Crédit Mutuel
Groupe CM11

PRESS RELEASE

July 28, 2017

Robust retail banking and insurance activity, increased earnings and improved financial strength for the Group

Results as of June 30, 2017[1]

Changes at constant scope

Net banking income	**€7,150 m**	➡	**NBI growth and solid performance by the business lines**	**+3.6%**
Operating income	**€2,392 m**			**+11.1%**
Net income	**€1,316 m**	➡	**Increased earnings**	**+4.7%**
of which attributable to the owners of th	€1,163 m			+3.2%
CET1 capital ratio March 2017	**15.7%***	➡	**Clear improvement relative to Dec. 2016**	**+0.7 pt**
Business				
Loans	**335.6 billion**	➡	**Active participation in the financing of the economy**	**+3.8%**
Total savings	**627.2 billion**			**+6.3%**
of which, bank deposits	€283.4 billion	➡	**Favorable sales trend for savings**	+6.1%
of which, financial insurance savings	€80.6 billion			+3.5%
of which, bank savings products	€263.1 billion			+7.5%

**excluding transitional provisions*

In a persistent low-interest-rate environment, Crédit Mutuel-CM11 Group again demonstrated the relevance of its growth model. The dynamic growth of its networks and the steadfast efforts of its 69,250 employees on behalf of 23.6 million clients enabled the retail banking and insurance activities to hold up well. The Crédit Mutuel-CM11 Group thereby strengthened its positions in the various business segments: real estate, telephone services and an increasingly diversified range of services (electronic payments, traditional payments, electronic surveillance etc.). The Crédit Mutuel local caisses and CIC branches have thereby become true centers for local and regional development and the protection of shareholding members and customers.

In the first half of 2017, the Group recorded an 11.1% increase in operating income, led by the 3.6% increase in net banking income. The Group's capitalization, the strength of its banking and insurance business model and the low-risk profile of its activities make it an increasingly solid bank, with an overall solvency ratio of 19%.

The Group is also pursuing its development by putting innovation and technical expertise at the heart of its strategy. The Group's technology division, Euro-Information, has rolled out several innovative solutions and services, including Watson (e-mail analyzer and virtual assistant to support an enhanced advisor) and Lyf Pay (a secure mobile payment and multi-services app), two home automation solutions on the cutting edge of technology.

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[1] *Unaudited financial statements; the limited review procedures conducted by the statutory auditors are in progress.*

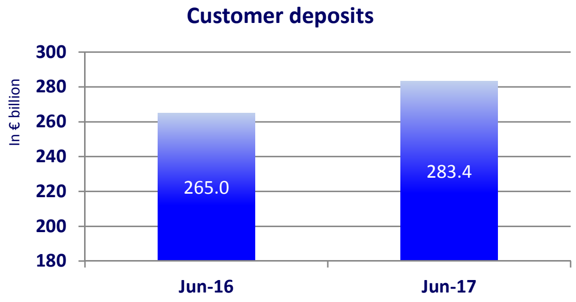
Note: all of the changes referenced are at constant scope and methods; see methodology notes at the end of this press release.

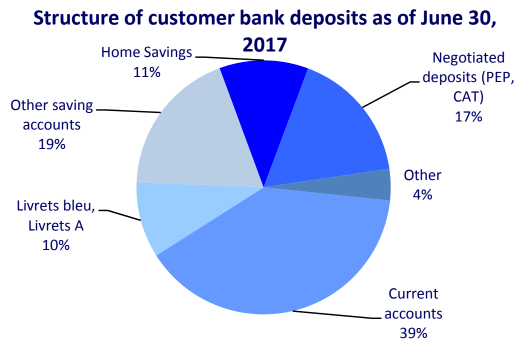
Sales activity

After 2016 was marked by the development of the banking, insurance and services businesses, the Group pursued sustained sales activity in the first half of 2017 on behalf of its 23.6 million customers and shareholding members.

- **Banking**

Customer deposits outstanding totaled €283.4 billion at end-June 2017. They rose by 6.1%, driven by the increase in current accounts (+11.9%) and savings accounts (+11.3%).

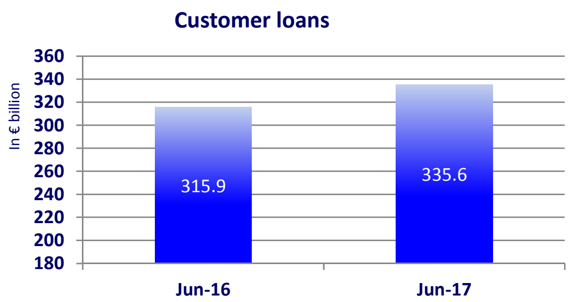


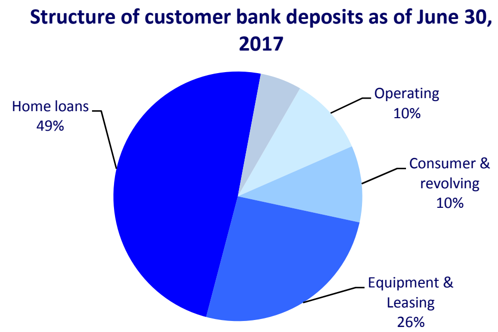


Loan production got off to a strong start in the first half of 2017, reflecting the support for retail customers and companies in the financing of their projects. Home loans increased significantly by 37.3% to €19.2 billion. Given the very sustained refinancing activity in the first half, loan repurchases contributed in part to the large volume of new loans. Equipment loans also recorded sustained growth, rising by 10.5% in the first half to €8.9 billion. Overall, for the banking network and COFIDIS scope, the amount of loans drawn totaled nearly €40 billion in the first half of 2017.

