



*Société anonyme* (French limited company) with share capital of €220,000,000

Registered office: 6 Avenue de Provence – 75452 Paris Cedex 9

Paris Trade and Companies Register 480 618 800

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**BOARD OF DIRECTORS' MANAGEMENT REPORT  
INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2018**

**July 2018**

## DISSEMINATION OF INFORMATION

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

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

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## I. PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT



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Person responsible for the interim financial report

Mr. Christian Ander - Chief Executive Officer

### **Certification of the person responsible for the interim financial report**

I certify, that, to the best of my knowledge, the condensed financial statements for the six months just ended have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the company and that the attached interim activity report gives a true and fair view of the key events that occurred during the first half of the year, of their impact on the financial statements, of the main transactions between related parties, as well as a description of the main risks and uncertainties the company faces in the second half of the year.

Paris, July 27, 2018

Christian Ander  
Chief Executive Officer

## **II. COMPANY STATUS AND ACTIVITIES**

Crédit Mutuel – CIC Home Loan SFH was licensed by the French Credit Institutions and Investment Firms Committee (CECEI) at its meeting on May 31, 2007. At its meeting on March 28, 2011, the French Prudential Supervision and Resolution Authority (ACPR) authorized the company to opt for the status of "home loan financing company" (*Société de Financement de l'Habitat - SFH*).

The company's sole purpose is to help to refinance the Crédit Mutuel CM11 group. As such, US 144A documentation was prepared 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**

The market environment was difficult in the first half of 2018:

- expectations that the ECB will move away from its accommodative policy raised fears of less liquidity and a hike in interest rates.
- in addition to Brexit, complicated political situations, particularly in Italy and even in Germany, are sources of weakness and concern for the euro zone.

Against this backdrop, we completed two major issues on behalf of Crédit Mutuel – CIC Home Loan SFH:

- in February, an 8-year €1 billion issue at a reoffer level of MS -9 bps (coupon rate of 0.625%); this was our tightest issue spread ever achieved.
- in April, a 10-year €1 billion issue at a reoffer level of MS +6 bps (coupon rate of 1.00%).

These two transactions represent 27% of the total medium- and long-term funding raised by the Crédit Mutuel CM11 group in the markets during the first half of 2018.

### **2. FUTURE OUTLOOK**

Crédit Mutuel – CIC Home Loan SFH participates in the refinancing of the Crédit Mutuel CM11 groups in the markets and will therefore continue to contribute to the group's issues in the second half of the year.

### **3. KEY EVENTS BETWEEN THE END OF THE REPORTING PERIOD AND THE DATE OF THIS REPORT**

There are no key events to report since the end of the half-year period.

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

In accordance with Article L. 233-13 of the French Commercial Code regarding information on control of companies, the company has no subsidiaries.

### **5. AGREEMENTS COVERED BY ARTICLE L. 225-38 OF THE FRENCH COMMERCIAL CODE**

No agreements falling within the scope of Articles L. 225-38 et seq. were signed during the period under review.

## 6. 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 employees.

### III. RESULTS, FINANCIAL POSITION AND DEBT

#### 1. STATEMENT OF FINANCIAL POSITION

##### a. ASSETS

ASSETS (€millions)	Note	2018 June 30	2017 December 31
Cash and central bank deposits			
Government securities and similar instruments			
Receivables due from credit institutions	2	27,752.2	22,581.3
Customer transactions			
Bonds and other fixed-income securities			
Equities and other variable-income securities			
Long-term equity investments and securities			
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	1.8	1.3
Accruals	4	89.8	76.5
<b>Total assets</b>		<b>27,843.8</b>	<b>22,659.1</b>
<b>Off-statement of financial position items</b>		<b>2018 June 30</b>	<b>2017 December 31</b>
<b>Commitments received</b>			
<b>Financing commitments</b>			
Commitments received from credit institutions			
<b>Guarantee commitments</b>			
Commitments received from credit institutions	10	31,001.0	31,001.0
<b>Securities commitments</b>			
Securities sold with repurchase or reacquisition option			
Other commitments received			

**b. LIABILITIES AND SHAREHOLDERS' EQUITY**

LIABILITIES AND SHAREHOLDERS' EQUITY (€millions)	Note	2018 June 30	2017 December 31
Central bank borrowing			
Due to credit institutions			
Customer transactions			
Debt securities	5	23,615.8	21,993.0
Other liabilities	3	3,855.0	300.0
Accruals	4	89.8	76.6
Provisions			
Subordinated debt	6	60.0	60.0
Fund for general banking risks			
Shareholders' equity	7	223.2	229.5
- Subscribed capital		220.0	220.0
- Issue premiums			
- Reserves		1.6	1.5
- Revaluation reserve			
- Regulated provisions			
- Retained earnings		0.1	5.0
- Profit for the period		1.5	3.0
<b>Total liabilities and shareholders' equity</b>		<b>27,843.8</b>	<b>22,659.1</b>
<b>Off-statement of financial position items</b>		<b>2018 June 30</b>	<b>2017 December 31</b>
<b>Commitments given</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.

