

Financial report



2017



Improving customer service through innovation

Innovation. A pioneer in the consumer credit market for more than 35 years, Carrefour Banque et Assurance offers a wide range of loans, starting with the PASS revolving credit associated with the PASS payment card and personal loans, as well as insurance and savings products. It achieved a key milestone in 2017 with the launch of the C-zam current account, once again relying on innovation to meet customer needs and adapt to new consumer behaviours.

Simplicity. C-zam is available off the shelf in stores and activated online, with an attractive fee profile. This new account perfectly illustrates Carrefour Banque et Assurance's identity: a retailer bank that offers its 2.2 million customers products that support all their daily living needs. Carrefour Banque et Assurance combines its proficiency in financial services with its parent company's retail and distribution expertise.

Loyalty. Its unique relationship with Carrefour is linked to continuously evolving loyalty benefits and exclusive services. This connection is further strengthened with the development of multichannel interactions and digital applications, expanding access to the products and benefits available under the group's various retail brands.

Proximity. With €2.7 billion in loans outstanding and €2.3 billion in savings deposits, Carrefour Banque et Assurance has gained customers' trust with simple, quality products. These can be accessed by phone, on the Internet or via mobile apps, as well as in the branches that are designed for easy proximity and simplicity of contact.

Carrefour Banque et Assurance

Key dates

2018 Launch of Carrefour Pay	2017 Launch of the C-zam current account
2016 Launch of Apple Pay	2013 Acquisition of the Fimaser subsidiary in Belgium
2012 Launch of the passbook savings account and mobile application	2011 Merger with Italian subsidiary Carrefour Banca
2009 Launch of the PASS Mastercard range	2003 Launch of the first bank cards
1997 Launch of Carrefour Horizons life insurance	1987 Launch of personal loans
1984 Launch of the insurance business	1981 Creation of Société des Paiements PASS and launch of the first PASS payment cards

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Products and services

A growth strategy grounded in the strong Carrefour retail brand



“Our aim is to democratise banking services in the physical and digital worlds.”

Julien Jaillon

Chief Executive Officer of Carrefour Banque et Assurance

What does it mean to be a retailer's bank?

A retailer's bank is not just another bank. Our purpose is to support customers, in particular Carrefour's customers, in their daily lives, with simple, innovative, accessible products that are adapted to their needs. We focus our efforts on products that are connected to our parent company Carrefour. Our aim is to democratise banking services and simplify the relationship between account advisors and customers. This objective fully aligns with the rise of E-commerce and digital transformation, two of Carrefour's main priorities. Consistent with the strategy defined by Carrefour, our vision is to offer a line of quality financial services “by Carrefour” that are easy to use and attractively priced.

How is this strategy expressed in your range of products and services?

The PASS card and credit are fully representative of our desire to ground the development of Carrefour Banque et Assurance in the strength of Carrefour's network in all its formats. Innovation aims above all to improve customer experience, for example with the introduction of mobile payment: Apple Pay in 2016 and Carrefour Pay for Android at the start of 2018.

Our investments are resolutely digital to facilitate online applications for all our products, as was the case for the launch of the electronic revolving credit and Eco insurance policies. This approach gives us touchpoints with the entire Carrefour galaxy and strengthens our response to new consumer habits with our traditional credit and payment products. Revamping the loyalty programme, instalment payments and the seamless integration of credit into the purchasing pathway are all areas and services on which we are focusing our efforts to better serve our customers.

Where does the C-zam account fit into this vision?

A product that is emblematic of this approach was launched in 2017: C-zam. This is a retail product *par excellence*: a current account in a box. C-zam combines the simplicity of a current account “off the shelf” with the innovation of online application in just minutes. This next-generation, “mobile first” account is available to a broad audience of consumers with its attractive and transparent fee structure. C-zam's start is very promising. By reaching a largely new and youthful customer base, it serves as a growth driver for Carrefour Banque et Assurance.

Carrefour Banque et Assurance offers a complete range of loans, payment cards, insurance, savings and a current account to accompany its customers in their daily lives and help them accomplish their goals. These simple and accessible products are designed to offer quality service at the best price.