€335.6bn in outstanding loans

Outstanding loans posted steady growth to reach €335.6 billion as of June 30, 2017, up 3.8% from one year earlier. Home loans continued to rise at the same pace (+2.8%) as in end-December 2016, strongly affected by the high volume of early repayments in an extremely competitive environment. Meanwhile, consumer loans rose sharply (+6.9%).





These trends combined to enable further improvement in the loan-to-deposit ratio, which fell to 118.4% as of June 30, 2017 compared with 119.2% one year earlier.

The liquidity coverage ratio (LCR) was 138% as of June 30, 2017, well above the regulatory minimum, and down slightly from 140% as of December 31, 2016.

- **Insurance**

29.2 million insurance policies

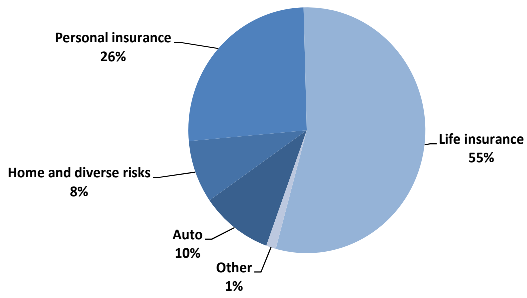
Crédit Mutuel-CM11's insurance activities continued to grow even after an already exceptional year in 2016. Thanks to record sales of property and casualty insurance, the total number of policies held in the portfolio rose by 2.8% in the first half to reach 29.2 million.

Insurance revenues totaled €5.2 billion, down 8.6% as a result of measures taken by the Group starting in 2016 to promote unit-linked accounts. The growth in property and casualty insurance (+4.5%) was therefore masked by the decline in gross premium income for life insurance and insurance-based savings (-16.9% to €2.9 billion). The reorientation of life insurance premium income, carried out to reflect the customers' risk profile, was evidenced at end-June by a more than 25% contribution to gross premium income from unit-linked accounts, more than double their contribution in the first half of 2016 (11.4%).

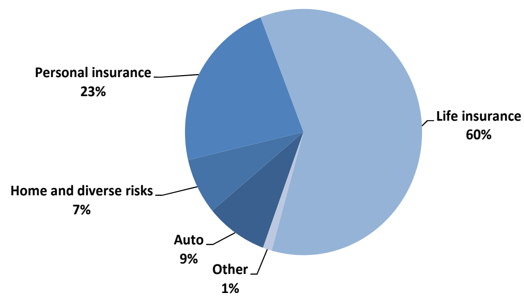
The robust sales of auto and home insurance contracts combined with the decline in cancelation rates, reflecting the quality of the policies and services offered by Crédit Mutuel Insurance, helped property insurance revenues rise by 4.5% to €0.9 billion. Protection insurance, a major growth focal point in 2017, generated record sales gains and contributed significantly to the significant increase in personal insurance revenues (+4.4%), which reached nearly €1.4 billion.

This strong growth contributed to the improvement in underwriting results, which are favorably oriented across all segments.

Breakdown of GACM revenues at end-June 2017



Breakdown of GACM revenues at end-June 2016



- **Services**

Along with the banking and insurance activities, the diverse range of services distributed by the Group through its networks also contributed to the overall sales performance.

EI Telecom, a mobile telephone service, now has a portfolio of nearly 1.6 million customers. The company stepped up its sales and marketing activity, largely driven by the launch of a limited series, then of a sustainable full-range roll-out, of a 100 GB data offer.

Euro Protection Surveillance, which markets electronic surveillance solutions, completed 6,500 new installations in the first half of 2017. The company is France's leading electronic surveillance operator, with 434,685 subscription agreements as of June 30, 2017 (+8% over one year).

CM-CIC Bail provides a comprehensive automobile solution extending from vehicle purchase and financing through lease agreements to subscriptions of maintenance contracts. In the first half of 2017, 1,128 vehicles were purchased for retail customers in the network and 11,294 lease agreements were subscribed, representing outstanding lease volume of €162.2 million.

In sales of new real estate, **CM-CIC Agence Immobilière** recorded net reservations of 5,358 units in the first half of 2017, up 16% (+721) relative to one year earlier. In the private banking segment, Crédit Mutuel and CIC advisors also support our customers in their purchases of existing homes.

In the digital wallet segment, the Group completed the combination of its Fivory app with BNP Paribas' "Wa!" app in order to create a new brand called **Lyf Pay**. This new app, available since May 18, 2017, offers several innovative services, notably in-store and online payments, combined with customer loyalty programs, merchant coupons, etc. The app also enables payment sharing with friends and the ability to make charitable donations.

Financial results

Foreword: As of June 30, 2017, the private banking activity of CIC's Singapore and Hong Kong branches is recognized as an asset held for sale in accordance with IFRS 5. In July 2017, a purchase and sale agreement was signed with Indosuez Wealth Management. The completion of this transaction remains subject to the receipt of prior regulatory authorizations.
As of June 30, 2016, the Pasche bank was also recognized as an asset held for sale in accordance with IFRS 5. The disposal was completed at the end of the second quarter of 2016.

