parties exercising joint control over the entity have direct claims over the assets as well as obligations with respect to the liabilities related to this operation.

Main changes in scope of consolidation

In the first half of 2018, the Crédit Mutuel Arkéa group was diluted in the Primonial group following the capital increase carried out by Primonial through the acquisition of 40% of La Financière de l'Echiquier.

On June 1, 2018, Financo, the group's subsidiary specializing in consumer credit, purchased the auto financing activity of My Money Bank in mainland France.

The consolidated entities of Crédit Mutuel Arkéa are presented in note 31.

CONSOLIDATION PRINCIPLES

Balance sheet date

The balance sheet date for nearly all the consolidated companies is December 31.

Inter-company transactions

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

Accounting for acquisitions and goodwill

The Group applies Revised IFRS 3 for business combinations. The acquisition cost is the sum of the fair values, at the business combination date, of the assets given, liabilities incurred or assumed, and equity instruments issued by the acquiree.
Revised IFRS 3 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 (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 company (partial goodwill).

If goodwill is positive, it is recorded on the balance sheet under “Goodwill”; if negative, it is recognised immediately in the income statement, through “Goodwill variations”.

Goodwill is subject to an impairment test at least once per year and when there is evidence of an impairment loss.
Each goodwill item is allocated to a cash generating unit that stands to 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 organisational and management method and take into account the independent nature of these units.

When the Group increases its percentage stake in a company that is already controlled, the difference between the purchase price of the stock and the additional share of the consolidated shareholders’ equity that these securities represent on the acquisition date is recognised in shareholders’ equity.
In the event of a reduction in the equity interest without any loss of control, the impact of the change in equity interest is also recognised directly in equity.

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

Rental, leases with a buy-out clause and financial leases are re-processed in such a way as to take financial accounting into consideration.

Translation of foreign currency denominated financial statements

The balance sheets of entities whose accounts are kept in a foreign currency are translated on the basis of the official foreign translation rate on the balance sheet date. The difference on share capital, reserves and retained earnings are recorded in shareholders’ equity in the “Translation Reserves” account. The income statement is translated on the basis of the average translation rate during the fiscal year. Translation differences are recorded directly in the “Translation Reserves” account.

Taxes

IFRIC 21 “levies charged by a public authority” specifies the conditions for recognizing a liability for a levy.

An entity must recognize this liability only when the obligating event occurs in accordance with the relevant legislation. If the obligating event occurs over a period of time, the liability is recognised progressively over the same period. Lastly, if the obligating event is triggered on reaching a threshold, the liability is recognised when that minimum threshold is reached.

Deferred taxes

Deferred taxes are recognised 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 recognised 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 recognised 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 « contribution économique territoriale » (CET) and the “cotisation sur la valeur ajoutée des entreprises” (CVAE) are treated as operating expenses, it does not entail the recognition of deferred taxes in the consolidated financial statements.

Balance sheet notes In thousands of euros

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

	06/30/2018	01/01/2018
Cash, due from central banks		
Due from central banks	4,038,478	4,046,381
Cash	129,744	136,384
Related receivables	0	0
TOTAL	**4,168,222**	**4,182,765**
Loans and receivables due from banks		
Regular accounts	6,274,578	5,477,859
Loans	874,545	814,840
Versed deposits	389,486	425,078
Repurchase agreements	815,800	835,346
Receivables written down on an individual basis (B3)	0	0
Related receivables	26,433	48,120
Depreciations on healthy outstanding amounts (B1/B2)	(1,671)	(1,700)
Others depreciations (B3)	0	0
TOTAL	**8,379,171**	**7,599,543**
Of which, demand loans and deposits with banks	469,573	458,459

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

	06/30/2018	01/01/2018
Assets held for trading purposes	348,551	363,253
Assets classified at fair value on option - Excluding insurance	10,734	9,382
Other assets classified at fair value	663,223	748,335
TOTAL	**1,022,508**	**1,120,970**

Note 2a. Assets held for trading purposes

	06/30/2018	01/01/2018
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 UCITS	0	0
- Stocks and other variable-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Derivatives held for trading purposes	348,551	363,253
Loans and receivables	0	0
Of which securities loaned under purchased agreements	0	0
TOTAL	**348,551**	**363,253**

Derivative trading instruments are held as economic hedges on customer transactions.

Note 2b. Assets classified at fair value option

	06/30/2018	01/01/2018
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
Related receivables	0	0
Of which UCITS	0	0
- Stocks and other variable-income securities	0	0
. Listed	0	0
. Unlisted	0	0
Loans and receivables	10,734	9,382
Of which security deposits paid	0	0
Of which securities loaned under purchased agreements	0	0
TOTAL	**10,734**	**9,382**

The maximum non-recovery risk for loans recognised at fair value through profit or loss totaled €10,654 thousand. This amount is not hedged by credit derivatives.

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

	06/30/2018	01/01/2018
Securities	599,519	684,948
- Treasury bills, notes and government bonds	0	55,376
- Bonds and other fixed-income securities	297,771	366,502
. Listed	7,897	56,770
. Unlisted	283,458	303,502
Related receivables	6,416	6,230
Of which UCITS	162,705	154,536
- Stocks and other variable-income securities	301,748	263,070
. Listed	2,645	2,744
. Unlisted	299,103	260,326
Loans and receivables	63,704	63,387
Of which securities loaned under purchased agreements	0	0
Security deposits paid	0	0
TOTAL	**663,223**	**748,335**

Note 3. Derivatives used for hedging purposes

	Fair value hedge		Cash flow hedge	
	Book value	Nominal value	Book value	Nominal value
Rate risk				
Hedging derivatives				
Hedging derivatives at assets	662,040	15,383,329	2,331	30,000
Hedging derivatives at liabilities	386,075	19,653,120	6,456	38,000
Change in the fair value of the hedging instrument used to recognize the ineffectiveness of hedges during the period	(15,623)		0	
Currency risk				
Derivatives hedging				
Hedging derivatives at assets				
Hedging derivatives at liabilities				
Change in the fair value of the hedging instrument used to recognize the ineffectiveness of hedges during the period				

Note 4a. Financial assets at fair value through equity

	06/30/2018	01/01/2018
Treasury bills, notes and government bonds	**4,671,766**	**5,145,280**
Bonds and other fixed-income securities	**4,827,504**	**4,988,968**
- Listed	4,155,917	4,055,397
- Unlisted	650,666	907,609
Related receivables	24,532	28,523
Subtotal gross value of debt instruments	**4,831,115**	**4,991,529**
Depreciations on healthy outstanding amounts (B1/B2)	(3,611)	(2,561)
Others depreciations (B3)	0	0
Subtotal net value of debt instruments	**4,827,504**	**4,988,968**
Loans and receivables	**0**	**0**
- Loans and receivables due from banks	0	0
- Loans and receivables due from customers	0	0
Related receivables	0	0
Subtotal gross value of loans	**0**	**0**
Depreciations on healthy outstanding amounts (B1/B2)	0	0
Others depreciations (B3)	0	0
Subtotal net value of loans	**0**	
Stocks and other variable-income securities	**111,531**	**103,036**
- Listed	102,893	94,396
- Unlisted	8,638	8,640
Related receivables	0	0
Investment securities	**402,219**	**370,324**
- Long-term investments	352,371	310,675
- Other long-term investments	49,442	59,307
- Shares in associates	303	302
- Translation adjustements	0	0
- Loaned securities	0	0
Related receivables	103	40
Subtotal equity instruments	**513,750**	**473,360**
TOTAL	**10,013,020**	**10,607,608**
Of which unrealised gains/losses recognised directly in equity	161,510	136,567
Of which securities sold under repurchase agreements		
Of which listed long-term investment	139,779	112,823

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 €(1,639) thousand.

Note 4b. Financial assets available for sale

	12/31/2017
Treasury bills, notes and government bonds	**14,999,774**
Bonds and other fixed-income securities	**20,467,716**
- Listed	18,286,851
- Unlisted	2,180,865
Stocks and other variable-income securities	**1,368,661**
- Listed	727,906
- Unlisted	640,755
Investment securities	**847,638**
- Long-term investments	587,501
- Other long-term investments	259,834
- Shares in associates	303
- Translation adjustements	0
- Loaned securities	0
Related receivables	**347,468**
TOTAL	**38,031,257**
Of which unrealised gains/losses recognised directly in equity	453,678
Of which securities sold under repurchase agreements	0
Of which impaired securities	0
Of which impaired bonds	19,172
Of which depreciation for impairment recorded in profit or loss	(41,678)
Of which listed long-term investment	175,287

Note 5. Securities at amortized cost

	06/30/2018	01/01/2018
Treasury bills, notes and government bonds	**0**	**0**
Bonds and other fixed-income securities	**152,942**	**159,008**
Listed	41,200	60,343
Unlisted	109,660	97,571
Related receivables	2,082	1,094
GROSS TOTAL	**152,942**	**159,008**
of which impaired assets (B3)	5,489	0
Depreciations on healthy outstanding amounts (B1/B2)	(1,407)	(1,271)
Others depreciations (B3)	(2,800)	0
NET TOTAL	**148,735**	**157,737**