In addition, the "Other liabilities" item, created after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013, represents collateral offered by BFCM in connection with the pre-maturity test. This item totaled €3.855 billion at June 30, 2018.

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

The off-statement of financial position assets of €31 billion correspond to home loans offered as collateral by SFH's providers of collateral.

**c. PROFIT/LOSS**

(€millions)	Note	2018 June 30	2017 June 30
+ Interest and similar income	15	240.6	265.3
+ Interest and similar expense	15	(238.0)	(262.7)
+ 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>2.6</b>	<b>2.6</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>2.3</b>	<b>2.3</b>
+ Net additions to/reversals from provisions for loan losses			
<b>= Operating income</b>		<b>2.3</b>	<b>2.3</b>
+/- Gains (losses) on non-current assets			
<b>= Income before non-recurring items</b>		<b>2.3</b>	<b>2.3</b>
+/- Non-recurring items			
+ Corporate income tax	16	(0.8)	(0.8)
+/- Additions to (reversals from) fund for general banking risks			
+/- Additions to (reversals from) regulated provisions			
<b>= Net income</b>		<b>1.5</b>	<b>1.5</b>

Net income in the first half of 2018 was €1.5 million (stable compared to the results at end-June 2017).

**d. NET CASH FLOW STATEMENT**

(€thousands)	06/2018	06/2017
Net income	1,549	1,539
Tax	729	757
<b>Income before tax</b>	<b>2,278</b>	<b>2,296</b>
+/- Net depreciation/amortization of property, plant and equipment and intangible assets	0	0
- Impairment of goodwill and other non-current assets	0	0
+/- Net provisions	0	0
+/- Share of income of equity-accounted entities	0	0
+/- Net loss/gain from investment activities	0	0
+/- Expense from financing activities	0	0
+/- Other movements	1,660	1,825,476
<b>= Total non-monetary items included in net income before tax and other adjustments</b>	<b>1,660</b>	<b>1,825,476</b>
+/- Cash flows relating to interbank transactions	-5,258,689	843,131
+/- Cash flows relating to customer transactions	0	0
+/- Cash flows relating to other transactions affecting financial assets and liabilities	0	0
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	3,557,407	-212,267
- Tax paid	-430	-1,980
<b>= Net decrease in assets and liabilities from operating activities</b>	<b>-1,701,712</b>	<b>628,884</b>
<b>TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>-1,697,774</b>	<b>2,456,656</b>
+/- Cash flows relating to financial assets and equity interests	0	0
+/- Cash flows relating to investment property	0	0
+/- Cash flows relating to property, plant and equipment and intangible assets	0	0
<b>TOTAL NET CASH FLOWS RELATING TO INVESTMENT ACTIVITIES</b>	<b>0</b>	<b>0</b>
+/- Cash flows relating to transactions with shareholders	-7,810	-990
+/- Other net cash flows relating to financing activities	1,700,000	-2,455,000
<b>TOTAL NET CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>	<b>1,692,190</b>	<b>-2,455,990</b>
<b>IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>	<b>0</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>	<b>-5,584</b>	<b>666</b>
Net cash flows from operating activities	-1,697,774	2,456,656
Net cash flows relating to investment activities	0	0
Net cash flows relating to financing activities	1,692,190	-2,455,990
Impact of changes in exchange rates on cash and cash equivalents	0	0
<b><u>Cash and cash equivalents at beginning of period</u></b>	<b><u>284,255</u></b>	<b><u>343,571</u></b>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	284,255	343,571
<b><u>Cash and cash equivalents at end of period</u></b>	<b><u>278,671</u></b>	<b><u>344,237</u></b>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	278,671	344,237
<b>CHANGE IN NET CASH AND CASH EQUIVALENTS</b>	<b>-5,584</b>	<b>666</b>



**e. COVER POOL**

Collateral for secured loans consists of a portfolio of receivables made up entirely of mortgage-backed receivables totaling €31,001,003,855 at June 30, 2018.