(in € millions)	**6/30/2017**	**6/30/2016**	change*
Net banking income	**7,150**	**6,760**	**+3.6%**
Operating expenses	(4,360)	(4,288)	-0.6%
Gross operating income	**2,790**	**2,472**	**+10.9%**
Cost of risk	(398)	(359)	+9.2%
Operating income	**2,392**	**2,113**	**+11.1%**
Gains/losses on other assets and associates	(271)	(288)	-5.8%
Income before tax	**2,121**	**1,826**	**+13.8%**
Corporate income tax	(810)	(646)	+23.7%
Gains & losses net of corporate tax on discontinued operations	5	46	na
Net income	**1,316**	**1,226**	**+4.7%**
Non-controlling interests	153	129	+17.6%
Net income – Group share	**1,163**	**1,097**	**+3.2%**

** at constant scope[2]*

Crédit Mutuel-CM11 Group's overall **NBI** was nearly €7.2billion in the first half of 2017, compared with €6.8 billion one year earlier, a 3.6% increase at constant scope. On a reported basis, NBI rose by 5.8%, as the factoring and leasing entities acquired from General Electric in France and Germany on July 20, 2016 generated €159 million in NBI during the first half of 2017. The increase in net banking income over one year is even more noteworthy, since in the first half of 2016 the €269 million capital gain on the disposal of Visa Europe shares was recognized in the "holding" segment. Excluding the change in consolidated scope and the Visa capital gain, net banking income increased by 7.9%.

The increase in NBI at constant scope was due to several factors, including:

- the increase in retail banking and insurance NBI through commission income in the banking networks and the highly favorable NBI performance of Banque Européenne du Crédit Mutuel BECM, Targobank Germany and the specialized subsidiaries such as COFIDIS;

[2]*For a detailed analysis of changes at constant scope, see the methodological notes at the end of the press release.*

- continued sustained activity and favorable underwriting results in the insurance segment, whose NBI contribution increased by 17.3%;
- the resilient performance of the capital markets activities, whose NBI surged by €87 million to €275 million;
- the nearly 39% increase in private equity revenues, reflecting the vitality of companies backed by CM-CIC Investissement.

As the core business of Crédit Mutuel-CM11 Group, retail banking and insurance NBI accounted for almost 80% of the Group's total revenues.

Operating expenses totaled €4,360 million as of June 30, 2017. They remained well controlled and were down 0.6% over one year at constant scope. This decrease takes into account the modest 0.6% increase in personnel expenses. Provision allocations were down sharply by €98 million, since the first half of 2016 was adversely affected by goodwill impairment recorded in the media segment, which is now fully provisioned.

Cost of risk rose by €33 million to reach €398 million in the first half of 2017. The overall increase in provisions covers an €18 million decrease in individual provision allocations, reflecting the good quality of customer risks, and a €51 million increase in collective provisions following a change in the calculation parameters used to determine them.

By business line, the cost of risk on an individual basis rose slightly in the retail banking segment (+1.1%) and was down by a substantial €22 million in the corporate banking business lines.

The overall cost of risk on customer loans represented 0.23% of total outstanding loans, in line with the first half of 2016, and the overall coverage ratio for non-performing loans was 63.5% (64.2% in June 2016).

Operating income rose by 11.1% to €2,392 million, driven by the increase in NBI, the decline in operating expenses and notwithstanding the higher cost of risk.

Income before tax was €2,121 million, up 13.8% even after recognizing the €232 million capital loss on Banco Popular shares, whose market value is currently nil following the resolution of this institution on June 7, 2017.

Meanwhile, a €90 million risk provision created in anticipation in 2016 was reversed and recognized in first-half 2017 net banking income.

After taking into account corporate income tax of €810 million as well as pretax income on activities that were sold, which fell from €46 million on June 30, 2016 to €5 million on June 30, 2017, **net income** rose by 4.7% from €1,226 million in the first half of 2016 to €1,316 million in the first half of 2017.

Financial structure

As of June 30, 2017, shareholders' equity totaled €40.6 billion (€39.6 billion at end-December 2016).

As of March 31, 2017, the Group's Common Equity Tier 1 (CET1) ratio improved significantly to 15.7%[3] (15% at end-December 2016), enabled by a decrease in weighted risks and the raising of both the corporate floor and the LGD floor on large accounts and banks. The overall solvency ratio was 19%, up 100 basis points relative to end-2016.

As of March 31, 2017, the leverage ratio under the delegated act was 5.4% (without transitional arrangements) and the liquidity coverage ratio (LCR) was 138% as of June 30, 2017.

[3]Without transitional arrangements.

In the first half, the Moody's and Fitch rating agencies confirmed the Group's short- and long-term ratings.[4]

	Standard & Poor's	Moody's	Fitch Ratings
Long-term rating	A	Aa3	A+
Short term	A-1	P-1	F1
Outlook	Stable	Stable	Stable

The main factors cited by the rating agencies to justify the ratings stability and levels were as follows:

- solid capitalization;
- strong ability to generate cash flow from operations;
- a robust banking and insurance model in France;
- a relatively low risk profile for the businesses.

[4] Standard & Poor's: ratings for the Crédit Mutuel Group scope; Moody's and Fitch: ratings for the Crédit Mutuel-CM11 Group scope.

