

Société anonyme, under French law, with a share capital of €220,000,000  
Registered office: 6 Avenue de Provence – 75452 Paris Cedex 9  
Paris Trade and Companies Register 480 618 800

---

**MANAGEMENT REPORT BY THE BOARD OF DIRECTORS  
INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014**

**July 2014**

## DISSEMINATION OF INFORMATION

Regulatory reports, prospectuses and issuance program documentation are available on Crédit Mutuel – CIC Home Loan SFH’s website:

<http://www.creditmutuelcic-sfh.com/en/covered-bonds/documentation/index-sfh.html>

## CONTENTS

<b>I. COMPANY STATUS AND ACTIVITIES .....</b>	<b>3</b>
1. KEY EVENTS DURING THE FIRST SIX MONTHS OF THE YEAR .....	3
2. FUTURE OUTLOOK .....	3
3. KEY EVENTS BETWEEN JUNE 31, 2014 AND THE DATE OF THIS REPORT .....	3
4. SUBSIDIARIES AND INVESTMENTS .....	3
5. CROSS SHAREHOLDINGS .....	3
6. CURRENT DELEGATIONS OF AUTHORITY CONCERNING INCREASES IN THE COMPANY’S CAPITAL .....	4
7. OWNERSHIP .....	4
<b>II. RESULTS, FINANCIAL POSITION AND DEBT .....</b>	<b>5</b>
1. STATEMENT OF FINANCIAL POSITION .....	5
<i>a. ASSETS</i> .....	5
<i>b. LIABILITIES AND SHAREHOLDERS’ EQUITY</i> .....	6
<i>c. RESULTS</i> .....	7
<i>d. COVER POOL</i> .....	8
2. FINANCIAL POSITION AND PRUDENTIAL RATIOS .....	9
3. DEBT .....	9
<b>III. DESCRIPTION OF KEY RISKS AND UNCERTAINTIES AND RISK MANAGEMENT SYSTEM .....</b>	<b>10</b>
1. CREDIT RISK .....	10
2. INTEREST RATE, FOREIGN EXCHANGE AND MARKET RISK .....	11
3. LIQUIDITY RISK .....	12
4. OPERATIONAL RISK .....	13
5. LEGAL RISK .....	13
<b>IV. APPENDICES .....</b>	<b>14</b>
1. FINANCIAL STATEMENTS .....	15
2. REPORT OF THE STATUTORY AUDITORS’ LIMITED REVIEW OF THE INTERIM FINANCIAL STATEMENTS .....	24

## **I. COMPANY STATUS AND ACTIVITIES**

Crédit Mutuel – CIC Home Loan SFH (formerly CM-CIC Covered Bonds) was accredited by the French Credit Institutions and Investment Firms Committee (CECEI) in the course of its meeting of May 31, 2007. The French Prudential Supervision and Resolution Authority (ACPR) authorized the Company to elect housing finance company (société de financement de l’habitat or SFH) status during its meeting of March 28, 2011.

The Company’s sole purpose is to help refinance the CM11-CIC Group. As such, the so-called “US144A” documentation was put in place in 2012 to enable the Company to reach new investors in the United States.

### **1. KEY EVENTS DURING THE FIRST SIX MONTHS OF THE YEAR**

In the first half of 2014, the market environment remained favorable to medium- and long-term refinancing activities.

During the entire period, Crédit Mutuel – CIC Home Loan SFH issued €3.014 billion, 23% of the external resources raised by CM11-CIC in the markets.

Two public issues by Crédit Mutuel – CIC Home Loan SFH are worth noting in particular:

- €1.5 billion with a maturity of five years (February 2014)
- €1.0 billion with a maturity of ten years (June 2014)

### **2. FUTURE OUTLOOK**

Crédit Mutuel – CIC Home Loan SFH will continue to contribute to the CM11-CIC Group’s medium- and long-term refinancing in the second half of 2014.

We will endeavor to strengthen further our European investor base while continuing to diversify our funding base as far as possible across other geographical regions (USA, Australia, Canada, etc.).

### **3. KEY EVENTS BETWEEN JUNE 31, 2014 AND THE DATE OF THIS REPORT**

There are no key events to report since the end of June 2014.

### **4. SUBSIDIARIES AND INVESTMENTS**

None.

### **5. CROSS SHAREHOLDINGS**

None.

## **6. CURRENT DELEGATIONS OF AUTHORITY CONCERNING INCREASES IN THE COMPANY'S CAPITAL**

At the Extraordinary Shareholders' Meeting of December 4, 2012, the Board of Directors was authorized, for a period of 26 months with effect from that date, in accordance with Article L.225-129-2, to increase the Company's share capital by a maximum of €500 million, in one or more tranches, bringing the share capital to a maximum of €620 million.

On December 8, 2012, the Board of Directors decided to increase the Company's capital by €100 million, bringing it to €220 million.

These non-privileged resources help Crédit Mutuel – CIC Home Loan SFH to improve its coverage ratio and meet its liquidity needs.

## **7. OWNERSHIP**

Crédit Mutuel – CIC Home Loan SFH is a 99.99%-owned subsidiary of Banque Fédérative du Crédit Mutuel.

Readers are reminded that the Company has no employee.