The main characteristics of the home loan portfolio recognized at June 30, 2018, based on the capital outstanding at May 31, 2018, were as follows:

Total capital outstanding as at 05/31/2018	€31,001,003,855
Average outstanding loan	€82,799
Number of loans	374,413
Number of borrowers	322,758

Average age of loans (months)	70
Average residual maturity (months)	162

Proportion of fixed-rate loans	92.7%
Average interest rate on fixed-rate receivables	2.43%
Average interest rate on variable-rate receivables	1.96%

Breakdown by type of security		
Type of security	Total capital outstanding	Proportion by type of security
"Crédit Logement" guarantee	€9,014,858,848	29%
First-rate mortgage or lender's priority lien	€21,986,145,007	71%
<b>TOTAL</b>	<b>€31,001,003,855</b>	<b>100%</b>

Breakdown by type of loan		
Type of loan	Total capital outstanding	Number of loans
Standard	€27,417,866,278	320,725
Home savings plans/accounts	€37,287,586	5,520
Interest-free loans	€0	-
Low-income housing loans	€2,308,251,728	33,469
Regulated loans	€1,237,598,263	14,699
<b>TOTAL</b>	<b>€31,001,003,855</b>	<b>374,413</b>

Breakdown by number of loans in arrears		
Number of monthly repayments missed	Total capital outstanding	Number of loans
0	€31,001,003,855	374,413
>0		
<b>TOTAL</b>	<b>€31,001,003,855</b>	<b>374,413</b>

These loans are taken out by customers of CIC's regional banks and Crédit Mutuel's local banks and offered as collateral by BFCM.

## 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 is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

## 3. DEBT

Readers are reminded that the company's borrowing capacity is limited by 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 personal home loans granted by banks in the Crédit Mutuel CM11 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 D. 441-4 of the French Commercial Code require companies to provide specific information on the due dates of amounts due to suppliers. In the case of Crédit Mutuel – CIC Home Loan SFH, these amounts are negligible.

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

The sole corporate purpose of Crédit Mutuel – CIC Home Loan SFH is to help to refinance the Crédit Mutuel CM11 group 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 of the French Monetary and Financial Code (*Code Monétaire et Financier*).

### 1. CREDIT AND COUNTERPARTY RISK

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

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 Crédit Mutuel CM11 group, on the basis of Article L. 211-36, paragraph II and Articles L. 211-38 to L. 211-40 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. 515-6 set minimum credit quality levels for these investments.
  - Contractual limits: rating agencies have laid down minimum credit ratings that vary according to the term of the loan.

Duration/Minimum rating	S&P	Fitch	Moody's
< 30 days	A-1 or A	F1 and A	P-1
30 to 60 days	A-1	F1+ and/or AA-	P-1
60 days to à 3 months	A-1+ or AA-	F1+ and/or AA-	P-1
< 1 year	A-1+ or AA-	F1+ and/or AA-	P-1

- Should BFCM default, the company would become the owner of the home loans offered as collateral. An analysis of this collateral by internal rating demonstrates the portfolio’s high credit quality and is presented in the table below.

Rating	Outstandings (€m) <sup>(1)</sup>	Percentage	Aggregate percentage
<b>A</b>	16,672	54%	54%
<b>B</b>	9,277	30%	84%
<b>C</b>	3,654	12%	95%
<b>D+</b>	841	3%	98%
<b>D-</b>	442	1%	100%
<b>E+</b>	115	0%	100%
<b>E-</b>	-	0%	100%
<b>E=</b>	-	0%	100%
<b>F</b>	-	0%	100%
<b>TOTAL</b>	<b>31,001</b>	<b>100%</b>	

(1) Outstandings at 5/31/2018 shown as guarantee commitments received in SFH’s financial statements at 6/30/2018

There are no non-performing or overdue loans in the portfolio offered as collateral.

The breakdown of these home loans by type of security is as follows:

Type of security	Outstandings (€m) <sup>(1)</sup>
Home mortgage guarantees	21,986
Guarantees provided by a credit institution	9,015
<b>TOTAL</b>	<b>31,001</b>

(1) Outstandings at 5/31/2018 shown as guarantee commitments received in SFH’s financial statements at 6/30/2018

All of these guaranteed loans are secured by Crédit Logement.

The present LTV (ratio of the principal balance to the present value of the assets) is 62% on average.

## 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.
- In accordance with the update to the issue program in July 2015 and with the approval of the rating agencies, this potential pass-through rate risk is covered by a natural matching of assets and liabilities and by overcollateralization. In fact, the vast majority (approximately 93%) of the cover pool assets are fixed-rate loans, and these assets are matched to liabilities in the same proportion by fixed-rate issues. The average interest rate of the cover pool (2.40% at 5/31/2018) and the average interest rate of bonds issued at fixed rates (1.97% at 5/31/2018) is monitored monthly. The overcollateralization rate resulting from the calculation of the Asset Cover Test negotiated with the rating agencies is always more than 74.9% (= Asset Percentage). The company is committed to maintaining this level of overcollateralization to meet the rating targets and regulatory requirements.