Results by business lines

Retail banking and insurance, the core business

(in € millions)	6/30/2017	6/30/2016 restated*	change**
Net banking income	**5,026**	**4,781**	**+1.8%**
Operating expenses	(3,303)	(3,187)	+0.1%
Gross operating income	**1,723**	**1,594**	**+5.1%**
Cost of risk	(423)	(357)	+16.8 %
Gains/losses on other assets and associates	19	(52)	na
Income before tax	**1,319**	**1,184**	**+7.8%**
Corporate income tax	(532)	(447)	+16.4 %
Net income	**787**	**737**	**+2.6%**

** see methodology notes at the end of the press release*
*** at constant scope; see methodology notes at the end of the press release*

This business line includes the Crédit Mutuel local **caisses*****, the CIC branches, Banque Européenne du Crédit Mutuel, CIC Iberbanco, Targobank in Germany and Spain, Cofidis Participations, Banque Casino and all the specialized businesses whose product marketing is performed by the branch networks: equipment leasing and leasing with purchase option, real estate leasing, vendor credit, factoring, fund management, employee savings and real estate sales.***

Retail banking is the Crédit Mutuel-CM11 Group's core business and accounts for 67% of its net banking income.

The retail banking division's first-half 2017 net banking income rose by a modest 1.8% relative to the previous year. At constant scope, the narrowing of the net interest margin due to the decline in average loan yields was largely offset by the favorable fee and commission income performance (mainly loan fees and insurance commissions). The banking network's fee and commission income totaled €1.9 billion, up nearly 9%, of which €608 million from insurance, accounting for nearly one-third of the banking networks' total fee and commission income.

Operating expenses were held in check and rose by a slight 0.1% despite the increase in bank taxes and, in particular, the increase in the contribution to the Single Resolution Fund (+€13 million for the retail banking segment alone).

Cost of risk rose by 16.8%, driven by the impact of increased collective provisions (+€56 million). Adjusted for these collective provisions, the increase in the cost of risk was limited to 1.1% (€4 million).

In connection with its investment in the Spanish bank Banco Popular, the Crédit Mutuel-CM11 Group recognized its share (3.92%) of the first-quarter loss, or €13.5 million, compared with a €98.8 million loss in the first half of 2016.

Ultimately, net income rose by 2.6% to €787 million. Adjusted for the impact of Banco Popular (respective losses of €98.8 million in the first half of 2016 and €13.5 million in the first half of 2017), retail banking net income was down 4.2%.

Banking networks

- **Caisses de Crédit Mutuel**

The number of customers increased by nearly 22,000 since end-December 2016 and now exceeds 6.9 million.
Outstanding loans increased by nearly €3 billion (2.6%) to €118.1 billion over one year, driven mainly by home loans (+3%), equipment loans (+1.8%) and consumer loans (+1.5%).

Customer deposits rose by €6.8 billion, bringing total deposit volume to €102.9 billion. The deposit volume on current accounts and savings accounts posted the strongest gains, rising by €4.2 billion (+18.2%) and €3.2 billion (+8.8%), respectively.

NBI declined by 0.1% to €1,493 million, while operating expenses and cost of risk rose by 1.6% and 19.7%, respectively.

Net income totaled €170 million, down 21.4% from €216 million one year earlier.

- **CIC branch network**

As of June 30, 2017, CIC had 1,954 branches and 5 million customers (+1.9% relative to June 30, 2016).
Lending activity remained very dynamic, with a 4.6% increase over one year to €117.6 billion. Investment loans performed very well, with a 7.6% increase to €32.8 billion, and home loans maintained 4.1% growth to €67.8 billion after a strong first half for new loans (€8.1 billion).Consumer loans outstanding totaled €5.3 billion (+3.7%).

Deposit volume was €108.2billion (+6.0% relative to June 30, 2016), with continued strong inflows for sight deposits.

CIC branch network's net banking income was €1,691 million through June 30, 2017, up 3.8% on the back of fee and commission income.

Operating expenses totaled €1,129 million (-0.3%). The cost of risk (€88 million in the first half of 2017) was up €23 million, including a €24 million increase in collective provisions and a €1 million decrease in individual provisions.

Net income contracted by 1.2% to €273 million.

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

Banque Européenne du Crédit Mutuel operates in France and Germany in the corporate, real estate development and real estate investment segments. With more than 20,000 customers, the bank has 51 commercial branches (including 42 in France) and a subsidiary in Monaco.

As of June 30, 2017, customer loans increased by 10.2% year-on-year, based on average monthly capital and across all markets, to €13.5 billion and by 7.0% in the first six months of 2017. Customer deposits rose by 1.6% year on year to €12.1 billion, but nevertheless fell by 9.6% during the first six months of 2017 given the impact of measures to regulate intake.

For the period ending June 30, 2017, net banking income rose by 10.1% to €141.2 million. The net interest margin increased by 18.1% thanks to the lower cost of customer deposits and growth in outstanding loan volume. Fee and commission income totaled €30.5 million, down 10.6% relative to the first half of 2016 because of lower commission income on electronic payments.

Operating expenses totaled €52.2 million, up 7.5% mainly due to the increase in taxes on financial institutions. The cost of risk rose by 22.8% to €5.7 million. It nevertheless represents a modest ratio of 0.13% of average annual loans.

Net income was €51.9 million as of June 30, 2017, up a substantial 9.2% from €47.6 million one year earlier.

- **TARGOBANK Germany**

In the first half of 2017, Targobank Germany's sales activity continued the growth begun in early 2016 under the stimulus of a new medium-term business plan, "Targobank 2020".

New personal loan production in the first half totaled €1.8 billion, up 14% relative to the first half of 2016.

The gains were spread across all distribution channels. Remote sales recorded particularly strong gains (+34.8% for online sales, +45.6% for telephone sales).

As of June 30, 2017, the volume of outstanding loans was up 9.2% relative to June 30, 2016 and totaled €12.7 billion.

Deposit volume continued to grow despite low yields. Deposits reached €14.1 billion as of June 30, 2017, driven by inflows of €828 million since January 1. Customers continue to favor short-term deposits.