Note 6. Loans and receivables due from customers

	06/30/2018	01/01/2018
Performing receivables (B1/B2)	50,425,334	47,905,366
▪ Commercial receivables	134,807	137,515
▪ Other loans to customers	50,153,661	47,653,269
- Housing loans	27,489,449	26,093,575
- Other loans and various receivables, including repurchase agreements	22,617,766	21,559,694
- Versed deposits	46,446	0
▪ Related receivables	136,866	114,582
Receivables written down on an individual basis (B3)	1,391,406	1,410,582
Gross receivables	**51,816,740**	**49,315,948**
Depreciations on healthy outstanding amounts (B1/B2)	(237,014)	(216,729)
Others depreciations (B3)	(783,565)	(802,260)
Sous total I	**50,796,161**	**48,296,959**
Finance leases (net investment)	2,025,213	1,839,822
. Mobilier	1,277,850	1,100,094
. Immobilier	747,363	739,728
Receivables written down on an individual basis (B3)	76,364	70,937
Gross receivables	**2,101,577**	**1,910,759**
Depreciations on healthy outstanding amounts (B1/B2)	(23,673)	(23,349)
Others depreciations (B3)	(49,287)	(48,610)
SUBTOTAL II	**2,028,617**	**1,838,800**
TOTAL	**52,824,778**	**50,135,759**
Of which Equity loans with no voting rights	12,165	12,165
Of which subordinated loans	0	0

Note 7. Placement of insurances activities and reinsurers' shares in technical provisions

	06/30/2018	01/01/2018
Financial assets at fair value through profit or loss	24,600,485	22,395,643
Financial assets available for sale	26,507,000	26,958,487
Loans and receivables from bank	11,789	20,267
Loans and receivables related to insurance activities	442,479	436,659
Financial assets held to maturity	5,811	6,708
Investment properties	346,127	346,557
Share of reinsurers in technical provisions and other insurance assets	482,156	436,131
TOTAL	**52,395,847**	**50,600,452**

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

	06/30/2018	01/01/2018
Financial assets held for trading	**133**	**686**
Derivatives held for trading	133	686
Sub total I	**133**	**686**
Assets classified at fair value option	**24,600,352**	**22,394,957**
Securities	24,600,352	22,394,957
- Bonds and other fixed-income securities	6,030,826	5,776,248
. Listed	5,483,882	5,290,964
. Unlisted	473,803	426,789
. Related receivables	73,141	58,495
- Stocks and other variable-income securities	18,569,526	16,618,709
. Listed	10,186,689	9,527,151
. Unlisted	8,348,317	7,072,905
. Related receivables	34,520	18,653
Sub total II	**24,600,352**	**22,394,957**
TOTAL	**24,600,485**	**22,395,643**

Note 7b. Financial assets available for sale

	06/30/2018	01/01/2018
Treasury bills	**9,663,407**	**9,982,449**
Bonds and other fixed-income securities	**15,647,017**	**15,475,323**
Listed	14,234,316	14,208,623
Unlisted	1,253,392	1,083,446
Related receivables	159,309	183,254
Subtotal gross value of debt instruments	**25,310,424**	**25,457,772**
Depreciations	(266)	(486)
Subtotal net value of debt instruments	**25,310,158**	**25,457,286**
Stocks and other variable-income securities	**742,524**	**1,065,974**
Listed	294,869	636,163
Unlisted	441,196	424,622
Related receivables	6,459	5,189
Locked-in securities	**456,594**	**440,624**
- Equity securities	283,571	276,368
- Other securities held for the long term	173,023	164,256
- Shares in related companies	0	0
Subtotal gross value of equity instruments	**1,199,118**	**1,506,598**
Depreciations	(2,276)	(5,397)
Subtotal net value of equity instruments	**1,196,842**	**1,501,201**
TOTAL	**26,507,000**	**26,958,487**
Of which unrealized gains or losses recognized in equity	0	0
Of which listed equity securities	74,779	62,464

Note 7c. Loans and receivables from bank

	06/30/2018	01/01/2018
Loans and receivables from bank		
Crédit Mutuel network accounts	0	0
Other ordinary accounts	11,786	20,264
Loans	3	3
Versed deposits	0	0
Repurchase agreements	0	0
Related receivables	0	0
TOTAL	**11,789**	**20,267**
Including accounts and loans on banks	11,789	20,267

Note 7d. Loans and receivables related to insurance activities

	06/30/2018	01/01/2018
Healthy claims	**442,480**	**436,659**
▪ Customers loans	437,883	436,658
- housing loans	0	0
- others loans and receivables including pensions	437,883	436,658
▪ Related receivables	4,597	1
Insurance claims and reinsurance	0	0
Impaired claims	168	11
Gross claims	**442,648**	**436,670**
Depreciations	(169)	(11)
TOTAL	**442,479**	**436,659**

Note 7e. Investment properties

	01/01/2018	Increase	Decrease	Other	06/30/2018
Historical cost	520,956	12,263	(7,453)	0	525,766
Depreciation and amortization	(174,399)	(8,300)	3,060	0	(179,639)
NET AMOUNT	**346,557**	**3,963**	**(4,393)**	**0**	**346,127**

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

	06/30/2018	01/01/2018
Technical provisions - Reinsurer shares	81,968	77,318
Other insurance assets	400,188	358,813
TOTAL	**482,156**	**436,131**

Note 8. Goodwill

	01/01/2018	Acquisitions	Disposals	Other	06/30/2018
Gross goodwill	572,684	0	0	(1,500)	571,184
Depreciation	0	0	0	0	0
Net goodwill	**572,684**	**0**	**0**	**(1,500)**	**571,184**

Pole	Concerned companies	06/30/2018	01/01/2018
Retail customers	Arkéa Direct Bank	259,757	259,757
Corporates and Institutionals	Leasecom Leasecom Car	32,723	32,723
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	19,464
Products	Schelcher Prince Gestion	11,649	11,649
Products	Suravenir Assurances	10,969	10,969
Net goodwill		**571,184**	**572,684**

Note 9. Due to central banks - Due to banks

	06/30/2018	01/01/2018
Central banks	**0**	**0**
Banks	**7,255,272**	**7,999,171**
Regular accounts	354,502	330,690
Loans	1,635,280	2,031,803
Deposits and guarantees received	286,978	314,952
Other liabilities	54,675	48,481
Repurchase agreements	4,925,364	5,275,151
Related liabilities	(1,527)	(1,906)
TOTAL	**7,255,272**	**7,999,171**
Of which, loans and deposits with banks	412,203	777,519

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

	06/30/2018	01/01/2018
Financial liabilities held for trading	**374,862**	**384,997**
Short selling of securities	0	0
- Treasury bills	0	0
- Bonds and other fixed-income securities	0	0
- Shares and other variable income securities	0	0
Payables on securities sold under repurchase agreements	0	0
Derivatives	374,862	384,997
Other financial liabilities held for trading	0	0
Fair value option financial liabilities through profit or loss	**184,786**	**173,820**
Due to banks	1,275	14
Customer accounts	10,657	5,096
Debt securities	172,854	168,710
Subordinated debt	0	0
TOTAL	**559,648**	**558,817**

The redemption value of liabilities measured at fair value amounted to €566,539 thousand at June 30, 2018, against €564,359 thousand at January 01, 2018.

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

06/30/2018

	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	
Assets							
Derivatives	1,013,055	-	1,013,055	(416,093)	-	(283,112)	313,850
Reverse repurchase agreement of securites, securities borrowing or similar agreements	946,579	-	946,579	-	(815,800)	-	130,779
Other financial assets	-		-	-	-	-	-
Total assets	**1,959,634**	**-**	**1,959,634**	**(416,093)**	**(815,800)**	**(283,112)**	**444,629**
Liabilities							
Derivatives	871,845	-	871,845	(416,093)	-	(406,089)	49,663
Repurchase agreements of securities, securities lending or similar agreements	6,969,391	-	6,969,391	-	(6,954,327)	(7,746)	7,318
Other financial assets	-		-	-	-	-	-
Total liabilities	**7,841,236**	**-**	**7,841,236**	**(416,093)**	**(6,954,327)**	**(413,835)**	**56,981**

Note 12. Debt securities

	06/30/2018	01/01/2018
Certificates of deposit	13,250	13,643
Interbank market securities and negotiable debt	3,040,786	2,642,665
Bond issues	8,086,400	7,902,649
Related liabilities	142,561	179,027
TOTAL	**11,282,997**	**10,737,984**

Note 13. Customer accounts

	06/30/2018	01/01/2018
Savings accounts governed by special regulations	25,887,248	24,917,866
Demand accounts	20,447,526	19,576,834
Term accounts	5,439,722	5,341,032
Debt related to savings account	125,570	208,743
Subtotal	**26,012,818**	**25,126,609**
Current accounts	18,630,402	18,332,715
Term accounts and term loans	6,372,322	5,862,614
Repurchase agreements	0	0
Related liabilities	51,168	55,855
Versed deposits	1,641	1,899
Subtotal	**25,055,533**	**24,253,083**
TOTAL	**51,068,351**	**49,379,692**

Note 14. Liabilities relating to insurance activities

	06/30/2018	01/01/2018
Financial liabilities at fair value through profit or loss	104,452	100,838
Due to banks	2,067,898	2,127,987
Debt securities	0	0
Technical provisions of insurance contracts	43,941,418	42,807,688
Other insurance liabilities	4,139,879	3,209,966
Subordinated debt	841	654
TOTAL	**50,254,488**	**48,247,133**

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

	06/30/2018	01/01/2018
Financial liabilities held for trading	**104,452**	**100,838**
Derivatives	104,452	100,838
Others financial liabilities held for trading		
Fair value option financial liabilities through profit or loss	**0**	**0**
Due to banks	0	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	**104,452**	**100,838**