SUPPORTING AND FACILITATING PURCHASES

PASS Card: more advantages

The PASS Mastercard is a credit card associated with the PASS credit that can be used at Carrefour and elsewhere. At Carrefour it gives access to priority checkout lines and earns loyalty points. PASS card users at Carrefour can choose payment in three instalments without interest, or delayed payment within three months. Mobile payment, available in 2016 via Apple Pay, is now possible in the Android universe with Carrefour Pay, with no payment ceiling. Since May 2017, a programme of 900 offers has been introduced in 106 Carmila¹ shopping centres, strengthening the PASS card's attractiveness in shopping malls associated with Carrefour stores.

An extensive range of credits to finance purchases

Carrefour Banque's historic PASS card allows consumers to pay as a cash/debit function or to use the PASS revolving credit option for each purchase.

"Flex" revolving credit complements this range. It can be taken out online in an amount ranging from €500 to €3,000 for a period of six to 36 months.

Personal loans can finance a wide range of personal projects (car, travel, home decor, wedding, etc.), for amounts from €3,000 to €50,000, payable in 12 to 84 months.

Consumer financing is intended to finance the purchase of larger household items from Carrefour, from €150 to €6,000, payable in four to 48 months. It is promoted in particular during the retailer's major seasonal events such as back-to-school and the Christmas holidays.



¹Carmila is the third largest market-listed shopping centre operator in continental Europe. It was founded by Carrefour and major institutional investors to enhance the shopping malls connected to Carrefour hypermarkets in France, Spain and Italy.



C-ZAM OPENS UP NEW HORIZONS

An off-the-shelf current account

The launch of the first current account available off the shelf and activated online was a major milestone for Carrefour Banque et Assurance's development in 2017. C-zam is a particularly innovative product that combines the banking expertise of Carrefour Banque et Assurance and Carrefour's retail business. Sold in a box for €5 with an international Mastercard payment card, this next-generation current account is marketed in more than 3,000 Carrefour stores (hypermarkets, supermarkets and local shops) and on ruedocommerce.com.

The account is activated in minutes using the C-zam app or at the compteczam.fr website. It is 100% mobile and accessible to anyone age 18 and above, with no income requirement or minimum deposit. This includes customers with suspended banking privileges, as no overdrafts are allowed. Customers can use their account and C-zam card as soon as it is activated, and share their account details ("RIB"). The account's accessibility and simplicity are reflected in its €1 monthly cost without long-term commitment.

A promising start

C-zam's successful launch reflects customers' trust in Carrefour Banque et Assurance for the basic product of daily life that is a current account.

C-zam has attracted a young audience who appreciate products that are easy to access and use, and has expanded Carrefour Banque et Assurance's customer portfolio. Almost one in three customers is under the age of 30, and seven of ten are new clients.

C-zam corresponds to new banking behaviours: 40% of holders of this new current account have made it their primary bank account, and it is also used as a secondary account for daily expenditures or specific purposes such as travel or leisure activities. Naturally it is associated with Carrefour loyalty advantages, if the customer links it to their loyalty account, as well as exclusive discounts from partner retailers.



A DIVERSIFIED AND ACCESSIBLE PRODUCT RANGE

Savings: attractive life insurance policies

In a very competitive market, Carrefour Banque et Assurance consistently seeks to offer attractive products to its customers, developed in partnership with trusted players AXA and BNP Paribas.

The euro fund's rate of return was maintained at 2.44% net of management fees in 2017, above market average, to reward customers' loyalty. A new account, BNPP Aqua, was launched to meet the expectations of savings customers who want to boost returns on their investments in an environment of sustained low rates.

This savings account can be opened starting at €10 monthly deposits, with a bonus rate that rewards Carrefour customers' loyalty.

Insurance products at the best price

The range of insurance products addresses every consumer need, from automotive insurance to comprehensive home coverage, and including borrower's insurance, various protection policies and a school insurance plan.

In 2017, Carrefour Banque et Assurance added an Eco formula to its car insurance range. This range targets core guarantees to offer quality policies at the best price. With in-branch or 100% online application, it is included in comparison websites and heralds the global evolution towards a fully digitised experience if the customer wishes it.