The first half of 2017 also marked a rebound in wealth management activity. Financial savings increased by €461 million (+4%) relative to end-2016 and totaled €11 billion as of June 30, 2017.

NBI was aided by the new "Plus-Depot" line of rates launched in 2016 (+€1.1 million in the first half of 2017).

Income before tax was €222 million in the first half of 2017. It rose by more than 5% relative to the first half of 2016.

- **TARGOBANK Spain**

In June 2017, Crédit Mutuel-CM11 Group became the sole owner of Targobank Spain by buying out the 48.98% equity interest from Banco Popular.

The bank is continuing its transformation process. After drawing up a three-year business plan, it is implementing changes at various levels: structuring and launch of its network's specialization to adapt services offered to the various markets; work channels and methods; IT applications and adjustments to comply with regulatory changes. All of these measures are designed to address the current environment. They seek to achieve maximum efficiency in terms of production and service to 135,000 customers (of which 74% retail customers).

These changes are being carried out parallel to the development of the bank's sales activity, whose respective loan and deposit volume totaled €2.1 billion and €1.9 billion as of June 30, 2017.

The bank recorded a net loss of €61 million in the first half of 2017.

COFIDIS Group

Net banking income for COFIDIS Participations rose by 2.5% or €14.8 million, to €618 million in the first half of 2017.

Interest income was flat given a decrease in usury rates (in France, Portugal and Hungary); strong competitive pressures marked by a race to offer low teaser rates, reducing invoicing levels on new generations of loans; and a reorientation of the portfolios in the current economic environment to favor lower-income products (personal loans, redemptions, auto loans and banking partnerships).

These factors were offset by a 6% increase in outstanding loans, better risk management and therefore an increase in the share of income-producing loans, and through strategic adjustments at the Group's entities enabling them to optimize customer fees.

Aside from the flat interest income, net banking income was favorably affected by the continued decrease in interest expense (-29% in the first half of 2017) and an increase in fee and commission income, notably for borrowers insurance.

Operating expenses contracted by 0.7%. They benefited from stability in marketing investments even as new financings increased by 8.6%, reflecting greater sales productivity. They also benefited from a decrease in non-marketing-related operating costs.

The cost of risk is favorably positioned, with an 18 basis point decline from one year earlier. It amounted to 2.3% of average loan volume in June 2017, compared with 2.5% one year earlier.

The increase in NBI in connection with the growth in sales and outstanding loans, cost controls and effective risk management led to a 10.2% increase in the contribution to Group net income. This contribution totaled €105 million in the first half of 2017.

Insurance, posting strong gains

(in € millions)	6/30/2017	6/30/2016	change
Net banking income	**881**	**752**	**+17.3%**
Operating expenses	(278)	(266)	+4.5%
Gross operating income	**604**	**486**	**+24.3%**
Gains/losses on other assets and associates	7	19	-63.3%
Income before tax	**611**	**505**	**+20.9%**
Corporate income tax	(194)	(150)	+29.3%
Net income	**417**	**355**	**+17.4%**

Crédit Mutuel created and developed bankinsurance in 1971. This longstanding experience now enables the insurance activity, which is carried out through Groupe des Assurances du Crédit Mutuel (GACM), to be fully integrated into the Crédit Mutuel-CM11 Group both commercially and technically.

Insurance revenues contracted by 8.6% to nearly €5.2 billion.

In line with the market, gross premium income for life insurance and insurance products with a savings component fell by 16.9% to €2.9 billion. This decline occurred in an environment marked by persistent very low interest rates, which forced insurance companies to put restrict the inflows on euro-denominated funds and instead promote unit-linked accounts. For GACM, the share of unit-linked accounts relative to gross premium income therefore totaled 25.7% in the first half of 2017, compared with 11.4% one year earlier.

The growth in property and casualty premium income reached 4.5%, thereby outperforming the market's 2.5% increase through end-May 2017. This growth was driven by record production in the auto and home multi-risk segments as well as by the sustained development of the professional multi-risk lines.

Personal insurance premium income rose by 4.4%, driven by record sales volume in protection insurance, a key growth area in 2017. To that end, the "disability insurance" product was overhauled. The network also benefits from a new sales support application that analyzes the insurance needs of policyholders in order to offer appropriate products. Promotional initiatives round out the support measures available to account representatives in this business segment.

The networks had commission income of €644 million, up 5.3%.

GACM recorded net income[5]of €417 million in the first half of 2017, compared with €355 million one year earlier.

In contrast to the first half of 2016, which was adversely affected by the decrease in technical rates and inclement weather in May and June, first-half 2017 net income reflected the Group's favorable sales performance, interest rate stability and the absence of any large-impact events.

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[5]Contribution to Crédit Mutuel-CM11 Group's consolidated net income

Corporate banking

(in € millions)	6/30/2017	6/30/2016	change
Net banking income	**188**	**171**	**+10.1%**
Operating expenses	(61)	(57)	+6.1%
Gross operating income	**127**	**114**	**+12.1%**
Cost of risk	22	(3)	na
Income before tax	**149**	**110**	**+34.9%**
Corporate income tax	(46)	(36)	+28.4%
Net income	**103**	**75**	**+38.0%**

With its teams based in France and at its branches (London, New York, Singapore, Hong Kong), the corporate banking business line provides services to large corporate and institutional customers with a holistic approach to their requirements. It also supports the corporate networks' work on behalf of their major customers. It contributes to the development of international business and the implementation of specialized financing (acquisitions, assets, projects).