Note 14b. Due to banks

	06/30/2018	01/01/2018
Due to banks		
Crédit Mutuel network accounts	0	0
Other current accounts	118	9,793
Loans	0	0
Security deposits received from banks	0	0
Other liabilities		
Repurchase agreements	2,067,780	2,118,194
Related liabilities	0	0
TOTAL	**2,067,898**	**2,127,987**
Of which, loans and deposits with banks	118	9,793

Note 14c. Technical provisions of insurance contracts

	06/30/2018	01/01/2018
Life	31,998,912	31,728,589
Of profit-sharing	2,657,191	2,735,486
Non life	495,166	475,852
Unit-linked contracts	11,267,558	10,455,218
Other	179,782	148,029
TOTAL	**43,941,418**	**42,807,688**
Active deferred profit-sharing	0	0
Reinsurers' share	(81,968)	(77,318)
Net technical provisions	**43,859,450**	**42,730,370**

Note 14d. Other insurance liabilities

	06/30/2018	01/01/2018
Deposits and guarantees received	25,919	25,225
Insurance and reinsurance debts	40,901	58,379
Others	4,073,059	3,126,362
TOTAL	**4,139,879**	**3,209,966**

Note 15. Provisions

	01/01/2018	Allocations	Write-backs (used)	Write-backs (not used)	Other	06/30/2018
Provisions for pension costs	272,840	7,492	(4,835)	0	769	276,266
Provisions for home savings accounts and plans	22,524	0	0	(4,080)	0	18,444
Provisions for expected losses for credit risk of off-balance sheet commitments to banking activities	48,843	13,662	0	(13,274)	7	49,238
Provisions for execution of guarantee commitments	0	0	0	0	0	0
Provision for taxes	14,675	0	(3,469)	0	0	11,206
Provisions for legal proceedings	11,493	1,324	(1,290)	(676)	(351)	10,500
Provisions for risks	4,573	477	(674)	(1,011)	390	3,755
Other	38,333	1,270	(5,008)	(9,581)	(58)	24,956
TOTAL	**413,281**	**24,225**	**(15,276)**	**(28,622)**	**757**	**394,365**

Note 15a. Provisions for expected losses for credit risk of off-balance sheet commitments to banking activities

	01/01/2018	Allocations	Write-backs	Other	06/30/2018
Commitments given					
12-month expected credit losses	14,621	7,965	(7,895)	4	14,695
Lifetime expected credit losses for non-impaired assets	3,804	2,898	(2,299)	3	4,406
Lifetime expected credit losses for credit-impaired assets (instruments impaired or not at acquisition/creation)	30,418	2,799	(3,080)	0	30,137
TOTAL	**48,843**	**13,662**	**(13,274)**	**7**	**49,238**

Note 16a. Ranking of fair value – Banking activities

06/30/2018

Financial assets	Level 1	Level 2	Level 3	Total
FVOCI	**8,139,731**	**1,601,760**	**271,529**	**10,013,020**
- Treasury bills and similar securities - FVOCI (1)	4,076,634	595,132	0	4,671,766
- Bonds and other fixed-income securities - FVOCI (2) (3)	3,820,681	1,006,251	572	4,827,504
- Stocks and other variable-income securities -FVOCI	102,637	286	8,608	111,531
- Equity investments and other long-term investments - FVOCI	139,779	91	261,943	401,813
- Shares in associates - FVOCI	0	0	406	406
- Due from banks - FVOCI	0	0	0	0
- Customer loans - FVOCI	0	0	0	0
Held for trading / FVO / Others FVTPL	**21,868**	**531,929**	**468,711**	**1,022,508**
- Treasury bills and similar securities - Held for trading	0	0	0	0
- Treasury bills and similar securities - FVO	0	0	0	0
- Treasury bills and similar securities - Others FVTPL	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities – FVO	0	0	0	0
- Bonds and other fixed-income securities – Others FVTPL (4)	19,223	108,940	169,608	297,771
- Stocks and other variable-income securities – Held for trading	0	0	0	0
- Stocks and other variable-income securities – Others FVTPL	2,645	0	299,103	301,748
- Due from banks – FVO	0	1,276	0	1,276
- Due from banks – Others FVTPL	0	63,135	0	63,135
- Customer loans – FVO	0	9,458	0	9,458
- Customer loans – Others FVTPL	0	569	0	569
- Derivatives and other financial assets - Held for trading	0	348,551	0	348,551
Derivatives used for hedging purposes	**0**	**664,371**	**0**	664,371
TOTAL	8,161,599	2,798,060	740,240	11,699,899
Financial liabilities				
Financial liabilities at fair value through profit or loss	**0**	**559,648**	**0**	**559,648**
- Due to banks – FVO	0	1,275	0	1,275
- Customer deposits - FVO	0	10,657	0	10,657
- Debt securities - FVO	0	172,854	0	172,854
- Derivatives and other financial liabilities – Held for trading	0	374,862	0	374,862
Derivatives used for hedging purposes	**0**	**392,531**	**0**	392,531
Total	0	952,179	0	952,179

(1) €108 million have been removed from level 1 to level 2. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 2.
(2) €29 million have been removed from level 1 to level 2. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 2.
(3) €2 million have been removed from level 2 to level 1. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 1.
(4) €99 million have been removed from level 3 to level 2. They primarily relate to private equity fund (FPCI, PCPR, OPCI). These are valued using known valuation techniques (PER method, Multiple etc.) carried out by counterparties (management companies) specialized in these techniques. In this context, the classification of this type of asset has been defined in Level 2.

Note 16b. Ranking of fair value - Insurance activities

06/30/2018

Financial assets	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	**21,661,963**	**3,111,072**	**1,733,965**	**26,507,000**
- Treasury bills and similar securities - AFS(1)	9,663,407	0	0	9,663,407
- Bonds and other fixed-income securities - AFS (2) (3)	11,697,944	2,677,652	1,271,155	15,646,751
- Stocks and other variable-income securities -AFS (4)	225,834	433,420	80,994	740,248
- Equity investments and other long-term investments - AFS	74,778	0	381,816	456,594
- Shares in associates - AFS	0	0	0	0
Financial assets at fair value through profit or loss	**12,297,898**	**7,981,949**	**4,320,638**	**24,600,485**
- Treasury bills and similar securities - FVO	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	0	0	0	0
- Bonds and other fixed-income securities – FVO	284,073	5,268,796	477,957	6,030,826
- Stocks and other variable-income securities – FVO (5) (6)	12,013,825	2,713,020	3,842,681	18,569,526
- Due from banks – FVO	0	0	0	0
- Derivatives and other financial assets - Held for trading	0	133	0	133
Instruments dérivés de couverture	**0**	**0**	**0**	**0**
Total	**33,959,861**	**11,093,021**	**6,054,603**	**51,107,485**
Financial liabilities				
Financial liabilities at fair value through profit or loss	**0**	**104,452**	**0**	**104,452**
- Due to banks – FVO	0	0	0	0
- Debt securities - FVO	0	0	0	0
- Derivatives and other financial liabilities – Held for trading	0	104,452	0	104,452
Derivatives used for hedging purposes	**0**	**0**	**0**	**0**
TOTAL	**0**	**104,452**	**0**	**104,452**

(1) €26 million have been removed from level 2 to level 1. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 1.
(2) €150 million have been removed from level 2 to level 1. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 1.
(3) €20 million have been removed from level 1 to level 2. They primarily relate to structured bonds with characteristics corresponding to criteria defined for Level 2.
(4) €425 million have been removed from level 3 to level 2. They primarily relate to private equity fund (FPCI, PCPR, OPCI). These are valued using known valuation techniques (PER method, Multiple etc.) carried out by counterparties (management companies) specialized in these techniques. In this context, the classification of this type of asset has been defined in Level 2.
(5) €2,694 million have been removed from level 3 to level 2. They primarily relate to private equity fund (FPCI, PCPR, OPCI). These are valued using known valuation techniques (PER method, Multiple etc.) carried out by counterparties (management companies) specialized in these techniques. In this context, the classification of this type of asset has been defined in Level 2.
(6) €11 million have been removed from level 2 to level 1. They primarily relate to stocks with characteristics corresponding to criteria defined for Level 1.

Note 17a. Fair value of financial assets and liabilities recognised at amortised cost – banking activities

	06/30/2018					
	Market value	Balance sheet value	Unrealised gains and losses	Level 1	Level 2	Level 3
Assets	**62,577,342**	**61,352,684**	**1,224,658**	**0**	**8,381,905**	**54,195,437**
Financial assets at amortized cost						
Loans and receivables due from banks	8,381,905	8,379,171	2,734	0	8,381,905	0
Loans and receivables due from customers	54,047,722	52,824,778	1,222,944	0	0	54,047,722
Held-to-maturity financial assets	147,715	148,735	(1,020)	0	0	147,715
Liabilities	**72,733,917**	**72,008,835**	**725,082**	**0**	**21,662,227**	**51,071,690**
Due to banks	7,272,147	7,255,272	16,875	0	7,272,147	0
Customer accounts	51,071,690	51,068,351	3,339	0	0	51,071,690
Debt securities	12,010,835	11,282,997	727,838	0	12,010,835	0
Subordinated debt	2,379,245	2,402,215	(22,970)	0	2,379,245	0

Note 17b. Fair value of financial assets and liabilities recognised at amortised cost - insurance activities