### *Foreign exchange risk*

The program allows for the possibility that Crédit Mutuel – CIC Home Loan SFH carry 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 foreign currency	Foreign currency	Equivalent nominal amount in euros	Issue date	Maturity date
300,000,000	NOK	39,698,293	3/22/2012	3/22/2022
750,000,000	NOK	96,961,862	10/7/2011	10/7/2024

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 that must meet specific rating criteria in order to hedge this risk as soon as BFCM's rating is downgraded.
- Since a first-level rating criterion has been met, a hedging swap has been set up. BFCM has the necessary rating level and so is the counterparty to these swaps. In fact, BFCM enjoys a strong enough rating to meet the eligibility criteria provided for in the issue program documents: A (long-term) from Standard & Poor's, P-1 (short-term) and Aa3 (long-term) from Moody's and F1 (short-term) / A+ (long-term) from Fitch. 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 in this way 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 in the bond market.

### **3. LIQUIDITY RISK**

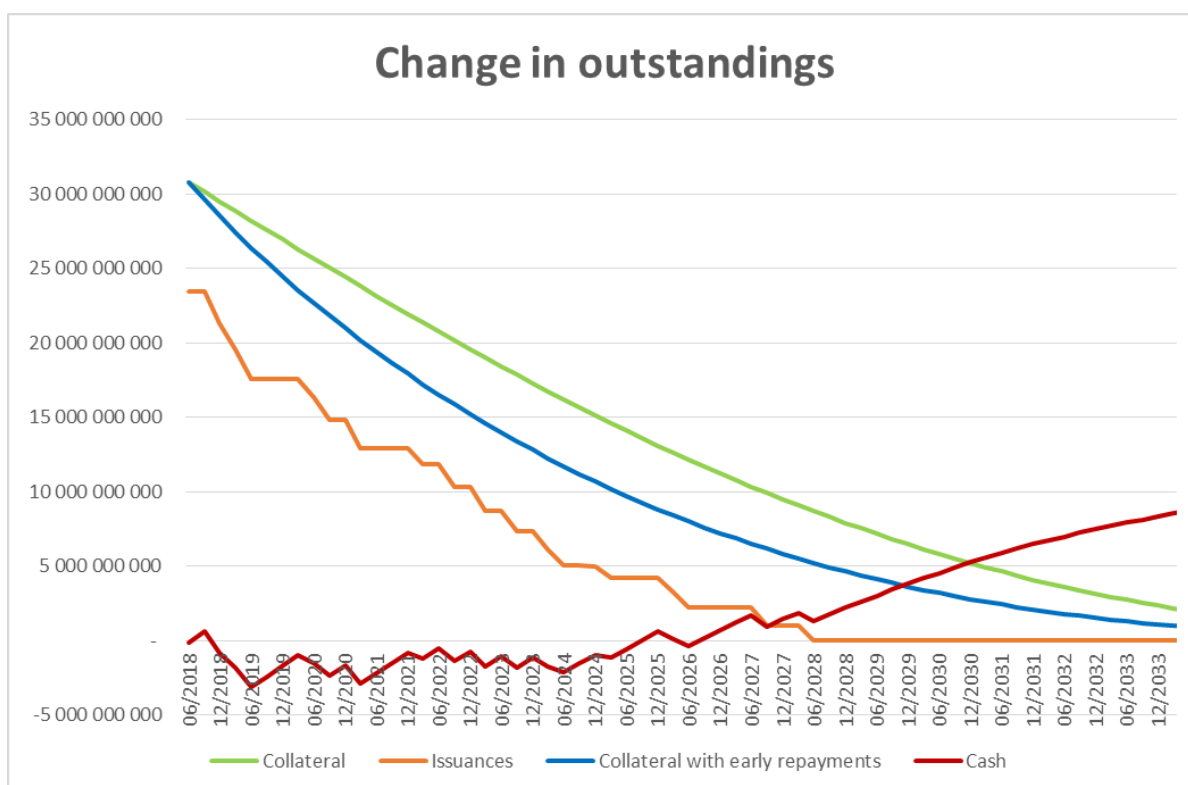
Crédit Mutuel – CIC Home Loan SFH operates in such a way that it is not exposed to liquidity risk. Since its sources and uses of funds are perfectly matched by term, Crédit Mutuel – CIC Home Loan SFH does not engage in maturity transformation.

- 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 BFCM to set aside a cash security deposit in the 180 business days before a covered bond issue matures. 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 €3.855 billion at June 30, 2018.

These mechanisms are considered compliant with the requirements of Article R. 513-7 of the French Monetary and Financial Code.

- 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.