Corporate banking includes the financing of large corporates and institutional customers, value-added financing (project and asset financing, etc.), international activities and financing carried out by foreign branches.

As of end-June 2016, this business line had €18.3 billion in outstanding loans (+6.1%) and €6.3 billion in deposits (+5.6%). Savings under management totaled more than €90 billion.

The corporate banking business' contribution to Crédit Mutuel-CM11 Group net income was €103 million, up 38% from €75 million one year earlier. This favorable result was driven by continued strong sales activity across all business segments, with gross operating income up 12.1% and net reversals of provisions totaling €22 million through June 30, 2017.

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Capital markets

(in € millions)	6/30/2017	6/30/2016 restated*	change
Net banking income	**275**	**188**	**+46.2%**
Operating expenses	(111)	(100)	+11.2%
Gross operating income	**163**	**88**	**+86.1%**
Cost of risk	6	4	+60.4%
Income before tax	**169**	**91**	**+85.1%**
Corporate income tax	(59)	(33)	+81.4%
Net income	**110**	**59**	**+87.2%**

** see methodology note at the end of the press release*

The Crédit Mutuel-CM11 group's capital markets activities are included in the CIC's balance sheet. This sector cover the fixed income, equities and credit investment activity and the commercial activity (CM-CIC Market Solutions) in France and in the branches of New York and Singapore.

These activities are all designed to provide capital markets investment, hedging, trading and financing solutions along with after-market solutions for companies, institutional investors and management companies.

The sector benefited from the resilient financial market performance since the start of the year, with a €110 million contribution to Crédit Mutuel-CM11 Group’s consolidated net income in the first half of 2017, a significant €51 million increase relative to the previous year.

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Private banking

(in € millions)	6/30/2017	6/30/2016	change
Net banking income	**262**	**270**	**+2.5%**
Operating expenses	(171)	(178)	+5.3%
Gross operating income	**92**	**93**	**-2.4%**
Cost of risk	0	(1)	na
Gains/losses on other assets and associates	0	10	na
Income before tax	**92**	**102**	**-10.9%**
Corporate income tax	(21)	(16)	+25.2%
Gains & losses net of corporate tax on discontinued operations	5	(20)	na
Net income	**76**	**66**	**+15.5%**

The companies making up this business line operate both in France through CIC Banque Transatlantique and abroad through the Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, Banque Transatlantique Belgium and Banque Transatlantique London subsidiaries and branches.

This business line develops know-how in financial management and estate planning, which is provided to business owners and their families and private investors.

This business line manages €13.5 billion in outstanding loans and €20.5 billion in deposits, including CIC’s private banking activities in Hong Kong and Singapore, scheduled to be sold in the second half of 2017. It generated €7 billion in surplus funding. Off-balance sheet savings totaled €93.9 billion.

Net banking income rose by 2.5% to €262 million thanks to higher fee and commission income.

The business line contributed €76 million to the Group’s net income in the first half of 2017, compared with €66 million in the first half of 2016.

These results do not include the CIC Banque Privée branches, which are integrated with the CIC banks to serve primarily the business owner customer base. The CIC Banque Privée branches recorded income before taxes of €48 million, up 9.8% relative to June 2016.

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Private equity

(€ millions)	6/30/2017	6/30/2016	change
Net banking income	**169**	**122**	**+38.8%**
Operating expenses	(25)	(22)	+12.4%
Income before tax	**144**	**100**	**+44.7%**
Corporate income tax	2	(1)	na
Net income	**146**	**99**	**+47.4%**

This business activity is carried out by CM-CIC Investissement, which has its head office in Paris and offices in Lyon, Nantes, Lille, Bordeaux and Strasbourg, thereby ensuring close ties to customers, while gradually entering a phase of international development.

Private equity represents a key component of the sales strategy. It enables the companies that are Crédit Mutuel and CIC customers to strengthen their equity financing over the medium and long term (seven to 10 years).

Equity investments in the first half of 2017 totaled €372 million, compared with €44 million one year earlier. They reflect the very sustained level of business activity. As of June 30, 2017, the business line had invested a total of €2.1 billion, of which 85% in unlisted companies. The remainder was split between listed companies and funds. The portfolio has a value of €2.4 billion.

The high quality of the investments generated net banking income of €169 million, a substantial 39% increase compared to the first half of 2016. The contribution to Group net income was €146 million through end-June 2017, compared with €99 million one year earlier.

Information technology and logistics

(in € millions)	6/30/2017	6/30/2016	change*
Net banking income	**787**	**705**	**+11.7%**
Operating expenses	(664)	(724)	-8.3%
Gross operating income	**123**	**(20)**	**na**
Cost of risk	(4)	(2)	na
Gains/losses on other assets and associates	(1)	8	na
Income before tax	**119**	**(13)**	**na**
Corporate income tax	(49)	(34)	+43.2%
Net income	**70**	**(47)**	**na**

** at constant scope*

This division comprises the purely logistical entities: the group's IT companies, the CM-CIC Services EIG, EI Telecom, Euro Protection Surveillance, Lyf Pay and the media division.

In the first half of 2017, net banking income for the IT and logistics activity rose by nearly 12% to €787 million. It is composed of the gross margins of the IT, telephone services and electronic surveillance companies around Euro-Information, the Group's technology division, as well as the services of CM-CIC Services, the net banking income of the Targobank Germany and COFIDIS logistics functions and the gross margin of the media division.

Operating expenses contracted by 8.3% to €664 million, as the first half was not significantly penalized by goodwill impairment charges recorded in the media division, in contrast to the first half of 2016.