## II. RESULTS, FINANCIAL POSITION AND DEBT

### 1. STATEMENT OF FINANCIAL POSITION

#### a. ASSETS

ASSETS (€ millions)	Notes	2014 June 30	2013 December 31
Cash and central bank deposits			
Government securities and similar instruments			
Receivables due from credit institutions	2	24,456.5	25,596.5
Loans and receivables due from customers			
Bonds and other fixed-income securities			
Equities and other variable-income securities			
Long-term equity investments and securities			0.0
Investments in subsidiaries and associates			
Finance leases and similar transactions			
Intangible assets			
Property, plant and equipment			
Subscribed capital not paid			
Treasury stock			
Other assets	3		0.2
Prepayments and accrued income	4	374.8	460.6
<b>Total assets</b>		<b>24,831.3</b>	<b>26,057.3</b>

Off-statement of financial position assets		2014 June 30	2013 December 31
<b>Commitments received</b>			
<b>Financing commitments</b>			
Commitments received from credit institutions			
<b>Guarantee commitments</b>			
Commitments received from credit institutions	11	35,001.1	35,001.1
<b>Securities commitments</b>			
Securities sold with repurchase or reacquisition option			
Other commitments received			

**b. LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>LIABILITIES AND SHAREHOLDERS' EQUITY (€ millions)</b>	<b>Notes</b>	<b>2014 June 30</b>	<b>2013 December 31</b>
Central bank borrowing			
Debt to credit institutions	<b>5</b>		
Customer deposits			
Debt represented by securities	<b>6</b>	22,611.6	22,485.0
Other liabilities	<b>3</b>	1,500.4	2,768.3
Accruals and deferred income	<b>4</b>	375.0	460.7
Provisions			
Subordinated debt	<b>7</b>	120.2	120.2
Fund for general banking risks			
Shareholders' equity	<b>8</b>	224.1	223.1
- Subscribed capital		220.0	220.0
- Issue premiums			
- Reserves		1.2	1.1
- Revaluation surplus			
- Regulated provisions			
- Retained earnings		2.0	1.7
- Profit for the year		0.9	0.3
<b>Total liabilities and shareholders' equity</b>		<b>24,831.3</b>	<b>26,057.3</b>

<b>Off-statement of financial position liabilities</b>	<b>2014 June 30</b>	<b>2013 December 31</b>
<b>Given commitments</b>		
<b>Financing commitments</b>		
Commitments given to credit institutions		
Commitments given to customers		
<b>Guarantee commitments</b>		
Commitments given on behalf of credit institutions		
Commitments given on behalf of customers		
<b>Securities commitments</b>		
Securities acquired with reacquisition option		
Other commitments given		

Liabilities mainly consist of securities issued by SFH.

Furthermore, a new item, "Other liabilities", was created in 2013. It represents collateral offered by BFCM in connection with the pre-maturity test after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013. This item totaled €1.5 billion as of June 30, 2014.

Assets correspond to the on-lending of these funds to BFCM.

Off-statement of financial position assets of €35 billion correspond to home loans offered as collateral by providers of collateral to SFH. This figure was also €35 billion at the end of 2013.

**c. RESULTS**

INCOME STATEMENT (€ millions)	Notes	2014 June 30	2013 June 30
+ Interest and similar income	16	1,618.7	1,577.0
+ Interest and similar expense	16	(1,616.9)	(1,576.1)
+ Income from variable-income securities			
+ Fee and commission income			
+ Fee and commission expense			
+/- Gains (losses) on trading portfolio transactions			
+/- Gains (losses) on investment portfolio and similar transactions			
+ Other banking operating income			
+ Other banking operating expense			
<b>= Net banking income</b>		<b>1.8</b>	<b>0.9</b>
+ Payroll costs			
+ Other administrative expenses		(0.3)	(0.3)
+ Depreciation and amortization			
<b>= Operating expenses</b>		<b>(0.3)</b>	<b>(0.3)</b>
<b>= Gross operating income</b>		<b>1.5</b>	<b>0.6</b>
+ Net additions to/reversals from provisions for loan losses			
<b>= Operating income</b>		<b>1.5</b>	<b>0.6</b>
+/- Gains (losses) on non-current assets			
<b>= Income before non-recurring items</b>		<b>1.5</b>	<b>0.6</b>
+/- Net non-recurring income (expense)			
+ Corporate income tax	17	(0.6)	(0.2)
+/- Additions to (reversals from) fund for general banking risks			
+/- Additions to (reversals from) regulated provisions			
<b>= Net income</b>		<b>0.9</b>	<b>0.4</b>

The Company reported net income for the half-year period of €0.9 million, compared with €0.4 million at the end of June 2013.

**d. COVER POOL**

Collateral for secured loans consists of a portfolio of receivables made up entirely of mortgage-backed receivables, totaling €35,001,064,794 as of June 30, 2014.

The main characteristics of the home loan portfolio recognized as of June 30, 2014, based on the outstanding capital as of May 31, 2014, were as follows:

<b>Outstanding capital</b>	€35,001,064,794
<b>Average outstanding loan</b>	€82,485
<b>Number of loans</b>	424,333
<b>Number of borrowers</b>	351,116
<b>Average age of loans (months)</b>	64
<b>Average residual maturity (months)</b>	176
<b>Proportion of fixed-rate loans</b>	84.50%
<b>Average interest rate on fixed-rate receivables</b>	3.76%
<b>Average interest rate on variable-rate receivables</b>	2.78%

<b>BREAKDOWN BY TYPE OF SECURITY</b>		
<b>Type of security</b>	<b>Total outstanding capital</b>	<b>Proportion by type of security</b>
Mortgage guarantee	€12,521,501,355	36%
First mortgage or lender's lien	€22,479,563,439	64%
<b>TOTAL</b>	<b>€35,001,064,794</b>	<b>100%</b>