	06/30/2018					
	Market value	Balance sheet value	Unrealised gains and losses	Level 1	Level 2	Level 3
Assets	**460,079**	**460,079**	**0**	**5,811**	**11,789**	**442,479**
Loans and receivables due from banks	11,789	11,789	0	0	11,789	0
Loans and receivables due from customers	442,479	442,479	0	0	0	442,479
Held-to-maturity financial assets	5,811	5,811	0	5,811	0	0
Liabilities	**2,204,191**	**2,204,191**	**0**	**0**	**2,068,739**	**135,452**
Due to banks	2,067,898	2,067,898	0	0	2,067,898	0
Customer accounts	135,452	135,452	0	0	0	135,452
Debt securities	0	0	0	0	0	0
Subordinated debt	841	841	0	0	841	0

NOTES ON THE INCOME STATEMENT In thousands of euros

Note 18. Interest and similar income/expense

	06/30/2018		01/01/2018	
	Income	Expense	Income	Expense
Banks and central banks	58,485	(78,848)	54,928	(75,849)
Customers	694,637	(281,852)	697,617	(288,493)
Securities at amortized cost	1,087	0	688	0
Financial assets at fair value through profit or loss	6,940	(2,598)		
Derivative hedge instruments	130,825	(104,564)	120,024	(102,955)
Financial assets at fair value through equity	2,844	0	42,495	0
Debt securities	0	(96,942)	0	(153,209)
TOTAL	894,818	(564,804)	915,752	(620,506)

Note 19. Fee and commission income/expense

	06/30/2018		06/30/2017	
	Income	Expense	Income	Expense
Banks	5,176	(5,326)	4,448	(2,597)
Customers	42,970	(178)	59,707	(274)
Derivatives	4,510	(577)	3,541	(639)
Foreign currency	2,705	(38)	2,808	(220)
Financing and guarantee commitments	61	(519)	254	(1,471)
Securities and services	263,921	(60,565)	255,034	(116,718)
TOTAL	319,343	(67,203)	325,792	(121,919)

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

	06/30/2018	01/01/2018
Instruments held for trading	3,628	5,796
Fair value option instruments	158	9,878
Fair value change attributable to credit risk presented in net income for liabilities	0	0
Other instruments at fair value through profit or loss	55,588	
Of which UCITS	18,191	
Hedging ineffectiveness	(376)	(901)
cash flow hedges	(1)	8
fair value hedges	(375)	(909)
change in fair value of hedged items	15,248	79,339
change in fair value of hedges	(15,623)	(80,248)
Foreign exchange gains (losses)	710	3,774
TOTAL OF CHANGES IN FAIR VALUE	59,708	18,547

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

	06/30/2018		
	Dividends	Realised gains/ losses	Total
Treasury bills		11,105	11,105
Bonds and other fixed-income securities		533	533
Loans due from banks		0	0
Loans due from customers		0	0
Stocks and other variable-income securities	5,336		5,336
Investment securities	8,423		8,423
TOTAL	**13,759**	**11,638**	**25,397**

Note 21b. Net gain (loss) on available-for-sale financial assets

	06/30/2018			
	Dividends	Realised gains/ losses	Depreciation	Total
Treasury bills		0	0	0
Bonds and other fixed-income securities		6,042	0	6,042
Loans due from banks		0	0	0
Loans due from customers		0	0	0
Stocks and other variable-income securities	6,782	7,463	(3,904)	10,341
Investment securities	4,093	37,073	0	41,166
TOTAL	**10,875**	**50,578**	**(3,904)**	**57,549**

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

Financial assets	Profit or loss recognized as a result of derecognition of assets as at 06/30/2018
Treasury bills	0
Bonds and other fixed-income securities	1
Loans due from banks	0
Loans due from customers	0
Financial liabilities	
Due to banks – FVO	0
Customer deposits - FVO	0
Debt securities - FVO	0
Subordinated debt	0
TOTAL	**1**

Note 23. Net income from insurance activities

	06/30/2018
Interest and similar income/expense	21,976
Commissions	(36,117)
Net gain (loss) on financial instruments at fair value through profit or loss	(973)
Net income on available-for-sale financial assets	4,167
Net income on financial assets / liabilities at amortized cost	0
Other income / expenses from insurance activities	345,008
TOTAL	**334,061**

Note 23.a Interest and similar income/expense

	06/30/2018	
	Income	Expense
Banks	2,451	(1,319)
Customers	0	0
Held-to-maturity financial assets	143	0
Financial assets/liabilities at fair value through profit or loss	0	0
Available-for-sale financial assets	20,701	0
Debt securities	0	0
Subordinated debt	0	0
TOTAL	**23,295**	**(1,319)**

Note 23.b. Net income on financial instruments at fair value through profit or loss

	06/30/2018
Instruments held for trading	(96)
Fair value option instruments	(730)
Other instruments at fair value through profit or loss	
Foreign exchange gains (losses)	(147)
TOTAL OF CHANGES IN FAIR VALUE	**(973)**

Note 23.c. Net income on available-for-sale financial assets

	06/30/2018		
	Dividends	Realised gains/ losses	Total
Treasury bills, bonds and other fixed-income securities	0	529	**529**
Stocks and other variable-income securities	3,638	0	**3,638**
Investment securities	0	0	**0**
Other	0	0	**0**
TOTAL	**3,638**	**529**	**4,167**

Note 23.d. Income/expense from other insurance activities

	06/30/2018	
	Income	Expense
Insurance business	3,567,347	(3,224,688)
Investment property	5,258	(7,829)
Other income	6,108	(1,188)
TOTAL	3,578,713	(3,233,705)

Note 23.e. Gross margin on insurance activities

	06/30/2018
Premiums earned	2,596,069
Cost of claims and benefits	(92,560)
Change in provisions	(8,391)
Other technical and non-technical income and expenses	(2,735,974)
Net investment income	583,515
TOTAL	342,659

Note 24. Income/expense from other activities

	06/30/2018		06/30/2017	
	Income	Expense	Income	Expense
Insurance business			3,468,099	(3,112,665)
Investment property	1,282	(3,228)	2,262	(13,518)
Other income	116,834	(33,786)	110,327	(26,954)
TOTAL	118,116	(37,014)	3,580,688	(3,153,137)

Note 25. General operating expenses

	06/30/2018	06/30/2017
Personnel expenses	(411,643)	(388,291)
Other expense	(263,821)	(244,007)
TOTAL	(675,464)	(632,298)

Note 25a. Personnel expenses

	06/30/2018	06/30/2017
Salaries, wages and compensation	(230,634)	(212,235)
Payroll taxes	(98,698)	(100,422)
Mandatory and optionnal employee profit-sharing	(42,539)	(36,257)
Taxes, levies and similar payments on compensation	(34,878)	(32,574)
Other	(4,894)	(6,803)
TOTAL	(411,643)	(388,291)

Note 25b. Other expenses

	06/30/2018	06/30/2017
Taxes other than on income or payroll-related	(61,795)	(56,372)
External services	(201,754)	(187,504)
Other expenses	(272)	(131)
TOTAL	(263,821)	(244,007)

Note 26. Cost of risk

Note 26a. Cost of risk to banking activities

06/30/2018	Allocations	Write-backs	Irrecoverable loans and receivables covered	Irrecoverable loans and receivables not covered	Collection of receivables written off	TOTAL
12 month expected credit losses	**(59,597)**	**48,476**				**(11,121)**
Loans and receivables due from banks	(252)	273				21
Loans and receivables due from customers	(47,353)	38,292				(9,061)
- of which lease financing	*(801)*	*1,662*				*861*
- Financial assets at amortized cost - fixed income securities	(1)	29				28
- Financial assets in JVOCI - fixed income securities	(4,022)	1,987				(2,035)
- Financial assets in FVOCI - Loans	0	0				0
- Off-balance sheet	(7,969)	7,895				(74)
- Other assets						0
Lifetime expected credit losses	**(76,839)**	**64,593**				**(12,246)**
Loans and receivables due from banks	0	7				7
Loans and receivables due from customers	(73,698)	62,220				(11,478)
- of which lease financing	*(1,988)*	*803*				*(1,185)*
- Financial assets at amortized cost - fixed income securities	(192)	29				(163)
- Financial assets in JVOCI - fixed income securities	(55)	38				(17)
- Financial assets in FVOCI - Loans	0	0				0
- Off-balance sheet	(2,894)	2,299				(595)
- Other assets						0
Depreciated assets	**(103,923)**	**117,646**	**(27,751)**	**(3,486)**	**4,272**	**(13,242)**
Loans and receivables due from banks	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 lease financing	*(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 in JVOCI - fixed income securities	0	0	0	0	0	0
- Financial assets in FVOCI - Loans	0	0	0	0	0	0
- Off-balance sheet	0	0				0
Others	**(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 to insurance activities

06/30/2018	Allocations	Write-backs	Irrecoverable loans and receivables covered	Irrecoverable loans and receivables not covered	Collection of receivables written off	TOTAL
Financial institutions						0
Insurance activities						0
Available-for-sale assets						0
Held-to-maturity assets						0
Other	(9)	6				(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