The bottom line contribution to Crédit Mutuel-CM11 Group net income was €70 million in the first half of 2017, compared with a net loss of €47 million one year earlier.

Driven by a constant focus on customer satisfaction, its strong sales momentum and its mutual banking organization, Crédit Mutuel-CM11 Group recorded reported net income of €1.3 billion in the first half of 2017, up 4.7% from the previous year. Its strength consists of offering a diverse, competitive and innovative line of services. Its goals are to ensure the quality of the service for shareholding owners and, more broadly, all economic agents while remaining attuned to their expectations and needs.

As a catalyst for local and regional development and vitality, the Group's effective business model enables it each year to continuously strengthen its financial position, which is the cornerstone of future growth and success. By combining performance and proximity, innovation and responsibility, financial strength and solidarity, Crédit Mutuel-CM11 Group is a shining example of a bank that, day in and day out, combines the human touch with digital technology, remains true to its roots, keeps up with the times and is prepared to solve the challenges of tomorrow.

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Crédit Mutuel
Groupe CM11

Crédit Mutuel-CM11 Group(*) Key figures(**)

(in € millions)	June 30, 2017	June 30, 2016
Activity		
Total assets	624,201	607,778
Customer loans	335,615	315,882
Total savings	627,178	590,434
- of which, customer deposits	283,400	265,012
- of which, insurance savings	80,648	77,945
- of which, banking savings	263,130	247,476
Shareholders' equity		
Shareholders' equity (1)	40,595	38,687
Employees at the end of the period(2)	69,250	67,497
Number of points of sale	4,535	4,613
Number of customers (in millions)	23.6	23.9

Results

Consolidated income statement (in € millions)	June 30, 2017	June 30, 2016
Net banking income	7,150	6,760
Operating expenses	(4,360)	(4,288)
Gross operating margin	2,790	2,472
Cost of risk	(398)	(359)
Operating income	2,392	2,113
Net gains/losses on other assets and associates.	(271)	(288)
Income before tax	2,121	1,826
Corporate income tax	(810)	(646)
Gains &losses before tax on discontinued operations	5	46
Reported net income	1,316	1,226
Net income attributable to the Group	1,163	1,097

*Consolidated results of the local *caisses* of Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique et Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranéen and Anjou, of their common federal bank, and of the Banque Fédérative du Crédit Mutuel and its main subsidiaries: ACM, BECM, IT, etc. and including CIC, Targobank Germany, Targobank Spain, Cofidis and CIC Iberbanco
(**) Figures not approved by the Boards.
(1) Including net result for the period and before dividend.
(2) Employees at Group-controlled entities.

Methodology notes

1/ **Restated results as of June 30, 2016**: segment information was changed slightly at the start of 2017. The custody (retail banking) and central treasury (capital markets activity) were combined and assigned to the "holding" business line. Restated results are therefore presented for these three business lines (retail banking, capital markets activities and holding) as of June 30, 2016.

2/ **Changes at constant scope** of the income statement are calculated after adjusting for:

- in 2017, first-time consolidations between July 1, 2016 and June 30, 2017, namely the factoring and leasing entities acquired from General Electric in France and Germany on July 20, 2016 (retail banking segment);
- In 2016, from the contribution of the CIC private banking activities in Hong Kong and Singapore following the change in their accounting classification method as of June 30, 2017; since the announcement of the disposal of these activities by CIC to Indosuez Wealth Management, their contribution has been classified on the income statement under "gains/losses net of corporate tax from discontinued operations."

For outstanding deposits and customer loans, changes are calculated at constant method, i.e. after reintegrating, in 2017, the contribution of CIC's private banking activities in Hong Kong and Singapore following the change in their accounting classification method as of June 30, 2017; since the announcement of the disposal of these activities by CIC to Indosuez Wealth Management, their contribution is now classified in the financial statements under "assets/liabilities held for sale."

These items are presented below in the various intermediary balances on the income statement:

	June 30, 2017 (€ millions)			June 30, 2016 (€ millions)			**2017 / 2016 changes**	
	reported	change in scope to be adjusted	**at constant scope**	reported	change in scope to be adjusted	**at constant scope**	gross	**at constant scope**
Net banking income	**7,150**	**159**	**6,990**	**6,760**	**14**	**6,745**	**+5.8%**	**+3.6%**
Operating expenses	(4,360)	(112)	(4,248)	(4,288)	(16)	-4,272	+1.7%	-0.6%
Gross operating income	**2,790**	**47**	**2,742**	**2,472**	**(1)**	**2,473**	**+12.8%**	**+10.9%**
Cost of risk	(398)	(6)	(392)	(359)	0	-359	+10.9%	+9.2%
Operating income	**2,392**	**42**	**2,350**	**2,113**	**(1)**	**2,115**	**+13.2%**	**+11.1%**
Gains/losses on other assets and associates	(271)	0	(271)	(288)	0	-288	-5.8%	-5.8%
Income before tax	**2,121**	**42**	**2,079**	**1,826**	**(1)**	**1,827**	**+16.2%**	**+13.8%**
Corporate income tax	(810)	(10)	(800)	(646)	0	-646	+25.3%	+23.7%
Gains/losses net of income tax on discontinued operations	5	5	0	46	0	46	-90.0%	na
Net income	**1,316**	**31**	**1,284**	**1,226**	**(1)**	**1,227**	**+7.3%**	**+4.7%**
Non-controlling interests	153	1	152	129	0	129	+18.6%	+17.6%
Net income –attributable to the Group	**1,163**	**30**	**1,133**	**1,097**	**(1)**	**1,098**	**+6.0%**	**+3.2%**