<b>BREAKDOWN BY TYPE OF LOAN</b>		
<b>Type of loan</b>	<b>Total outstanding capital</b>	<b>Number of loans</b>
Standard	€30,930,546,525	358,493
Home savings plans/accounts	€113,040,256	12,003
Interest-free loans	€0	
Social housing loans	€2,283,622,593	35,148
Regulated loans	€1,673,855,420	18,689
<b>TOTAL</b>	<b>€35,001,064,794</b>	<b>424,333</b>

<b>BREAKDOWN BY NUMBER OF LOANS IN ARREARS</b>		
<b>Number of unpaid monthly repayments</b>	<b>Total outstanding capital</b>	<b>Number of loans</b>
0	€35,001,064,794	424,333
> 0	€-	-
<b>TOTAL</b>	<b>€35,001,064,794</b>	<b>424,333</b>

These loans were offered as collateral by CIC's regional banks and Crédit Mutuel's local banks.



## 2. FINANCIAL POSITION AND PRUDENTIAL RATIOS

At the request of Crédit Mutuel – CIC Home Loan SFH, on June 19, 2014 the General Secretariat of the ACPR (*SGACPR*) agreed to allow the Company to be exempt from the application on an individual basis of prudential requirements related to solvency ratios, the leverage ratio and major risks, as well as from application of the 75% ceiling on cash receipts for calculating liquidity coverage.

The Company's solvency ratio as of December 31, 2013 was 11.34%.

## 3. DEBT

Readers are reminded that the Company's borrowing capacity is limited by virtue of its bylaws: it may only take on debt in the form of housing finance bonds (*obligations de financement à l'habitat*) and subordinated debt.

In accordance with the Company's corporate purpose, issues of housing finance bonds are intended to refinance residential home loans granted by banks in the CM11-CIC Group, full ownership of which is transferred as collateral by Banque Fédérative du Crédit Mutuel. As principal and interest repayments become due, BFCM repays the corresponding amounts in respect of the loans granted to it.

Furthermore, Crédit Mutuel – CIC Home Loan SFH's borrowing capacity is dependent upon its compliance with prudential ratios laid down in applicable regulations.

Articles L.441-6-1 and D441-4 of the French Commercial Code (*Code de Commerce*) require companies to provide specific information on the maturity dates of amounts due to suppliers. In the case of Crédit Mutuel – CIC Home Loan SFH, these amounts are negligible.

### III. DESCRIPTION OF KEY RISKS AND UNCERTAINTIES AND RISK MANAGEMENT SYSTEM

The sole corporate purpose of Crédit Mutuel – CIC Home Loan SFH is to help refinance CM11-CIC by issuing covered bonds based on a home loan portfolio pledged as collateral on the basis of Article L.211-36, paragraph II and Articles L.211-38 to L.211-40 (formerly 431-7-3) of the French Monetary and Financial Code (*Code Monétaire et Financier*).

#### 1. CREDIT RISK

Due to its limited corporate purpose, Crédit Mutuel – CIC Home Loan SFH's credit risk is strictly governed.

Funds may only be used as follows:

- On-lending of funds raised by issuing securities: these funds may only be lent to BFCM. This lending is itself secured by collateral in the form of home loans granted by the CM11-CIC Group, on the basis of Article L.211-36, paragraph II and Articles L.211-38 to L.211-40 (formerly 431-7-3) of the French Monetary and Financial Code. The overall amount of lending and compliance with loan eligibility criteria are checked monthly and documented in an "Asset Cover Test" report.
- On-lending of capital is governed by the following limits:
  - Regulatory limits: Articles L.513-7 and R.515-7 lay down minimum credit quality levels for such on-lending.
  - Contractual limits: rating agencies have laid down minimum credit ratings that vary according to the term of the loan.

Minimum rating	S&P	Fitch	Moody's
< 30 days	A1/A	F1	P1
30 days to 1 year	A1+/AA-	F1+	P1
> 1 year	AAA	Aaa	AAA

- Should BFCM default, the Company would become the owner of the home loans offered as collateral.

The following table shows a breakdown of this collateral by internal credit rating on a scale of 12 ratings from A to F, highlighting the high quality of the loans in this portfolio.

	Outstandings (€m)	Percentage	Aggregate
<b>A</b>	17,438	50%	50%
<b>B</b>	11,991	34%	84%
<b>C</b>	3,855	11%	95%
<b>&lt; C</b>	1,717	5%	100%
<b>TOTAL</b>	<b>35,001</b>	<b>100%</b>	

## 2. INTEREST RATE, FOREIGN EXCHANGE AND MARKET RISK

### *Interest rate risk*

Crédit Mutuel – CIC Home Loan SFH is required to operate in such a way that it is not exposed to interest rate risk.

- Funds collected by issuing securities must be lent to BFCM at the same interest rates (plus 10% of the margin, with a minimum of 2 bps and a maximum of 10 bps) and for the same term. This means that assets and liabilities are perfectly matched by term and interest rate.
- The only way the Company could be exposed to interest rate risk would be if BFCM were to default. The Company would then need to enforce its security and would become the owner of the home loans. The issue program documentation requires Crédit Mutuel – CIC Home Loan SFH to enter into specific swaps with counterparties who must meet specific rating criteria for hedging these risks as soon as BFCM's rating is downgraded.
- Since a first-level rating criterion has been met, swaps have been set up to hedge both assets and liabilities. BFCM has the necessary rating level and is the counterparty to these swaps. Furthermore, since no collateral has been transferred, the Company does not need these swaps to hedge its risk. They have therefore been neutralized with BFCM.