	01/01/2018	Acquisition /production	Sale / refund	Transfer between buckets	Other(*)	06/30/2018
Financial assets at amortized cost - loans and receivables from banks	**7,601,243**	**3,292,024**	**(2,512,425)**	**0**	**0**	**8,380,842**
- 12 month expected credit losses	7,601,243	3,292,024	(2,512,425)	0		8,380,842
- Lifetime expected credit losses - non-impaired assets	0	0	0	0		0
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	0	0	0	0		0
- Lifetime expected credit losses - impaired assets upon acquisition / creation	0	0	0	0		0
Re-measurement of the FVH						
Financial assets at amortized cost - loans and receivables from customers	**51,226,707**	**7,282,775**	**(4,995,370)**	**0**	**404,205**	**53,918,317**
- 12 month expected credit losses	47,325,752	7,067,660	(4,538,860)	(422,191)	396,819	49,829,180
- Lifetime expected credit losses - non-impaired assets	2,419,436	160,692	(314,628)	355,868		2,621,368
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	1,269,292	25,962	(134,294)	71,119		1,232,079
- Lifetime expected credit losses - impaired assets upon acquisition / creation	212,227	28,461	(7,588)	(4,796)	7,386	235,690
Re-measurement of the FVH						
Financial assets at amortized cost - Securities	**159,008**	**988**	**(7,054)**	**0**	**0**	**152,942**
- 12 month expected credit losses	133,603	560	(7,054)	(300)		126,809
- Lifetime expected credit losses - non-impaired assets	25,405	328	0	(5,089)		20,644
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	0	100	0	5,389		5,489
- Lifetime expected credit losses - impaired assets upon acquisition / creation	0	0	0	0		0
Re-measurement of the FVH						
Financial assets in FVOCI - Fixed income securities	**10,139,031**	**2,813,548**	**(3,446,468)**	**0**	**0**	**9,506,111**
- 12 month expected credit losses	10,060,849	2,775,523	(3,366,128)	(13,000)		9,457,244
- Lifetime expected credit losses - non-impaired assets	78,182	38,025	(80,340)	13,000		48,867
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	0	0	0	0		0
- Lifetime expected credit losses - impaired assets upon acquisition / creation	0	0	0	0		0
Re-measurement of the FVH						
Financial assets in FVOCI - Loans	**0**	**0**	**0**	**0**	**0**	**0**
- 12 month expected credit losses	0	0	0	0		0
- Lifetime expected credit losses - non-impaired assets	0	0	0	0		0
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	0	0	0	0		0
- Lifetime expected credit losses - impaired assets upon acquisition / creation	0	0	0	0		0
Re-measurement of the FVH						
Total	**69,125,989**	**13,389,335**	**(10,961,317)**	**0**	**404,205**	**71,958,212**

(*) related to the acquisition of the auto financing activity of MMB by Financo

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

	01/01/2018	Allocations	Write-backs	Transfer	Changes in method	Other (*)	06/30/2018
Financial assets at amortized cost - loans and receivables from banks	**(1,700)**	**(251)**	**280**	**0**	**0**	**0**	**(1,671)**
- 12 month expected credit losses	(1,700)	(251)	280	0	0	0	(1,671)
- Lifetime expected credit losses - non-impaired assets	0	0	0	0	0	0	0
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	0	0	0	0	0	0	0
- Lifetime expected credit losses - impaired assets upon acquisition / creation	0	0	0	0	0	0	0
Financial assets at amortized cost - loans and receivables from customers	**(1,090,948)**	**(250,552)**	**251,105**	**0**	**0**	**(3,144)**	**(1,093,539)**
- 12 month expected credit losses	(107,037)	(42,953)	63,546	(26,768)	0	(2,889)	(116,101)
- Lifetime expected credit losses - non-impaired assets	(133,041)	(78,169)	50,656	16,224	0	(256)	(144,586)
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	(702,890)	(112,825)	133,073	9,074	0	1	(673,567)
- Lifetime expected credit losses - impaired assets upon acquisition / creation	(147,980)	(16,605)	3,830	1,470	0	0	(159,285)
Financial assets at amortized cost - Securities	**(1,271)**	**(2,965)**	**29**	**0**	**0**	**0**	**(4,207)**
- 12 month expected credit losses	(228)	(2)	29	0	0	0	(201)
- Lifetime expected credit losses - non-impaired assets	(1,043)	(430)	0	267	0	0	(1,206)
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	0	(2,533)	0	(267)	0	0	(2,800)
- Lifetime expected credit losses - impaired assets upon acquisition / creation	0	0	0	0	0	0	0
Financial assets in FVOCI - Fixed income securities	**(4,783)**	**(4,083)**	**2,025**	**0**	**0**	**0**	**(6,841)**
- 12 month expected credit losses	(4,607)	(4,024)	1,964	23	0	0	(6,644)
- Lifetime expected credit losses - non-impaired assets	(176)	(59)	61	(23)	0	0	(197)
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	0	0	0	0	0	0	0
- Lifetime expected credit losses - impaired assets upon acquisition / creation	0	0	0	0	0	0	0
Financial assets in FVOCI - Loans	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- 12 month expected credit losses	0	0	0	0	0	0	0
- Lifetime expected credit losses - non-impaired assets	0	0	0	0	0	0	0
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	0	0	0	0	0	0	0
- Lifetime expected credit losses - impaired assets upon acquisition / creation	0	0	0	0	0	0	0
Commitments given	**(48,843)**	**(13,667)**	**13,272**	**0**	**0**	**0**	**(49,238)**
- 12 month expected credit losses	(14,621)	(7,969)	7,895	0	0	0	(14,695)
- Lifetime expected credit losses - non-impaired assets	(3,804)	(2,899)	2,297	0	0	0	(4,406)
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	(30,418)	(2,799)	3,080	0	0	0	(30,137)
Other assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- 12 month expected credit losses	0	0	0	0	0	0	0
- Lifetime expected credit losses - non-impaired assets	0	0	0	0	0	0	0
- of which expected losses valued according to the simplified method	0	0	0	0	0	0	0
- Lifetime expected credit losses - assets impaired at closing but not impaired upon acquisition / creation	0	0	0	0	0	0	0
- of which expected losses valued according to the simplified method	0	0	0	0	0	0	0
Total	**(1,147,545)**	**(271,518)**	**266,711**	**0**	**0**	**(3,144)**	**(1,155,496)**

(*) related to the acquisition of the auto financing activity of MMB by Financo

Note 27. Net income on other assets

	06/30/2018	06/30/2017
Tangible and intangible assets	**720**	**10**
losses on disposals	(324)	(294)
gains on disposals	1,044	304
Expenses related to business combinations	**(246)**	**(2,042)**
TOTAL	**474**	**(2,032)**

Note 28. Income tax

	06/30/2018	06/30/2017
Breakdown of the income tax		
Current income tax expense	(88,294)	(89,059)
Net deferred income tax expense	(2,991)	(6,767)
NET INCOME TAX EXPENSE	**(91,285)**	**(95,826)**
Income before taxes and income of companies accounted for under the equity method	311,664	287,531
EFFECTIVE TAX RATE	**29.29%**	**33.33%**

Analysis of effective tax rate:

	06/30/2018	06/30/2017
Normal taxe rate	34.43%	34.43%
Permanent differences	0.10%	3.82%
Impact of tax rate on long-term capital gains and tax relief	(5.78%)	(5.54%)
Rate change	0.83%	0.00%
Impact of fiscal losses	0.66%	0.83%
Credit Tax	(0.03%)	(0.01%)
Exceptional items	(0.91%)	(0.34%)
Other	(0.01%)	0.14%
EFFECTIVE TAX RATE	**29.29%**	**33.33%**

The 2018 finance act provides for a gradual reduction in the corporate tax rate from 33.33% to 25% over the 2017-2022 period 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 recognised outside profit or loss (other comprehensive income (OCI) or directly in equity).
The impact of this rate change has been includes in deferred taxes calculation of Crédit Mutuel Arkéa group.

Additional notes In thousands of euros

Note 29a. Commitments given and received to banking activities

	06/30/2018	01/01/2018
Commitments given	**12,581,385**	**12,860,852**
Financing commitments given	**8,748,350**	**8,894,431**
to banks and financial institutions	13,922	27,400
to customers	8,734,428	8,867,031
Guarantees given	**3,500,090**	**3,653,063**
to banks and financial institutions	690	324
to customers	3,499,400	3,652,739
Commitments on securities	**332,945**	**313,358**
repurchase agreements	0	0
other commitments given	332,945	313,358
Commitments received	**42,158,783**	**39,597,383**
Financing commitments received	**10,242,693**	**9,332,245**
from banks and financial institutions	10,185,963	9,332,245
from customers	56,730	0
Guarantees received	**31,321,781**	**29,775,173**
from banks and financial institutions	195,584	180,669
from customers	31,126,197	29,594,504
Commitments on securities	**594,309**	**489,965**
reverse repurchase agreements	0	0
other commitments received	594,309	489,965

Financing commitments given include the €13,750 thousand cash advance made to CRH to fund it.

	06/30/2018	01/01/2018
Receivables pledged as collateral	**13,782,464**	**12,508,247**
Banque de France	11,581,537	10,077,991
European Investment Bank	727,533	671,985
Caisse de Refinancement de l'Habitat	369,293	725,065
Caisse des dépôts et consignations	1,099,739	1,028,845
Société de Financement de l'Economie Française	4,362	4,362
Securities lent	**0**	**0**
Deposits on market transactions	**436,157**	**425,234**
Securities sold under repurchase agreements	**4,925,364**	**5,275,151**

For its refinancing activity, the group entered into repurchase agreements of debt and/or equity securities. These agreements involve the transfer of ownership of the securities, which the beneficiary may in turn lend out, with interest or dividends going to the borrower. These transactions are subject to margin calls.