and on customer loans:

	outstanding amounts as of June 30, 2017 (€ millions)				June 30, 2016 (€ millions)	June 2017 / June 2016 changes	
	reported (1)	Private banking Singapore (2)	"ex-General Electric" subsidiaries (3)	**restated outstanding amounts (4) = (1) + (2) - (3)**	reported (5)	gross (1) / (5)	**at constant scope (4) / (5)**
Customer loans	**335,615**	**2,363**	**10,101**	**327,877**	**315,882**	**+6.2%**	**+3.8%**
Total savings	**627,178**	**3,589**	**3,080**	**627,687**	**590,433**	**+6.2%**	**+6.3%**
of which, customer deposits	283,400	771	3,080	281,091	265,012	+6.9%	+6.1%
of which, insurance savings	80,648	0	0	80,648	77,945	+3.5%	+3.5%
of which, bank savings	263,130	2,818	0	265,948	247,476	+6.3%	+7.5%

Alternative Performance Measures (APM)– Article 223-1 of the AMF's General Regulations / ESMA Guidelines (ESMA/20151415)

Name	Definition / calculation method	For ratios, justification of use
Cost-to-income ratio	Ratio calculated from items of the consolidated income statement: ratio of general operating expenses (sum of items "general operating expenses" and "allocations/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets" of the consolidated income statement) to "IFRS net banking income"	Measure of the bank's operating efficiency
Total customer cost of risk relative to outstanding loans (expressed in % or basis points)	Customer cost of risk from Note 31 to the consolidated financial statements relative to gross loan outstandings at the end of the period (loans and receivables due from customers excluding individual and collective impairment)	Makes it possible to assess the risk level as a percentage of balance sheet loans
Overall cost of risk	"Cost of risk" of the reportable consolidated income statement; by comparison with the cost of risk on an individual basis (definition in this table)	Measures the risk level
Cost of risk on an individual basis	Total cost of risk for loan losses excluding collective provisions (see definition in this table)	Measures the risk level calculated on an individual basis
Customer loans	"Loans and receivables due from customers" item of consolidated balance sheet assets	Measures the customer loan activity
Customer deposits; bank deposits	"Due to customers" item of consolidated balance sheet liabilities	Measures the customer activity in terms of balance sheet financing
Insurance savings products	Life insurance products held by our customers - management data (insurance company)	Measures the customer activity in terms of life insurance
Bank savings products	Off-balance sheet savings products held by our customers or under custody (securities accounts, mutual funds, etc.) management data (Group entities)	Representative measure of the activity in terms of off-balance sheet resources (excluding life insurance)
Total savings	Sum of bank deposits, insurance savings and bank savings products	Measures customer activity in terms of savings
Operating expenses; general operating expenses; management fees	Sum of lines "General operating expenses" and "Allocations/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets"	Measures the level of operating expenses
Net interest margin; net interest revenue; net interest income	Calculated from items of the consolidated income statement: Difference between the interest received and the interest paid: - interest received = "interest and similar income" item of the reportable consolidated income statement - interest paid = "interest and similar expenses" item of the	Measure representative of profitability

	publishable consolidated income statement	
Loan production	Amount of new loans released to customers - source management data, sum of individual data from entities of the "retail banking - branch network" sector + COFIDIS	Measure of the customer activity in terms of new loans
Collective provisions	Application of IAS 39 which provides for a collective examination of loans, in addition to the individual examination, and, if applicable, the creation of a corresponding collective provision (IAS 39 paragraphs 58-65 and application guidance AG 84-92)	Measure of the collective provisions level
Loan-to-deposit ratio / Customer loan-to-deposit ratio	Ratio calculated from items of the consolidated balance sheet: ratio expressed as a percentage between total customer loans ("Customer loans and receivables" included under consolidated balance sheet assets) and customer deposits ("due to customers" item of consolidated balance sheet liabilities)	Measure of the dependency on external refinancing
Overall non-performing loan coverage ratio	Determined by calculating the ratio of provisions for credit risk (including collective provisions) to the gross outstandings identified as in default within the meaning of the regulations; Calculation from Note 8a to the consolidated financial statements: "Individual impairment" + "collective impairment" / "individually-impaired loans"	This coverage ratio measures the maximum residual risk related to loans in default (non-performing)

APM, reconciliation with financial statements:

Cost-to-income ratio		6/30/2017	6/30/2016
Operating expenses	note 29	(4,360)	(4,288)
Net banking income	income statement	7,150	6,760
Cost-to-income ratio		61.0%	63.4%

Total customer cost of risk relative to outstanding loans		6/30/2017	6/30/2016
Customer cost of risk	note 30	(393)	(367)
Gross loans + lease financing	note 8a	346,360	324,268
Total customer cost of risk relative to outstanding loans		0.23%	0.23%

Net interest margin		6/30/2017	6/30/2016
Interest and similar income	income statement	7,295	7,741
Interest and similar expense		(4,410)	(4,839)
Net interest margin		2,885	2,902

Customer loan-to-deposit ratio		6/30/2017	6/30/2016
Customer loans and receivables	assets	335,615	315,882
Customer deposits	liabilities	283,400	265,012
Customer loan-to-deposit ratio		118.4%	119.2%

Overall coverage of non-performing loans		6/30/2017	6/30/2016
Individual and collective impairment	note 8a	8,382	8,386
Individually impaired loans	note 8a	13,207	13,068
Overall coverage of non-performing loans		63.5%	64.2%