This simulation shows some occasional slight cash shortfalls, mainly in the second quarter of 2019 and the first quarter of 2021. However, this cash balance does not take account of early repayments, which would cover these theoretical shortfalls.

- The company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

#### 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 defined by Group Compliance.

The company's operational risk policy is in line with the global policy implemented by the Crédit Mutuel CM11 group, particularly in terms of the Emergency and Business Continuity Plan.

#### 5. LEGAL RISK

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.

To help it achieve its corporate purpose, Crédit Mutuel – CIC Home Loan SFH is advised by external legal advisers, including in particular law firms.

## **V. RESEARCH AND DEVELOPMENT ACTIVITIES**

In light of Article L. 232-1 of the French Commercial Code, readers are informed that the company has not engaged in any research and development activity during the period under review.

## **VI. APPENDICES**

- 1. STATUTORY AUDITORS' REPORT ON INTERIM FINANCIAL INFORMATION**
- 2. FINANCIAL STATEMENTS**

## 1. STATUTORY AUDITORS' REPORT ON INTERIM FINANCIAL INFORMATION

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PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

**Crédit Mutuel – CIC Home Loan SFH**

Period from January 1 to June 30, 2018

**Statutory Auditors' report  
on interim financial information**



PricewaterhouseCoopers Audit  
63 Rue de Villiers  
92208 Neuilly-sur-Seine Cedex  
French simplified limited company (S.A.S.) with capital of  
€2,510,460

Statutory Auditor  
Member of the regional association  
of accountants of Versailles

ERNST & YOUNG et Autres  
Tour First  
TSA 14444  
92037 Paris-La Défense Cedex  
*S.A.S. à capital variable* (French simplified limited  
company with variable capital)  
Nanterre Trade and Companies Register no.: 438 476  
913

Statutory Auditor  
Member of the regional association

## Crédit Mutuel - CIC Home Loan SFH

Period from January 1 to June 30, 2018

### **Statutory Auditors' report on interim financial information**

To the Shareholders,

In fulfillment of the assignment entrusted to us by your shareholders' meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code, we have:

- conducted a limited review of the interim financial statements of Crédit Mutuel-CIC Home Loan SFH for the period from January 1 to June 30, 2018, as appended to this report, and
- verified the information provided in the interim activity report.

These interim financial statements were prepared under the responsibility of your Board of Directors. It is our duty, on the basis of our limited review, to report our conclusions on these financial statements.

#### **1. Conclusions on the financial statements**

We have conducted our limited review according to auditing standards applicable in France. A limited review primarily entails speaking with the members of management in charge of accounting and financial matters and applying analytical procedures. This review is less extensive than that required for an audit conducted according to auditing standards applicable in France. Therefore, the assurance obtained through a limited review that the financial statements as a whole are free of material misstatements is moderate and not as high as the assurance obtained through an audit.

Based on our limited review, we have not identified any material misstatements that could lead us to question, in accordance with French accounting rules and principles, that the interim financial statements are accurate and present a true and fair view of the company's assets, liabilities and financial position at the end of the half-year period and of the results for said period.

## 2. Specific verification

We have also verified the information provided in the interim activity report regarding the interim financial statements covered by our limited review.

We have no comments regarding the fairness of this information and its consistency with the interim financial statements.

Neuilly-sur-Seine et Paris-La Défense, on July 25, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Jacques Lévi

Hassan Baaj

## 2. FINANCIAL STATEMENTS

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# **CREDIT MUTUEL - CIC HOME LOAN SFH**

## **Statutory financial statements**

**at June 30, 2018**

- Statement of financial position
- Income statement
- Notes

# STATUTORY FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

ASSETS (€ millions)	Note	2018 June 30	2017 December 31
Cash and central bank deposits			
Government securities and similar instruments			
Receivables due from credit institutions	2	27,752.2	22,581.3
Customer transactions			
Bonds and other fixed-income securities			
Equities and other variable-income securities			
Long-term equity investments and securities			
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	1.8	1.3
Accruals	4	89.8	76.5
<b>Total assets</b>		<b>27,843.8</b>	<b>22,659.1</b>
<b>Off-statement of financial position items</b>			
		<b>2018 June 30</b>	<b>2017 December 31</b>
<b>Commitments received</b>			
<b>Financing commitments</b>			
Commitments received from credit institutions			
<b>Guarantee commitments</b>			
Commitments received from credit institutions	10	31,001.0	31,001.0
<b>Securities commitments</b>			
Securities sold with repurchase or reacquisition option			
Other commitments received			

## STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY (€ millions)	Note	2018 June 30	2017 December 31
Central bank borrowing			
Due to credit institutions			
Customer transactions			
Debt securities	5	23,615.8	21,993.0
Other liabilities	3	3,855.0	300.0
Accruals	4	89.8	76.6
Provisions			
Subordinated debt	6	60.0	60.0
Fund for general banking risks			
Shareholders' equity	7	223.2	229.5
- Subscribed capital		220.0	220.0
- Issue premiums			
- Reserves		1.6	1.5
- Revaluation reserve			
- Regulated provisions			
- Retained earnings		0.1	5.0
- Profit for the period		1.5	3.0
<b>Total liabilities and shareholders' equity</b>		<b>27,843.8</b>	<b>22,659.1</b>
<hr/>			
<b>Off-statement of financial position items</b>		<b>2018</b>	<b>2017</b>
		<b>June 30</b>	<b>December 30</b>
<hr/>			
<b>Commitments given</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			

## INCOME STATEMENT

(€ millions)	Note	2018 June 30	2017 June 30
+ Interest and similar income	15	240.6	265.3
+ Interest and similar expense	15	(238.0)	(262.7)
+ 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>2.6</b>	<b>2.6</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>2.3</b>	<b>2.3</b>
+ Net additions to/reversals from provisions for loan losses			
<b>= Operating income</b>		<b>2.3</b>	<b>2.3</b>
+/- Gains (losses) on non-current assets			
<b>= Income before non-recurring items</b>		<b>2.3</b>	<b>2.3</b>
+/- Non-recurring items			
+ Corporate income tax	16	(0.8)	(0.8)
+/- Additions to (reversals from) fund for general banking risks			
+/- Additions to (reversals from) regulated provisions			
<b>= Net income</b>		<b>1.5</b>	<b>1.5</b>

## NET CASH FLOW STATEMENT

(€thousands)	06/2018	06/2017
Net income	1,549	1,539
Tax	729	757
<b>Income before tax</b>	<b>2,278</b>	<b>2,296</b>
+/- Net depreciation/amortization of property, plant and equipment and intangible assets	0	0
- Impairment of goodwill and other non-current assets	0	0
+/- Net provisions	0	0
+/- Share of income of equity-accounted entities	0	0
+/- Net loss/gain from investment activities	0	0
+/- Expense from financing activities	0	0
+/- Other movements	1,660	1,825,476
<b>= Total non-monetary items included in net income before tax and other adjustments</b>	<b>1,660</b>	<b>1,825,476</b>
+/- Cash flows relating to interbank transactions	-5,258,689	843,131
+/- Cash flows relating to customer transactions	0	0
+/- Cash flows relating to other transactions affecting financial assets and liabilities	0	0
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	3,557,407	-212,267
- Tax paid	-430	-1,980
<b>= Net decrease in assets and liabilities from operating activities</b>	<b>-1,701,712</b>	<b>628,884</b>
<b>TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>-1,697,774</b>	<b>2,456,656</b>
+/- Cash flows relating to financial assets and equity interests	0	0
+/- Cash flows relating to investment property	0	0
+/- Cash flows relating to property, plant and equipment and intangible assets	0	0
<b>TOTAL NET CASH FLOWS RELATING TO INVESTMENT ACTIVITIES</b>	<b>0</b>	<b>0</b>
+/- Cash flows relating to transactions with shareholders	-7,810	-990
+/- Other net cash flows relating to financing activities	1,700,000	-2,455,000
<b>TOTAL NET CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>	<b>1,692,190</b>	<b>-2,455,990</b>
<b>IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>	<b>0</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>	<b>-5,584</b>	<b>666</b>
Net cash flows from operating activities	-1,697,774	2,456,656
Net cash flows relating to investment activities	0	0
Net cash flows relating to financing activities	1,692,190	-2,455,990
Impact of changes in exchange rates on cash and cash equivalents	0	0
<b><u>Cash and cash equivalents at beginning of period</u></b>	<b><u>284,255</u></b>	<b><u>343,571</u></b>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	284,255	343,571
<b><u>Cash and cash equivalents at end of period</u></b>	<b><u>278,671</u></b>	<b><u>344,237</u></b>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	278,671	344,237
<b>CHANGE IN NET CASH AND CASH EQUIVALENTS</b>	<b>-5,584</b>	<b>666</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 during the period under review**

In the first half of 2018, Crédit Mutuel-CIC Home Loan SFH issued €2 billion in EMTN bonds.

Taking into account issues that had reached maturity, total issues on the statement of financial position were €23 billion at June 30, 2018.

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 national accounting standards authority (*Autorité des normes comptables* – ANC) regulation 2014-07 related to the financial statements of banking sector firms and included in the compendium of French accounting standards for the banking sector.

**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 exchange rate on the reporting date. 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 period.