Note 29b. Commitments given and received to insurance activities

	06/30/2018	01/01/2018
Commitments given	0	0
Commitments received	1,045,231	897,695

Note 30. Segment reporting

	Retail banking		Insurance and asset management		Group	
	06/30/2018	12/31/2017	06/30/2018	12/31/2017	06/30/2018	12/31/2017
Internal income (1)	132,324	119,211	(132,324)	(119,211)	0	0
External income (2)	695,532	613,340	386,891	389,426	1,082,423	1,002,766
Net banking income	**827,856**	**732,551**	**254,567**	**270,215**	**1,082,423**	**1,002,766**
Operating expenses and allocations to amortisation	(649,240)	(608,448)	(84,330)	(79,422)	(733,570)	(687,870)
Gross operating income	**178,616**	**124,103**	**170,237**	**190,793**	**348,853**	**314,896**
Cost of risk	(38,719)	(23,147)	1,056	(2,186)	(37,663)	(25,333)
Operating income	**139,897**	**100,956**	**171,293**	**188,607**	**311,190**	**289,563**
Share of earnings of companies carried under equity method	2,394	4,435	4,152	(2,761)	6,546	1,674
Other	20,100	(1,954)	0	(78)	20,100	(2,032)
Pre-tax income	**162,391**	**103,437**	**175,445**	**185,768**	**337,836**	**289,205**
Income tax	(36,079)	(32,506)	(55,206)	(63,320)	(91,285)	(95,826)
Net income	**126,312**	**70,931**	**120,239**	**122,448**	**246,551**	**193,379**
Minority interests	39	116	2	1	41	117
Net income, Group share	**126,273**	**70,815**	**120,237**	**122,447**	**246,511**	**193,262**
	06/30/2018	01/01/2018	06/30/2018	01/01/2018	06/30/2018	01/01/2018
Business line assets	**79,232,206**	**76,630,283**	**53,667,479**	**51,754,496**	**132,899,685**	**128,384,779**

(1) Sectoral income arising on transactions with other sectors.

(2) Sectoral income arising on sales to external customers.

Segment reporting is based on two business lines :

- Retail banking includes primarily the branch networks of CMB, CMSO and CMMC, the subsidiaries that finance businesses and the real estate division of the group,
- The other business line comprises subsidiaries specialised in asset management and insurance.

An analysis by geographical region is not relevant for the group as nearly all of its business is carried out in France.

Note 31. Scope of consolidation

Company name	Country	Sector / Activity	Controlling %		Interest % Group	
			06/30/2018	12/31/2017	06/30/2018	12/31/2017
Crédit Mutuel Arkéa + Fédérations et Caisses du Crédit Mutuel de Bretagne, du Sud-Ouest et du Massif Central	France	Bank / Mutualist bank	Consolidating entity			
Full consolidated companies						
ARKEA BANKING SERVICES	France	Bank / Banking services	100.0	100.0	100.0	100.0
ARKEA BANQUE ENTREPRISES ET INSTITUTIONNELS	France	Bank / Corporate banking	100.0	100.0	100.0	100.0
ARKEA BOURSE RETAIL	France	Bank / Holding	100.0	100.0	100.0	100.0
ARKEA CAPITAL (GESTION)	France	Insurances and asset management / Asset management	100.0	100.0	100.0	100.0
ARKEA CAPITAL INVESTISSEMENT	France	Bank / Venture capital	100.0	100.0	100.0	100.0
ARKEA CAPITAL PARTENAIRE	France	Bank / Venture capital	100.0	100.0	100.0	100.0
ARKEA CREDIT BAIL	France	Bank / Leasing and finance lease	100.0	100.0	100.0	100.0
ARKEA DIRECT BANK (ex Fortuneo SA)	France	Bank / Financial and stock market intermediation	100.0	100.0	100.0	100.0
ARKEA FONCIERE	France	Bank / Real-estate	100.0	100.0	100.0	100.0
ARKEA HOME LOANS SFH	France	Bank / Refinancing structure	100.0	100.0	100.0	100.0
ARKEA PUBLIC SECTOR SCF	France	Bank / Refinancing structure	100.0	100.0	100.0	100.0
ARKEA SCD	France	Bank / Services	100.0	100.0	100.0	100.0
CAISSE DE BRETAGNE DE CREDIT MUTUEL AGRICOLE	France	Bank / Mutualist bank	93.2	93.2	93.2	93.2
COMPAGNIE EUROPEENNE D'OPERATIONS IMMOBILIERES	France	Bank / Carry trading	100.0	100.0	100.0	100.0
CREDIT FONCIER ET COMMUNAL D'ALSACE ET DE LORRAINE BANQUE	France	Bank / Retail and specialised banking	100.0	100.0	100.0	100.0
FCT COLLECTIVITES	France	Insurances and asset management / Securitization fund	57.8	57.8	57.8	57.8
FEDERAL EQUIPEMENTS	France	Bank / Services	100.0	100.0	100.0	100.0
FEDERAL FINANCE	France	Insurances and asset management / Private bank and asset management	100.0	100.0	100.0	100.0
FEDERAL FINANCE GESTION	France	Insurances and asset management / Asset management	100.0	100.0	100.0	100.0
FEDERAL SERVICE	France	Bank / Services	97.8	97.8	97.8	97.8
FINANCO	France	Bank / Retail and specialised banking	100.0	100.0	100.0	100.0
GICM	France	Bank / Services	100.0	100.0	97.8	97.8
IZIMMO	France	Bank / Real-estate	100.0	100.0	100.0	100.0
IZIMMO HOLDING	France	Bank / Real-estate	100.0	100.0	100.0	100.0
KEYTRADE BANK (branch)	Belgium	Bank / Financial and stock market intermediation	100.0	100.0	100.0	100.0
KEYTRADE BANK Luxembourg SA	Luxembourg	Bank / Financial and stock market intermediation	100.0	100.0	100.0	100.0
LEASECOM	France	Bank / Leasing and finance lease	100.0	100.0	100.0	100.0
LEASECOM CAR	France	Bank / Leasing and finance lease	100.0	100.0	100.0	100.0
LEETCHI SA	France	Bank / Services	100.0	100.0	100.0	100.0
MANGOPAY SA (ex Leetchi Corp)	Luxembourg	Bank / Services	100.0	100.0	100.0	100.0
MONEXT	France	Bank / Services	100.0	100.0	100.0	100.0
NEXTALK	France	Bank / Services	100.0	100.0	100.0	100.0
NOUVELLE VAGUE	France	Bank / Services	100.0	100.0	100.0	100.0
NOVELIA	France	Insurances and asset management / Non-life insurance	100.0	100.0	100.0	100.0
PROCAPITAL	France / Belgium	Bank / Financial and stock market intermediation	100.0	100.0	100.0	100.0
PUMPKIN	France	Bank / Services	100.0	100.0	100.0	100.0
SCHELCHER PRINCE GESTION	France	Insurances and asset management / Asset management	100.0	100.0	100.0	100.0
SOCIETE CIVILE IMMOBILIERE INTERFEDERALE	France	Bank / Real-estate	100.0	100.0	100.0	100.0
SMSPG	France	Insurances and asset management / Holding	100.0	100.0	100.0	100.0
STRATEO (branch)	Switzerland	Bank / Financial and stock market intermediation	100.0	100.0	100.0	100.0
SURAVENIR	France	Insurances and asset management / Life insurance	100.0	100.0	100.0	100.0
SURAVENIR ASSURANCES	France	Insurances and asset management / Non-life insurance	100.0	100.0	100.0	100.0

Company name	Country	Sector / Activity	Controlling %		Interest % Group	
			06/30/2018	12/31/2017	06/30/2018	12/31/2017
Investments accounted for under the equity method						
ALTAROCCA AM AS	France	Insurances and asset management /UCITS	/	25.4	/	25.6
AVIAFUND FUND FACILITY MANAGEMENT GMBH	Germany	Insurances and asset management /UCITS	25.1	30.1	25.8	30.4
AVIAFUND FUND SOLUTION SERVICES GMBH	Germany	Insurances and asset management /UCITS	25.1	30.1	25.8	30.4
AVIARENT CAPITAL MANAGEMENT SARL	Luxembourg	Insurances and asset management /UCITS	25.1	30.1	25.8	30.4
AVIARENT INVEST AG	Germany	Insurances and asset management /UCITS	25.1	30.1	25.8	30.4
CAISSE CENTRALE DU CREDIT MUTUEL	France	Bank / Mutualist bank	21.5	21.5	21.5	21.5
CODABEL MANAGEMENT	Belgium	Insurances and asset management /UCITS	10.3	12.4	10.6	12.5
DERIVATIVES SOLUTIONS	France	Insurances and asset management /UCITS	23.7	28.3	24.3	28.6
EC ADVISORS GMBH	Germany	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
HALLES A FOURAGES SCCV	France	Insurances and asset management /UCITS	17.7	21.2	18.2	21.4
LA FINANCIERE DE L'ECHIQUIER (2)	France	Insurances and asset management /UCITS	12.0	/	/	/
LINK BY PRIMONIAL	France	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
MARSEILLE FURNITURE SARL	France	Insurances and asset management /UCITS	19.6	20.4	20.1	20.6
MATA CAPITAL	France	Insurances and asset management /UCITS	11.8	14.1	12.1	14.3
NEW PORT	France	Bank/Holding	31.0	31.0	31.0	31.0
NEW PRIMONIAL HOLDING	France	Insurances and asset management /UCITS	30.0	36.3	30.8	36.6
OIKO GESTION (EX AIBO GESTION)	France	Insurances and asset management /UCITS	14.5	23.7	14.9	23.9
PFP	France	Insurances and asset management /UCITS	30.0	36.3	30.8	36.6
PRIMONIAL	France	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
PRIMONIAL HOLDING	France	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
PRIMONIAL LUXEMBOURG	Luxembourg	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
PRIMONIAL LUXEMBOURG FUND SERVICES (2)	Luxembourg	Insurances and asset management /UCITS	29.6	/	30.4	/
PRIMONIAL LUXEMBOURG REAL ESTATE (2)	Luxembourg	Insurances and asset management /UCITS	29.6	/	30.4	/
PRIMONIAL MANAGEMENT	France	Insurances and asset management /UCITS	28.5	34.5	29.2	34.8
PRIMONIAL MANAGEMENT 2	France	Insurances and asset management /UCITS	30.0	36.3	30.8	36.6
PRIMONIAL PARTENAIRES (EX-PATRIMMOFI)	France	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
PRIMONIAL REIM	France	Insurances and asset management /UCITS	20.6	21.4	21.2	21.6
PRIMONIAL TI	Canada	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
SEFAL PROPERTY	France	Insurances and asset management /UCITS	29.2	34.9	30.0	35.3
SPORTINVEST	France	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
STAMINA ASSET MANAGEMENT (EX PRIMONIAL AM)	France	Insurances and asset management /UCITS	/	35.4	/	35.7
UPSTONE SAS	France	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
VOLTAIRE CAPITAL	France	Insurances and asset management /UCITS	29.6	35.4	30.4	35.7
YOUNITED CREDIT	France / Italy / Spain	Bank / Services	25.6	25.6	25.6	25.6