### *Foreign exchange risk*

The program allows for the possibility that Crédit Mutuel – CIC Home Loan SFH carries out issues in foreign currencies. In such cases, the loan to BFCM is also made in the issue currency.

- To date, Crédit Mutuel – CIC Home Loan SFH has carried out the following foreign currency issues:

Nominal amount in currency	Currency	Nominal amount in euros	Date issued	Maturity date
250,000,000	GBP	292,575,000	April 22, 2013	April 22, 2016
1,000,000,000	USD	785,130,000	November 16, 2012	November 16, 2017
300,000,000	NOK	39,698,293	March 22, 2012	March 22, 2022
750,000,000	NOK	96,961,862	October 7, 2011	October 7, 2024

The funds raised via these issues were lent to BFCM under the same terms.

- The only way the Company could be exposed to foreign exchange risk would be if BFCM were to default. The Company would then need to enforce its security and would become the owner of the home loans, all of which are denominated in euros, while having to make repayments in foreign currencies. The issue program documentation requires Crédit Mutuel – CIC Home Loan SFH to enter into specific foreign currency swaps with counterparties which must meet specific rating criteria for hedging this risk as soon as BFCM's rating is downgraded.

- Since a first-level rating criterion has been met, hedging swaps have been set up. BFCM has the necessary rating level and is the counterparty to these swaps. Furthermore, since no collateral has been transferred, the Company does not need these swaps to hedge its risk. They have therefore been neutralized with BFCM.

### *Market risk*

In accordance with its limited corporate purpose, Crédit Mutuel – CIC Home Loan SFH is not involved in any capital market activity other than issuing covered bonds and on-lending the funds raised to BFCM under the same terms.

An adverse change in market conditions would only affect Crédit Mutuel – CIC Home Loan SFH's ability to raise funds on the bond market.

## **3. LIQUIDITY RISK**

Crédit Mutuel – CIC Home Loan SFH operates in such a way that it is not exposed to liquidity risk. Since its sources and uses of funds are perfectly matched by term, Crédit Mutuel – CIC Home Loan SFH does not engage in maturity transformation.

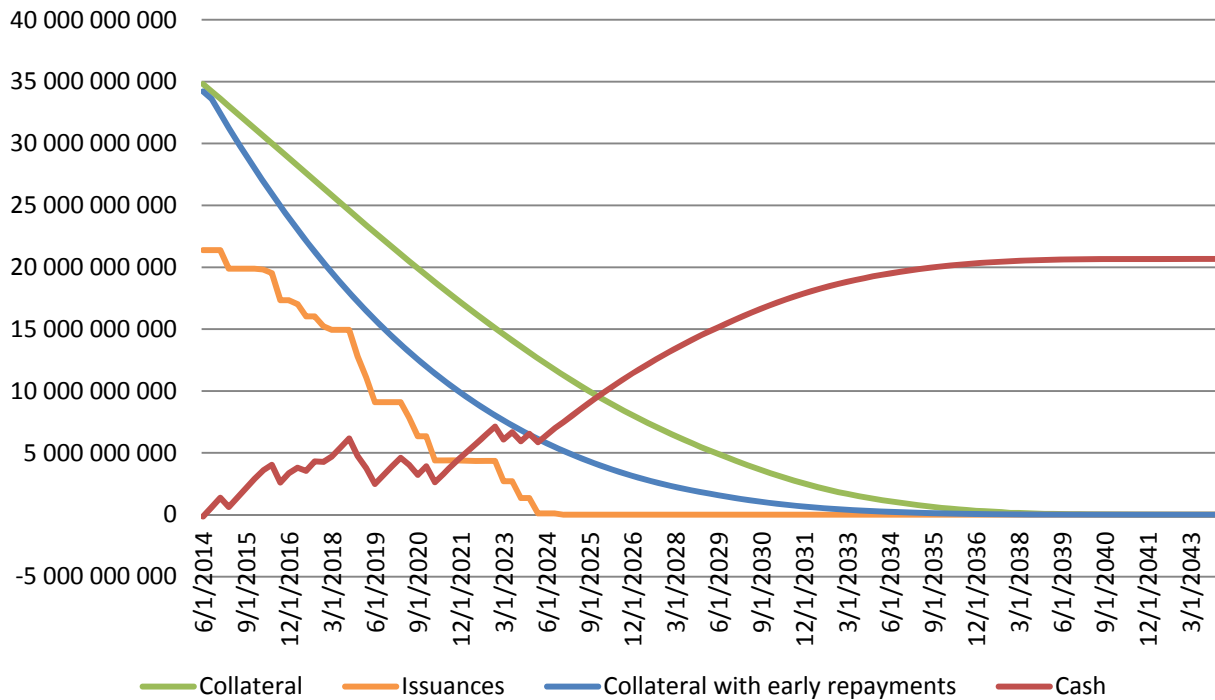
- The only way the Company could be exposed to liquidity risk would be if BFCM were to default. The Company would then need to enforce its security and would become the owner of the home loans. The issue program documentation provides for a pre-maturity test to prevent and manage this type of risk.
- The pre-maturity test requires that, if BFCM's short-term credit rating is downgraded during the nine months before a covered bond issue matures, BFCM must set aside a cash security deposit. This deposit must be sufficient to cover the principal repayments falling due during the period in question. Failure to meet this obligation would represent default by BFCM.
- This pre-maturity test was triggered after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013. As a result, collateral was put in place to cover issues due to mature within 180 business days, and the funds thus obtained were deposited in term accounts maturing in less than 30 days. The amount of this collateral was €1,500 million as of June 6, 2014.