**Interest and commissions**

Interest is recognized on the income statement on a pro rata temporis 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**

	<u>June 30, 2018</u>		<u>December 31, 2017</u>	
	Demand	Term	Demand	Term
Current accounts	278.7		284.2	
Loans secured by notes and securities (*)		27,270.4		22,011.7
Repo / securities purchased under resale agreements				
Accrued income		203.1		285.4
Non-performing loans				
Impairment				
<b>Total</b>	<b>278.7</b>	<b>27,473.5</b>	<b>284.2</b>	<b>22,297.1</b>
<b>Total receivables due from credit institutions</b>		<b>27,752.2</b>		<b>22,581.3</b>
of which non-voting loan stock				
of which subordinated loans				

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

**NOTE 3 - Other assets and liabilities**

	<u>June 30, 2018</u>		<u>December 31, 2017</u>	
	Assets	Liabilities	Assets	Liabilities
Premiums on options				
Guarantee deposits	1.2	3,855.0	1.0	300.0
Securities settlement accounts				
Debt representing securities borrowed				
Deferred taxes				
Other receivables and payables	0.6		0.3	
Accrued income and interest				
Impairment				
<b>Total</b>	<b>1.8</b>	<b>3,855.0</b>	<b>1.3</b>	<b>300.0</b>



#### NOTE 4 - Accruals

	June 30, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Collection accounts	6.6	6.6		
Currency and off-statement of financial position adjustment accounts			5.4	5.4
Other accruals	83.2	83.1	71.1	71.2
<b>Total</b>	<b>89.8</b>	<b>89.7</b>	<b>76.5</b>	<b>76.6</b>

Accrual accounts - liabilities mainly relate to EMTN issue premiums but also to the balances receivable on the loans (totaling €66 million).  
Accrual accounts - assets reflect accruals - liabilities at the loan level.

#### NOTE 5 - Debt securities

	June 30, 2018	December 31, 2017
Certificates of deposit		
Interbank instruments and negotiable debt securities (*)		
Bonds	23,415.4	21,711.7
Other debt securities		
Accrued interest	200.4	281.3
<b>Total</b>	<b>23,615.8</b>	<b>21,993.0</b>

(\*) The unamortized balance is the difference between the purchase price and the repayment price of debt securities.  
Borrowings are in EUR and NOK

#### NOTE 6 - Subordinated debt

	December 31, 2017	Issues	Repayments	Other changes	June 30, 2018
Subordinated debt					
Non-voting loan stock					0.0
Perpetual subordinated notes	60.0				60.0
Accrued interest	0.0				
<b>Total</b>	<b>60.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>60.0</b>

Main subordinated debt issues:	OUTSTANDINGS	INTEREST RATE	MATURITY	EARLY REPAYMENT TERMS
PERPETUAL SUBORDINATED LOAN STOCK 2007	60.0	3-month Euribor + 0.66	**	
<b>TOTAL</b>	<b>60.0</b>			

All loan stock is in euros.

#### NOTE 7 - Shareholders' equity and fund for general banking risks (FRBG)

	Share capital	Premiums	Reserves	Retained earnings	Profit for the period	Total	FRBG
<b>Balance at January 1, 2017</b>	<b>220.0</b>	<b>0.0</b>	<b>1.3</b>	<b>2.6</b>	<b>3.6</b>	<b>227.5</b>	<b>0.0</b>
Profit for the period					3.0	3.0	
Appropriation of earnings from previous period			0.2	3.4	(3.6)	0.0	
Distribution of dividends				(0.9)		(0.9)	
Capital increase							
Impact of revaluations						0.0	
Other changes							
Impact of the merger						0.0	
<b>Balance at December 31, 2017</b>	<b>220.0</b>	<b>0.0</b>	<b>1.5</b>	<b>5.1</b>	<b>3.0</b>	<b>229.5</b>	<b>0.0</b>
<b>Balance at January 1, 2018</b>	<b>220.0</b>	<b>0.0</b>	<b>1.5</b>	<b>5.1</b>	<b>3.0</b>	<b>229.5</b>	<b>0.0</b>
Profit for the first half of the year					1.5	1.5	
Appropriation of earnings from previous period			0.2	2.8	(3.0)	0.0	
Distribution of dividends				(7.8)		(7.8)	
Capital increase							
Impact of revaluations						0.0	
Other changes						0.0	
Impact of the merger						0.0	
<b>Balance at June 30, 2018</b>	<b>220.0</b>	<b>0.0</b>	<b>1.7</b>	<b>0.1</b>	<b>1.5</b>	<b>223.2</b>	<b>0.0</b>

At June 30, 2018, 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 at June 30, 2018.  
As such, it is fully consolidated in the consolidated financial statements of the CM11 group and at the Crédit Mutuel national consolidation level.