Company name	Country	Sector / Activity	Controlling %		Interest % Group	
			06/30/2018	12/31/2017	06/30/2018	12/31/2017
Short cut method consolidated companies						
ADAGE CBP FLEX	France	Insurances and asset management /UCITS	/	36.6	/	36.6
AIS MANDARINE ACTIVE (ex FEDERAL CONVICTION ISR EURO)	France	Insurances and asset management /UCITS	76.6	61.0	76.6	61.0
AIS MANDARINE ENTREPRENEURS (ex FEDERAL ACTIONS ETHIQUES)	France	Insurances and asset management /UCITS	72.8	65.7	72.8	65.7
ALTAROCCA RENDEMENT 2023	France	Insurances and asset management /UCITS	/	20.0	/	20.0
ARKEA CAPITAL 1	France	Bank / UCITS	100.0	100.0	100.0	100.0
AUTOFOCUS AIRBAG OCTOBRE 2015	France	Insurances and asset management /UCITS	/	93.8	/	93.8
AUTOFOCUS CROISSANCE JANVIER 2017 (2)	France	Insurances and asset management /UCITS	97.2	/	97.2	/
AUTOFOCUS CROISSANCE JUIN 2015	France	Insurances and asset management /UCITS	93.9	93.8	93.9	93.8
AUTOFOCUS CROISSANCE MARS 2015	France	Insurances and asset management /UCITS	78.0	78.0	78.0	78.0
AUTOFOCUS CROISSANCE MARS 2016	France	Insurances and asset management /UCITS	/	79.3	/	79.3
AUTOFOCUS CROISSANCE MAI 2017 (2)	France	Insurances and asset management /UCITS	97.3	/	97.3	/
AUTOFOCUS JANVIER 2016	France	Insurances and asset management /UCITS	92.5	92.5	92.5	92.5
AUTOFOCUS RENDEMENT DECEMBRE 2014	France	Insurances and asset management /UCITS	93.6	93.7	93.6	93.7
AUTOFOCUS RENDEMENT MARS 2015	France	Insurances and asset management /UCITS	93.2	93.3	93.2	93.3
AUTOFOCUS RENDEMENT MARS 2017 (2)	France	Insurances and asset management /UCITS	97.2	/	97.2	/
AUTOFOCUS RENDEMENT NOVEMBRE 2016	France	Insurances and asset management /UCITS	/	92.4	/	92.4
AUTOFOCUS RENDEMENT OCTOBRE 2014	France	Insurances and asset management /UCITS	/	91.5	/	91.5
AUTOFOCUS SEPTEMBRE 2016	France	Insurances and asset management /UCITS	96.7	96.4	96.7	96.4
BPE RENDEMENT 2018	France	Insurances and asset management /UCITS	36.2	36.3	36.2	36.3
DIAPAZEN CLIMAT SEPTEMBRE 2016	France	Insurances and asset management /UCITS	97.8	97.8	97.8	97.8
FCT SP EUROCREANCES	France	Insurances and asset management /UCITS	43.4	43.4	43.4	43.4
FCT SURAVENIR PRIVAT	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
FEDERAL ACTIONS RENDEMENT	France	Insurances and asset management /UCITS	/	96.8	/	96.8
FEDERAL APAL	France	Insurances and asset management /UCITS	74.4	74.2	74.4	74.2
FED CAPITAL INV	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
FEDERAL CONVICTION GRANDE ASIE	France	Insurances and asset management /UCITS	99.3	99.8	99.3	99.8
FEDERAL CROISSANCE	France	Insurances and asset management /UCITS	90.2	90.3	90.2	90.3
FEDERAL ESSOR INTERNATIONAL	France	Insurances and asset management /UCITS	45.3	49.4	45.3	49.4
FEDERAL INDICIEL JAPON	France	Insurances and asset management /UCITS	65.6	64.8	65.6	64.8
FEDERAL INDICIEL US	France	Insurances and asset management /UCITS	58.5	63.8	58.5	63.8
FEDERAL MULTI ACTIONS EUROPE	France	Insurances and asset management /UCITS	73.8	73.7	73.8	73.7
FEDERAL MULTI L/S	France	Insurances and asset management /UCITS	57.8	50.9	57.8	50.9
FEDERAL MULTI OR ET MATIERES 1ERES	France	Insurances and asset management /UCITS	89.3	88.4	89.3	88.4

Company name	Country	Sector / Activity	Controlling %		Interest % Group	
			06/30/2018	12/31/2017	06/30/2018	12/31/2017
Short cut method consolidated companies						
FEDERAL MULTI PATRIMOINE	France	Insurances and asset management /UCITS	88.7	90.7	88.7	90.7
FEDERAL MULTI PME	France	Insurances and asset management /UCITS	68.7	79.2	68.7	79.2
FEDERAL OBLIGATIONS INTERNATIONALES ISR	France	Insurances and asset management /UCITS	/	36.3	/	36.3
FEDERAL OPPORTUNITE EQUILIBRE	France	Insurances and asset management /UCITS	99.8	99.7	99.8	99.7
FEDERAL OPPORTUNITE MODERE	France	Insurances and asset management /UCITS	98.4	98.4	98.4	98.4
FEDERAL OPPORTUNITE TONIQUE	France	Insurances and asset management /UCITS	99.0	98.8	99.0	98.8
FEDERAL OPTIMAL PLUS	France	Insurances and asset management /UCITS	/	47.9	/	47.9
FEDERAL SUPPORT COURT TERME	France	Insurances and asset management /UCITS	25.4	42.2	25.4	42.2
FEDERAL SUPPORT MONETAIRE	France	Insurances and asset management /UCITS	31.8	/	31.8	/
FEDERAL SUPPORT TRESORERIE ISR	France	Insurances and asset management /UCITS	/	31.3	/	31.3
FORMUL'ACTION SECURITE	France	Insurances and asset management /UCITS	93.4	93.3	93.4	93.3
FPS SURAVENIR ACTIONS INTERNATIONALES PROTECT (2)	France	Insurances and asset management /UCITS	100.0	/	100.0	/
FPS SURAVENIR ACTIONS PROTECT	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
FSP / COMPARTIMENT 5	France	Insurances and asset management /UCITS	42.4	42.4	42.4	42.4
KALEIDOSCOPE	France	Insurances and asset management /UCITS	98.1	98.3	98.1	98.3
OPCI CLUB FRANCE RET	France	Insurances and asset management /UCITS	46.3	46.3	46.3	46.3
OPCI PREIM DEFENSE 2	France	Insurances and asset management /UCITS	40.5	35.5	40.5	35.5
OPCI PREIM EUROS	France	Insurances and asset management /UCITS	99.3	100.0	99.3	100.0
OPCI PREIM EUROS 2	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
OPCI PREIMIUM	France	Insurances and asset management /UCITS	88.9	83.7	88.9	83.7
OPCI SOFIDY PIERRE EUROPE (2)	France	Insurances and asset management /UCITS	91.6	/	91.6	/
OPCI TIKEHAU RET PRO	France	Insurances and asset management /UCITS	39.3	39.3	39.3	39.3
PRIMO ELITE	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
PRO FEDERAL LIQUIDITES C	France	Insurances and asset management /UCITS	73.6	61.3	73.6	61.3
S.C.I PROGRES PIERRE	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
S.C.I SURAV PIERRE	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
SCI CLOVERHOME	France	Insurances and asset management /UCITS	50.0	50.0	50.0	50.0
SCI LE VINCI HOLDING	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
SCI PR2 PREIM RET 2	France	Insurances and asset management /UCITS	38.0	38.0	38.0	38.0
SCI SOFIDY CONV IMMO	France	Insurances and asset management /UCITS	59.7	56.9	59.7	56.9
SCI USUFRUIMMO	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
SCPI PATRIMMO CROISSANCE	France	Insurances and asset management /UCITS	/	36.3	/	36.3
SCPI PIERRE EXPANSIO	France	Insurances and asset management /UCITS	57.0	57.0	57.0	57.0
SCPI PRIMOFAMILY	France	Insurances and asset management /UCITS	59.4	40.4	59.4	40.4