These mechanisms are considered compliant with the requirements of Article R.515-7-1 of the French Monetary and Financial Code (article amended by Art. 1 of Decree 2014-526 of May 23, 2014).

In accordance with Article R.515-7-2 of the French Monetary and Financial Code and Article 9 of Regulation 99-10 amended by the decree of May 23, 2014, calculation of the coverage ratio takes into account the limitation in the numerator of the parent company's exposure to 25% of the non-privileged resources.

- Should BFCM default, the Company would become the owner of the home loans offered as collateral. The chart below shows the portfolio's amortization profile compared with the amortization of the issues and the resulting cash balance (not taking into account early repayments).

## Change in outstandings



### 4. OPERATIONAL RISK

In line with its bylaws, Crédit Mutuel – CIC Home Loan SFH has no resources of its own. All tasks are subcontracted to BFCM, CIC and CFdeCM under various agreements. Internal control of outsourced activities is organized in accordance with the process laid down by Group Compliance (see Article 42 report, section IV).

### 5. LEGAL RISK

To help it achieve its corporate purpose, Crédit Mutuel – CIC Home Loan SFH is advised by external legal advisers, including in particular law firms. Furthermore, its legal risk has been analyzed in detail by rating agencies, which have assigned their top rating (AAA) to Crédit Mutuel – CIC Home Loan SFH’s program.

In addition, under the agreements referenced above, Crédit Mutuel – CIC Home Loan SFH can rely on assistance from the CM11-CIC Group for all its activities.

## **IV. APPENDICES**

- FINANCIAL STATEMENTS
- REPORT OF THE STATUTORY AUDITORS' LIMITED REVIEW OF THE INTERIM FINANCIAL STATEMENTS

**1. FINANCIAL STATEMENTS**

**CREDIT MUTUEL-CIC HOME LOAN SFH**

**Statutory financial  
statements**

**as of June 30, 2014**

- Statement of financial position
- Income statement
- Notes

## STATUTORY FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION

ASSETS (€millions)	Notes	2014 June 30	2013 December 31
Cash and central bank deposits			
Government securities and similar instruments			
Receivables due from credit institutions	2	24,456.5	25,596.5
Loans and receivables due from customers			
Bonds and other fixed-income securities			
Equities and other variable-income securities			
Long-term equity investments and securities			0.0
Investments in subsidiaries and associates			
Finance leases and similar transactions			
Intangible assets			
Property, plant and equipment			
Subscribed capital not paid			
Treasury stock			
Other assets	3		0.2
Prepayments and accrued income	4	374.8	460.6
<b>Total assets</b>		<b>24,831.3</b>	<b>26,057.3</b>
<b>Off-statement of financial position assets</b>		<b>2014 June 30</b>	<b>2013 December 31</b>
<b>Received commitments</b>			
<b>Financing commitments</b>			
Commitments received from credit institutions			
<b>Guarantee commitments</b>			
Commitments received from credit institutions	11	35,001.1	35,001.1
<b>Securities commitments</b>			
Securities sold with repurchase or reacquisition option			
Other commitments received			



---

## STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY (€millions)	Notes	2014 June 30	2013 December 31
Central bank borrowing			
Debt to credit institutions	5		
Customer deposits			
Debt represented by securities	6	22,611.6	22,485.0
Other liabilities	3	1,500.4	2,768.3
Accruals and deferred income	4	375.0	460.7
Provisions			
Subordinated debt	7	120.2	120.2
Fund for general banking risks			
Shareholders' equity	8	224.1	223.1
- Subscribed capital		220.0	220.0
- Issue premiums			
- Reserves		1.2	1.1
- Revaluation surplus			
- Regulated provisions			
- Retained earnings		2.0	1.7
- Profit for the year		0.9	0.3
<b>Total liabilities and shareholders' equity</b>		<b>24,831.3</b>	<b>26,057.3</b>

Off-statement of financial position liabilities	2014 June 30	2013 December 31
---	-----------------	---------------------

### Given commitments

#### Financing commitments

Commitments given to credit institutions

Commitments given to customers

#### Guarantee commitments

Commitments given on behalf of credit institutions

Commitments given on behalf of customers

#### Securities commitments

Securities acquired with reacquisition option

Other commitments given

---

## INCOME STATEMENT

(€millions)	Notes	2014 June 30	2013 June 30
+ Interest and similar income	16	1618.7	1577.0
+ Interest and similar expense	16	(1,616.9)	(1,576.1)
+ Income from variable-income securities			
+ Fee and commission income			
+ Fee and commission expense			
+/- Gains (losses) on trading portfolio transactions			
+/- Gains (losses) on investment portfolio and similar transactions			
+ Other banking operating income			
+ Other banking operating expense			
<b>= Net banking income</b>		<b>1.8</b>	<b>0.9</b>
+ Payroll costs			
+ Other administrative expenses		(0.3)	(0.3)
+ Depreciation and amortization			
<b>= Operating expenses</b>		<b>(0.3)</b>	<b>(0.3)</b>
<b>= Gross operating income</b>		<b>1.5</b>	<b>0.6</b>
+ Net additions to/reversals from provisions for loan losses			
<b>= Operating income</b>		<b>1.5</b>	<b>0.6</b>
+/- Gains (losses) on non-current assets			
<b>= Income before non-recurring items</b>		<b>1.5</b>	<b>0.6</b>
+/- Net non-recurring income (expense)			
+ Corporate income tax	17	(0.6)	(0.2)
+/- Additions to (reversals from) fund for general banking risks			
+/- Additions to (reversals from) regulated provisions			
<b>= Net income</b>		<b>0.9</b>	<b>0.4</b>