BUSINESS IN BELGIUM AND ITALY

Carrefour Banque is present in Belgium and Italy with a credit and payment card offer available at 45 Carrefour Finance stands in Belgium and 28 Carrefour Banca branches in Italy. Like in France, the development of financial services for these two entities is linked to Carrefour stores, with benefits offered to customers by Carrefour and its partners. Digital is also a core focus.

In Belgium, the mobile app has been enhanced and Carrefour's Visa customers have the option of modifying their payment mode after a direct purchase by telephone. A survey is used to track customer satisfaction.

In Italy, the website was completely revamped in autumn 2017, to better meet customer wishes with a stronger mobile alignment. Mobile payment features are now available to PASS card holders using Apple Pay and FitBit Pay.



Business



A transformational
year to prepare
for the future

Carrefour Banque et Assurance continued to manage costs closely in 2017 and confirmed the reduction in its risk load. Financial costs remain on a downward trend thanks to an efficient and diversified refinancing strategy, along with market conditions that continue to be favourable. Lastly, efforts to modernize tools and the network continue, as well as investments in innovative products to better prepare for the future.

Net profit on the rise

In a slightly improved economic environment, consumer credit grew in 2017, with a rise in production.

Engaged in restructuring its networks, Carrefour Banque et Assurance was not able to reap full benefit from this trend at the start of the year. Net banking income decreased 7% to €360 million, primarily due to reductions in revolving credit and personal loans.

Nonetheless, cost-focused efforts were successful in improving the cost-to-income ratio. Above all, the strict loan policy continued and also led to a net drop in the cost of risk. Net profit was up 30% overall for the fiscal year, to €38 million.

Substantial efforts to reduce the cost of risk

Results in 2017 reflect efforts to manage costs and improve the quality of the loan portfolio. Carrefour Banque et Assurance continued its cost reduction strategy, with a focus on general operating and personnel expenses. Operating costs were significantly cut back.

The risk load, which decreased in 2016, shrank even more rapidly due to the strict loan policy. The cost of risk dropped by more than €8 million in 2017, to €104 million. This trend reversal is clear evidence of Carrefour Banque et Assurance's focus on its risk load. It will continue to pursue its selective loan policy to maintain this positive progression. A comparable policy is also applied in Belgium and Italy, where it has likewise achieved a reduction in the risk load.

Favourable refinancing conditions continue

Also positive are the refinancing options chosen in recent years, which have succeeded in optimizing financial costs under favourable market conditions. Carrefour Banque et Assurance is reaping the benefit of its strategy of diversifying refinancing sources over several fiscal years, combining refinancing by the European Central Bank (ECB), securitisation and balance sheet savings.

In 2017, the bank took part in the ECB's latest long-term (four years) refinancing operation, for a refinancing rate capped at 0% for €400 million. It also renewed a series of two-year securities for €300 million with investors, via its "MCCP" revolving credit securitisation operation.

Savings account deposits rose slightly, while the rollout of the C-zam current account provided access to an additional source of refinancing.

Investments to prepare for the future

Cost management efforts have opened up possibilities for future-oriented investments, starting with the launch of C-zam and training the teams on this new product.

Investments were also made in new educational tools and the revision of regulatory training courses that are crucial to the sector, including anti money laundering and terrorism financing modules. Banking network, customer service and loan processing employees were provided with appropriate training tools and content for their roles.

The rollout of next-generation branches also continued, with very positive feedback from customers. Some fifteen branches have now been redesigned with a view to customer proximity, consistent with the bank's vision.

Investments to smooth out the application process and facilitate access for all via both physical and digital channels were also maintained at a high level.

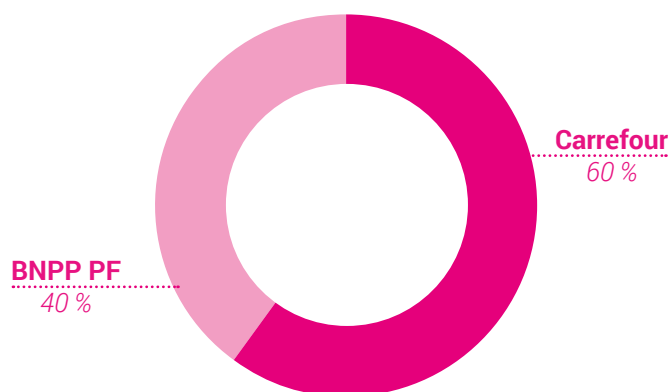
A STRICT LOAN POLICY THAT IS BEARING FRUIT

For two years now, Carrefour Banque et Assurance has conducted a more selective loan policy, to ensure higher-quality loan production. It involves collecting more data during the application process, and reinforcing the conditions for receiving a loan. The aim is to set credit ceilings that are adapted to borrowers' budgets through better knowledge of customers. Managing risk profiles in this way has been a priority, and serves to improve risk management and portfolio quality without a negative impact on business.