## NOTE 8 – Analysis of certain assets/liabilities by residual maturity

	< 3 months and demand	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Perpetual	Accrued income and interest	Total at June 30, 2018
<b>ASSETS</b>							
Receivables due from credit institutions	4,133.6	5,855.0	8,881.6	8,678.9		203.1	27,752.2
Receivables due from customers							0.0
Bonds and other fixed-income securities							0.0
<b>LIABILITIES</b>							
Due to credit institutions							
Due to customers							0.0
Debt securities							0.0
- Certificates of deposit							0.0
- Interbank instruments and negotiable debt securities							
- Bonds		5,855.0	8,881.6	8,678.9		200.3	23,615.8
- Other							
Subordinated debt				60.0			60.0

## NOTE 9 – Euro-equivalent of foreign currency-denominated assets and liabilities

The euro-equivalent of foreign currency-denominated assets and liabilities was, respectively, €118.0 million and €118.0 million at June 30, 2018.

## NOTE 10 - Guarantee commitments

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.

At June 30, 2018, the amount of this guarantee was €31.001 billion compared to €31.001 billion at December 31, 2017.

## NOTE 11 - 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, 2018 Management transactions	Total	Hedging	December 31, 2017 Management transactions	Total
<b>Firm transactions</b>						
<i>Over-the-counter markets</i>						
Forward rate agreements			0.0			
Interest rate swaps	4,310.0		4,310.0	4,310.0		4,310.0
Financial swaps			0.0			
Other transactions			0.0			
Swaps - other			0.0			
<b>Conditional transactions</b>						
<i>Over-the-counter markets</i>						
Interest rate cap and floor contracts						
Purchased			0.0			
Sold			0.0			
Interest rate, foreign currency, equity and other options						
Purchased			0.0			
Sold			0.0			
<b>Total</b>	<b>4,310.0</b>	<b>0.0</b>	<b>4,310.0</b>	<b>4,310.0</b>	<b>0.0</b>	<b>4,310.0</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, 2018</b>					
<b>Firm transactions</b>					
Purchases					0.00
Sales		4,310.0			4,310.00
Swaps					0.0
<b>Conditional transactions</b>					
Purchases					0.00
Sales					0.00
<b>December 31, 2017</b>					
<b>Firm transactions</b>					
Purchases					0.00
Sales					0.00
Swaps		4,310.0			4,310.0
<b>Conditional transactions</b>					
Purchases					0.00
Sales					0.00

**NOTE 12 - Analysis of forward financial instruments by residual maturity**

June 30, 2018	< 1 year	> 1 year < 5 years	> 5 years	Total
<b>Interest rate instruments</b>				
Over-the-counter markets				0.0
Purchases				0.0
Sales				0.0
Interest rate swaps	4,310.0			4,310.0
<b>Total</b>	<b>4,310.0</b>	<b>0.00</b>	<b>0.0</b>	<b>4,310.0</b>

**NOTE 13 - 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, 2018	December 31, 2017
<b>GROSS EXPOSURE</b>		
Credit institution risk	16.7	36.5
Company risk		
<b>TOTAL</b>	<b>16.7</b>	<b>0.0</b>

Fair value of forward financial instruments	June 30, 2018		December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	29.8	29.8	36.60	36.60

**NOTE 14 - Other off-statement of financial position commitments**

	June 30, 2018	December 31, 2017
<b>Foreign-currency transactions</b>		
- Foreign currencies receivable		
- Foreign currencies payable		
<b>Commitments on forward financial instruments</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	247.0	243.40
. Overall interest rate risk		
. Specialized management		

**NOTE 15 - Interest income and expense**

	June 30, 2018		June 30, 2017	
	Income	Expense	Income	Expense
Credit institutions	238.0	17.7	258.9	27.0
Customers				
Finance leases and operating leases				
Bonds and other fixed-income securities	2.6	220.3	6.4	235.7
Other				
<b>Total</b>	<b>240.6</b>	<b>238.0</b>	<b>265.3</b>	<b>262.7</b>

**NOTE 16- Corporate income tax**

	June 30, 2018	June 30, 2017
Current income tax - Amount for the period	(0.8)	(0.8)
Current income tax - Prior-period adjustments		
Current income tax - Effect of tax consolidation		
<b>Total</b>	<b>(0.8)</b>	<b>(0.8)</b>
On ongoing operations	(0.8)	
On non-recurring items		
<b>Total</b>	<b>(0.8)</b>	<b>(0.8)</b>

Effective January 1, 2016, Caisse Fédérale de Crédit Mutuel opted for "mutual tax consolidation" in accordance with Article 223 A, paragraph 5 of the General Tax Code.

There are no tax loss carryforwards.