## INFORMATION ON STATEMENT OF FINANCIAL POSITION, OFF-STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT ITEMS

The notes to the financial statements are presented in millions of euros.

### Significant events in the period under review

In the first half of 2014, Crédit Mutuel-CIC Home Loan SFH issued €3 billion in EMTN bonds worth.

Taking into account investment lines that had reached maturity, total issues on the statement of financial position were €22.3 billion as of June 30, 2014.

Following Fitch Ratings' downgrade of BFCM's long-term rating to A+ on December 14, 2011, and in accordance with the prospectus, swaps were put in place to hedge the interest rate risk on assets and liabilities.

- All loans to customers (fixed-rate and variable-rate) were hedged using swaps against one-month Euribor.
- Issues of housing finance bonds (formerly "covered bonds"), were also hedged using swaps against one-month Euribor.

Crédit Mutuel-CIC Home Loan SFH is a 99.99%-owned subsidiary of Banque Fédérative du Crédit Mutuel.

### NOTE 1 - Accounting principles, valuation and presentation methods

The statutory financial statements are prepared in accordance with French banking regulation committee (*Comité de la réglementation bancaire*, CRB) regulation 91-01 as amended by French accounting rules and regulations committee (*Comité de la réglementation comptable*, CRC) regulations 2000-03, 2004-16, 2005-04 and 2007-06.

#### Loans

Loans are recorded on the statement of financial position at their nominal value.

#### Foreign currency-denominated assets and liabilities

Assets and liabilities denominated in a currency other than the local currency are translated at the official year-end exchange rate. Unrealized foreign exchange gains or losses resulting from these translations are recognized on the income statement with the exchange gains or losses realized or incurred on transactions carried out during the year.

#### Interest and commissions

Interest is recognized on the income statement on a prorata basis. Commissions are recorded using the cash receipt criterion, with the exception of commissions relating to financial transactions, which are recorded at the close of the issue or when invoiced.

### NOTE 2 - Receivables due from credit institutions

	June 30, 2014		December 31, 2013	
	Demand	Term	Demand	Term
Current accounts	2.7		1.2	
Loans secured by notes and securities (*)		24,178.0		25,181.5
Repo / securities purchased under resale agreements				
Accrued interest		275.8		413.8
Non-performing loans				
Impairments				
<b>Total</b>	<b>2.7</b>	<b>24,453.8</b>	<b>1.2</b>	<b>25,595.3</b>
<b>Total receivables due from credit institutions</b>		<b>24,456.5</b>		<b>25,596.5</b>
of which participating loans				
of which subordinated loans				

(\*) BFCM is the only counterparty to the loans granted.

### NOTE 3 - Other assets and liabilities

	June 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Premiums on options				
Guarantee deposits		1,500.0		2,768.0
Securities settlement accounts				
Debt representing securities borrowed				
Deferred taxes				
Other receivables and payables			0.2	
Accrued interest		0.4		0.3
Impairments				
<b>Total</b>		<b>1,500.4</b>	<b>0.2</b>	<b>2,768.3</b>

### NOTE 4 - Accruals

	June 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Collection accounts				
Currency and off-statement of financial position adjustment accounts	285.5	285.5	422.8	422.8
Other accruals	89.3	89.5	37.8	37.9
<b>Total</b>	<b>374.8</b>	<b>375.0</b>	<b>460.6</b>	<b>460.7</b>

Accrual accounts - liabilities mainly concern EMTN issue premiums.

Accrual accounts - assets reflect accruals - liabilities at the loan level.

## NOTE 5 - Debt to credit institutions

	June 30, 2014		December 31, 2013	
	Demand	Term	Demand	Term
Current accounts				
Term accounts				
Borrowings secured by notes and securities				
Reverse repo /securities sold under repurchase agreements				
Accrued interest				
<b>Total</b>				
<b>Total due to credit institutions</b>				

## NOTE 6 - Debt represented by securities

	June 30, 2014	December 31, 2013
Certificates of deposit		
Interbank instruments and negotiable debt securities (*)		
Bonds	22,338.0	20,077.9
Other debt securities		
Accrued interest	273.6	407.1
<b>Total</b>	<b>22,611.6</b>	<b>22,485.0</b>

(\*) Unamortized balance is the difference between the purchase price and the repayment price of debt represented by securities. Borrowings are in EUR, GBP, NOK and USD.

## NOTE 7 - Subordinated debt

	December 31, 2013	Issues	Repayments	Other changes	June 30, 2014
Subordinated debt	60.0				60.0
Non-voting loan stock					
Perpetual subordinated notes	60.0				60.0
Accrued interest	0.2				0.2
<b>Total</b>	<b>120.2</b>				<b>120.2</b>

Main subordinated debt issues:

	OUTSTANDINGS	INTEREST RATE	MATURITY	EARLY REPAYMENT TERMS
TERM SUBORDINATED LOANS 2007	60.0	3-month Euribor + 0.22	2017	
PERPETUAL SUBORDINATED LOAN STOCK 2007	60.0	3-month Euribor + 0.66	**	
<b>TOTAL</b>	<b>120.0</b>			

All loan stock is in euros.