Company name	Country	Sector / Activity	Controlling %		Interest % Group	
			06/30/2018	12/31/2017	06/30/2018	12/31/2017
Short cut method consolidated companies						
SCPI PRIMONIA CAP IM	France	Insurances and asset management /UCITS	41.1	43.2	41.1	43.2
SP CONVERT. GLOBAL EUROPE	France	Insurances and asset management /UCITS	/	33.4	/	33.4
SP CONVERTIBLES ISR EUROPE	France	Insurances and asset management /UCITS	27.7	29.8	27.7	29.8
SP HAUT RENDEMENT	France	Insurances and asset management /UCITS	35.0	33.6	35.0	33.6
SP NS FAMILLE	France	Insurances and asset management /UCITS	43.0	42.1	43.0	42.1
SP OPPORTUNITES EUROPEENNES (2)	France	Insurances and asset management /UCITS	27.6	/	27.6	/
STEREO 3	France	Insurances and asset management /UCITS	/	97.0	/	97.0
SURAVENIR INITIATIVE ACTIONS	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
SURAVENIR REFERENCE ACTIONS	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
SYNERGIE FINANCE INVESTISSEMENT	France	Bank / UCITS	100.0	100.0	100.0	100.0
WE POSITIVE INVEST	France	Insurances and asset management /UCITS	100.0	100.0	100.0	100.0
WEST WEB VALLEY	France	Insurances and asset management /UCITS	35.4	35.4	35.4	35.4

(1) Merger of assets and liabilities
(2) Company consolidated for the first time in 2018
(3) Split
(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 consists of:

- recognizing 100% of the fair value the fund shares in assets
- establishing a corresponding liability (financial liability) for the amount of the share not held by the Group (non-controlling interests).

Note 32. Business Combinations

On June 1, 2018, Financo, the group's subsidiary specializing in consumer credit, purchased the auto financing activity of My Money Bank in mainland France.

This acquisition resulted in the recognition of badwill in the amount of €19.6 million. The following table contains key information about these business combinations:

(In millions of euros)	
Date of acquisition	06/01/2018
Acquisition price	384.4
Receivables	404.2
Other	(2.2)
Valuation adjustments	3.2
Related deferred taxes	(1.1)
Net position + Valuation adjustments	404.1
Badwill	(19.6)

The initial recognition of the business combination is provisional.

In case of further information related to facts and circumstances existing on the date of acquisition, the group has 12 months to:

- identify the assets acquired and liabilities assumed from the acquired company not recognised at the time of the initial recognition of the business combination;
- modify retrospectively the values initially assigned.

Note 33. Subsequent events

No material event occurred subsequent to the June 30, 2018 close.

4. Statutory auditors' report on the interim financial information for 2018

Statutory auditors' report on the interim financial information

Period from January 1, 2018 to June 30, 2018

This is a free translation into English of the statutory auditors' report on the interim financial statements issued in the French language and is provided solely for the convenience of English speaking readers. The report must be read in conjunction and construed in accordance with French law and French auditing professional standards.

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your annual General Shareholder's Meeting, and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code (Code monétaire et financier), we hereby report to you on :
- the review of the condensed half-year consolidated financial statements of Crédit Mutuel Arkéa for the period from January 1st to June 30th, 2018;
- verification of the information contained in the interim management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of the board of directors. Our role is to express our conclusion on these financial statements, based on our limited review.

I- Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
Based on our review, nothing has come to our attention that causes us to believe that the condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in the paragraphs "IFRS 9 Financial Instruments" and "IFRS 15 Revenue from Contracts with Customers" in the section "Accounting Standards Applied" regarding the effects of changes in the presentation and the application of these accounting standards to the condensed half-year consolidated financial statements as of June 30, 2018.

II- Specific verification

We have also verified the information presented in the interim management report commenting the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed half-year consolidated financial statements.

Courbevoie and Paris-La Défense, August 29, 2018

The Statutory Auditors
French original signed by

Mazars
Franck BOYER
Deloitte & Associés
Jean-Vincent COUSTEL

5. Corporate governance

5.1. The Board of Directors

On 16 May 2018, Auguste Jacq and Hugues Leroy ceased to be directors of the Arkéa Group after the company's Annual General Meeting.
This Meeting decided to renew the terms of office of Mrs Colette Séné, Messrs François Chatel, Jean-Pierre Denis and Christian Touzalin as Directors for a period of three years. In addition, the Shareholders' Meeting elected Yves Mainguet and Luc Moal as directors for the same three-year term.
The directors re-elected Mr Jean-Pierre Denis as Chairman of the Board of Directors and Mr Christian Touzalin as Vice-Chairman of the Board of Directors for the duration of their term of office.
In addition, Mr. Marc-Alexis Roquejoffre, on May 18, 2018, terminated his mandate for personal convenience.

In view of the changes that have occurred, the Board of Directors has decided to reorganize its specialized committees as follows:
- **Accounts Committee**: Thierry Bougeard (Chairman), Lionel Dunet, Guillaume Gloria (employee director), Anne-Gaëlle Le Bail, Yves Mainguet and Colette Séné.
- Nominations Committee: Sophie Violleau (Chair), Christian David, Patrick Le Provost and Luc Moal.
- Compensation Committee : Patrick Le Provost (Chairman), Thierry Bougeard, Isabelle Darde (employee director) and Luc Moal.
- Risk and Internal Control Committee: François Chatel (Chairman), Marta Crenn, Christian David, Michel Gourtay and Monique Huet (independent director).
- Strategy and Corporate Social Responsibility Committee: Marie-Thérèse Groussard (Chairman), François Chatel, Anne-Sophie Grave (independent director) and Patrick Le Provost.

5.2. Executive management

There is no change as compared with December, 31 2017.

6. General information

Date of most recent interim financial information

The latest half-yearly financial information is dated 30 June 2018. They were approved by the Board of Directors on 28 August 2018. No quarterly financial information has been published since the date of the last half-yearly financial statements.

Documents available to the public

This document may be viewed at the company's registered office during normal business hours. A copy of the latest updated Annual Report will be sent at no cost to any person requesting it. This document may also be viewed on the company's website (www.arkea.com).

7. Statutory auditors

Principal statutory auditors:

Mazars - 61, rue Henri Regnault, Exaltis, 92075 La Défense Cedex
Start of initial term: 1976 - Expiration of current term: December 31, 2020
The decision to renew the term of Mazars was made on May 6, 2015 for a six-year period.

Deloitte & Associés - 6 Place de la Pyramide, 92908 Paris-La Défense
Start of initial term:1997 - Expiration of current term: December 31, 2020
The decision to renew the term of Deloitte & Associés was made on May 6, 2015 for a six-year period.

Alternate statutory auditors:

Madame Anne Veaute - 61, rue Henri Regnault, Exaltis, 92075 La Défense Cedex
Start of initial term: 2012 - Expiration of current term: December 31, 2020
The decision to renew the term of Mrs Anne Veaute was made on May 6, 2015 for a six-year period.

Société BEAS - 7-9, villa Houssay, 92524 Neuilly-sur-Seine Cedex
Start of initial term: 2009 - Expiration of current term: December 31, 2020
The decision to renew the term of Société BEAS was made on May 6, 2015 for a six-year period.

8. Person responsible for the information contained in this report

Person responsible for the information contained in this report

Ronan LE MOAL, Chief Executive Officer of Crédit Mutuel Arkéa

Statement of the person responsible for the Interim Report

I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this update of the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its scope.

I have obtained a letter from the statutory auditors at the end of their work, in which they indicate that they have verified the information concerning the financial position and the financial statements given in this update of the Registration Document and that they have read the entire update of the Registration Document.

Le Relecq-Kerhuon, August 29, 2018

Ronan LE MOAL,

Chief Executive Officer of Crédit Mutuel Arkéa

Cross-reference table

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ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures	Definition	Justification for use
Other group operating income and expenses	Difference between the income and expenses of the other activities	Measures income excluding group financial margin and commissions
Other operating income and expenses for the scope of globalized accounts	Difference between the income and expenses of the other activities derived from Crédit Mutuel Arkéa accounts	Measures income excluding financial margin and commissions from Crédit Mutuel Arkéa accounts
Operating ratio	Ratio of management expenses to net bankinsurance income	Measure of the group's operational efficiency
Net commissions	Difference between commissions (income) and commissions (expenses)	Measures income from commissions at group level
Cost of risk (in basis points)	Ratio of the cost of risk (in €) to loans outstanding to customers at the end of the period	Measures the level of risk compared to balance sheet loan commitments
Operating expenses	Sum of general operating expenses and depreciation and amortization charges for property, plant and equipment and intangible assets	Measures the level of group general operating expenses
Group financial margin	Sum of the following items: - net gains/losses on financial instruments at fair value through profit or loss + at fair value through equity + at fair value through options + at amortized cost - difference between interest and similar income and interest and similar expenses	Measures income from the group's financial activity
Financial margin for the scope of globalized accounts	Under French accounting standards: interest and similar income - interest and similar expenses + net gains or losses on trading portfolio transactions + gains or losses on investment portfolio transactions and similar	Measures income from financial activity from Crédit Mutuel Arkéa accounts
Asset returns	Ratio of the net profit or loss to the balance sheet total on a consolidated basis at the end of the fiscal year	Measures the rate of return of total balance sheet assets
Overall coverage ratio of non-performing loans (interest + capital)	Ratio of provisions recognized in respect of credit risk on an individual basis to impaired loans outstanding on an individual basis	Measures the maximum residual rate of risk coverage for impaired loans outstanding
Rate of non-performing and litigated loans (including interest)	Ratio of impaired loans outstanding on an individual basis to customer deposits ("Customer loans and receivables" recorded as assets on the balance sheet on a consolidated basis)	Measures the quality of loans

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