## NOTE 8 - Shareholders' equity and FGFR

	Share capital	Premiums	Reserves	Retained earnings	Profit for the period	Total	FGFR
<b>Balance at January 1, 2013</b>	<b>220.0</b>		<b>1.1</b>	<b>1.0</b>	<b>0.7</b>	<b>222.8</b>	
Profit for the period					0.3	<b>0.3</b>	
Appropriation of earnings from previous period				0.7	(0.7)		
Distribution of dividends							
Capital increase							
Impact of remeasurements							
Other movements							
Impact of the merger							
<b>Balance at December 31, 2013</b>	<b>220.0</b>		<b>1.1</b>	<b>1.7</b>	<b>0.3</b>	<b>223.1</b>	
<b>Balance at January 1, 2014</b>	<b>220.0</b>		<b>1.1</b>	<b>1.7</b>	<b>0.3</b>	<b>223.1</b>	
Profit for the period					0.9	<b>0.9</b>	
Appropriation of earnings from previous year			0.1	0.2	(0.3)		
Distribution of dividends							
Capital increase							
Impact of remeasurements							
Other movements							
Impact of the merger							
<b>Balance at June 30, 2014</b>	<b>220.0</b>		<b>1.2</b>	<b>2.0</b>	<b>0.9</b>	<b>224.1</b>	

As of June 30, 2014, the share capital comprised 22,000,000 shares with a par value of €10.

BFCM held 99.99% of the capital of Crédit Mutuel-CIC Home Loan SFH as of June 30, 2014.

As such, it is fully consolidated in the consolidated financial statements of the CM11-CIC Group and at the Crédit Mutuel national consolidation level.

## NOTE 9 – Analysis of certain assets/liabilities by residual maturity

	< 3 months and at demand	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Perpetual	Accrued interest	Total at June 30, 2014
<b>ASSETS</b>							
Receivables due from credit institutions	342.7	3,000.0	10,451.2	9,386.9	1,000.0	275.8	24,456.5
Receivables due from customers							
Bonds and other fixed-income securities							
<b>LIABILITIES</b>							
Due to credit institutions		1,500.0	10,451.2	10,386.9		273.6	22,611.6
Due to customers							
Debt represented by securities							
- Certificates of deposit							
- Interbank instruments and negotiable debt securities							
- Bonds		1,500.0	10,451.2	10,386.9		273.6	22,611.6
- Other							
Subordinated debt			60.0		60.0	0.2	120.2

## NOTE 10 – Euro-equivalent of foreign currency-denominated assets and liabilities

The euro-equivalent of foreign currency-denominated assets and liabilities was €1,180.6 million as of June 30, 2014.

## NOTE 11 – Independent undertakings

The loans granted by Crédit Mutuel-CIC Home Loan SFH to BFCM are guaranteed by eligible home loans from the CM CIC branch network, in accordance with Article 431-7 of the French Monetary and Financial Code.

As of June 30, 2014, the amount of this guarantee was €35,001.1, the same amount as at December 31, 2013.

## NOTE 12 - Commitments on forward financial instruments

**Transactions on forward financial instruments (based on the concept of micro/macro hedging transactions and open-position/specialized management transactions relating to firm and conditional transactions).**

	Hedging	June 30, 2014 Management transactions	Total	Hedging	December 31, 2013 Management transactions	Total
<b>Firm transactions</b>						
<i>Organized markets</i>						
Interest rate contracts						
Foreign exchange contracts						
Other transactions						
<i>Over-the-counter markets</i>						
Forward rate agreements						
Interest rate swaps	112,338.0		112,338.0	111,846.0		111,846.0
Financial swaps						
Other transactions						
Swaps - other						
<b>Conditional transactions</b>						
<i>Organized markets</i>						
Interest rate options						
Purchased						
Sold						
Foreign-currency options						
Purchased						
Sold						
Equities and other options						
Purchased						
Sold						
<i>Over-the-counter markets</i>						
Interest rate cap and floor contracts						
Purchased						
Sold						
Interest rate, foreign-currency, equity and other options						
Purchased						
Sold						
<b>Total</b>	<b>112,338.0</b>		<b>112,338.0</b>	<b>111,846.0</b>		<b>111,846.0</b>

### Analysis of over-the-counter interest rate contracts by type of portfolio

	Separate open position	Micro hedging	Overall interest rate risk	Specialized management	Total
<b>June 30, 2014</b>					
<b>Firm transactions</b>					
Purchases					
Sales					
Swaps		112,338.0			112,338.0
<b>Conditional transactions</b>					
Purchases					
Sales					
<b>December 31, 2013</b>					
<b>Firm transactions</b>					
Purchases					
Sales					
Swaps		111,846.0			111,846.0
<b>Conditional transactions</b>					
Purchases					
Sales					

### NOTE 13 - Analysis of forward instruments by residual maturity

June 30, 2014	< 1 year	> 1 year < 5 years	> 5 years	Total
<b>Interest rate instruments</b>				
<i>Organized markets</i>				
Purchases				
Sales				
<i>Over-the-counter markets</i>				
Purchases				
Sales				
Interest rate swaps	3,000.0	19,438.0	89,900.0	112,338.0
<b>Foreign exchange instruments</b>				
<i>Organized markets</i>				
Purchases				
Sales				
<i>Over-the-counter markets</i>				
Purchases				
Sales				
Financial swaps				
<b>Other forward financial instruments</b>				
<i>Organized markets</i>				
Purchases				
Sales				
<i>Over-the-counter markets</i>				
Purchases				
Sales				
Swaps				
<b>Total</b>	<b>3,000.0</b>	<b>19,438.0</b>	<b>89,900.0</b>	<b>112,338.0</b>

### NOTE 14 - Forward financial instruments - Counterparty risk

The counterparty risk associated with forward financial instruments is estimated according to the methodology used to calculate prudential ratios.

Credit risks on forward financial instruments	June 30, 2014	December 31, 2013
<b>GROSS EXPOSURE</b>		
Credit institution risk	1,571.4	1,570.30
Company risk		
<b>TOTAL</b>	<b>1,571.4</b>	<b>1,570.30</b>

Fair value of forward financial instruments	June 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	10,637.7	10,637.7	9,632.60	9,632.60

## NOTE 15- Other off-statement of financial position commitments

	June 30, 2014	December 31, 2013
<b>Foreign-currency transactions</b>		
- Foreign currencies receivable		
- Foreign currencies payable		
<b>Forward financial instrument commitments</b>		
<b>Transactions carried out on organized and similar markets</b>		
- Forward foreign exchange transactions		
. Hedging		
. Other transactions		
- Financial foreign exchange swaps		
. Separate open position		
. Micro hedging	2,383.4	2,364.9
. Overall interest rate risk		
. Specialized management		

## NOTE 16 - Interest income and expense

	June 30, 2014		June 30, 2013	
	Income	Expense	Income	Expense
Credit institutions	1,614.7		1,575.0	
Customers				
Finance leases and operating leases				
Bonds and other fixed-income securities	4.0	1,616.5	2.0	1,575.7
Other		0.4		0.4
<b>Total</b>	<b>1,618.7</b>	<b>1,616.9</b>	<b>1,577.0</b>	<b>1,576.1</b>
of which subordinated debt expenses		0.4		0.4

## NOTE 17- Corporate income tax

	June 30, 2014	June 30, 2013
Current income tax - Amount for the year	(0.6)	(0.2)
Current income tax - Prior year adjustments		
Current income tax - Effect of tax consolidation		
<b>Total</b>	<b>(0.6)</b>	<b>(0.2)</b>
On ongoing operations	(0.6)	(0.2)
On non-recurring items		
<b>Total</b>	<b>(0.6)</b>	<b>(0.2)</b>

Crédit Mutuel-CIC Home Loan SFH is part of BFCM's tax group for tax consolidation purposes.

The amount recognized for 2014 corresponds to the amount the Company would have paid if it had been taxed as a separate company.

There are no tax loss carryforwards.

**2. REPORT OF THE STATUTORY AUDITORS' LIMITED REVIEW OF THE INTERIM  
FINANCIAL STATEMENTS**



**PricewaterhouseCoopers Audit**  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex  
French limited company (SA) with capital of  
€2,510,460

Statutory Auditor  
Member of the regional  
association of accountants of Versailles

**ERNST & YOUNG et Autres**  
1/2, place des Saisons  
92400 Courbevoie - Paris-La Défense 1  
French simplified joint stock company (SAS) with variable  
capital

Statutory Auditor  
Member of the regional  
association of accountants of Versailles

Crédit Mutuel-CIC Home Loan SFH  
Period from January 1 to June 30, 2014

### **Report of the statutory auditors' limited review of the individual interim financial statements**

Dear Sir:

As the auditors of Crédit Mutuel-CIC Home Loan SFH and in response to your request, we have conducted a limited review of the company's individual interim financial statements for the period from January 1, 2014 to June 30, 2014 (the "Financial Statements"), as appended to this report.

These Financial Statements were prepared under the responsibility of the Board of Directors. We are required, based on our limited review, to express our conclusions on these Financial Statements.

We have performed our limited review in accordance with the professional standards applicable in France. A limited review mainly entails meeting with the members of management responsible for accounting and finance and completing analytical procedures. This work is less extensive than that required for an audit conducted in accordance with the professional standards applicable in France. Consequently, the assurance afforded by a limited review that the Financial Statements as a whole are free of material misstatements is moderate and not as strong as that afforded by an audit.

Based on our limited review, we have noted no material misstatements liable to call into question the fact that the interim Financial Statements comply with French accounting rules and principles and fairly and accurately present the company's assets and liabilities and financial position at June 30, 2014 as well as the results of its operations for the period from January 1 to June 30, 2014.

This report is prepared for your attention and may not be used, distributed or quoted for any other purposes. If you would like our limited review report to be disclosed to a third party in a context other than that for which it was prepared, please request our prior written permission. We will then set the terms and conditions of such disclosure. In any event, we accept no liability towards any third party who may be in receipt of this report.

This report is governed by French law. French courts have exclusive jurisdiction over any dispute, controversy or claim that may result from our letter of engagement or this report, or over any issue related thereto. Each party irrevocably waives its right to oppose an action taken before these courts or to claim that the action was brought before a court without jurisdiction or that these courts lack jurisdiction.

Neuilly-sur-Seine and Paris-La  
Défense, September 24, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Jacques Lévi

Olivier Durand