Governance

Carrefour Banque has had a solid and stable shareholder composition since 1985. Carrefour Banque is rated BBB+ outlook stable, A-2 by Standard & Poor's.



Board of directors

Frédéric Mazurier

Chairman of the Board of Directors of Carrefour Banque, Director Head of Group Financial Services and Market Services

Directors:

BNP Paribas Personal Finance, represented by Michel Falvert

Head of Major Partnerships BNP Paribas Personal Finance

Thina Cadierno

Head of Customers and Digital, Carrefour France

Marie Cheval

Executive Director of Customers, Services and Digital Transformation, Carrefour France

Pascal Clouzard

Executive Director of Carrefour France

Laurent David

Chief Executive Officer of BNP Paribas Personal Finance

Antoine Fulpin

Head of Financing and Treasury, Carrefour Finance

Nathalie Mesny

CEO of Rue du Commerce, Head of Non-Food eCommerce, Carrefour France

Philippe Pedrotti

Head of Operations, BNP Paribas Personal Finance

Edlira Jarazi Truchaud

Head of Commercial Development in the Major Partners Department BNP Paribas Personal Finance

Specialised committees

Risk committee

Michel Falvert,
Chairman

Antoine Fulpin
Frédéric Mazurier

Remuneration committee

Marie Cheval,
Chairman

Michel Falvert
Frédéric Mazurier

Audit committee

Frédéric Mazurier,
Chairman

Michel Falvert
Antoine Fulpin

Nomination committee

Frédéric Mazurier,
Chairman

Marie Cheval
Laurent David

Executive committee

Julien Jaillon

Chief Executive Officer

Aurélien Cailliau

Deputy Chief Executive Officer
Head of Administration and Finance

Nadia Nikolic

Deputy Chief Executive Officer
Head of Sales and Customer Strategy

Marie-Claire Combes

Head of Human Resources

Anziz El Hadj

Head of Information Systems

Sébastien Parron

Head of Strategic Projects and Operations

Abdou El Mazid Sow

Head of Risk and Internal Control
Coordination

2017 key indicators

The indicators cover the consolidation scope
of banking activities in France,
Italy and Belgium at 31 December 2017.

2017 key indicators

The indicators cover the consolidation scope of banking activities in France, Italy and Belgium at 31 December 2017.

Operating profit

€54 million

+ 20% compared with 2016

Operating profit rose, in particular thanks to continued management of operating costs and the decreased risk load.



Net banking income

€360 million

- 7% compared with 2016

The 7% decline in net banking income is primarily due to a reduction in loans outstanding.



Net profit

€38 million

+ 30% compared with 2016

Net profit rose 30%, largely from the continued decrease in operating costs and a prudent loan policy that improved the risk load for the second consecutive year.



Financial ratios

Solvency ratio

16.28%

Equity and the solvency ratio of 16.28% remained high, largely exceeding the 10.5% regulatory requirement.

Liquidity coverage ratio (LCR)

208.84%

The regulatory requirement is 100% of liquidity in 2018.

2017 key indicators

Loans outstanding

€2,669 million

- 8% compared with 2016

Loans outstanding decreased 8% in 2017 due to declining credit distribution related to continued prudence in granting new loans.



Doubtful loans

€455 million

- 5% compared with 2016

The 5% decrease in doubtful loans reflects improved loan production quality and a better recovery performance.



Payments by Card

€8,464 million

+ 3% compared with 2016

PASS Card payments were on the rise, with an increase in transactions for all retailers.



Cost of risk

€104 million

- 8% compared with 2016

The quality of new loan production continued in 2017, resulting in a reduced risk load.



2017 key indicators

Cards

2.24 million

- 5% compared with 2016



C-zam current account

102,000

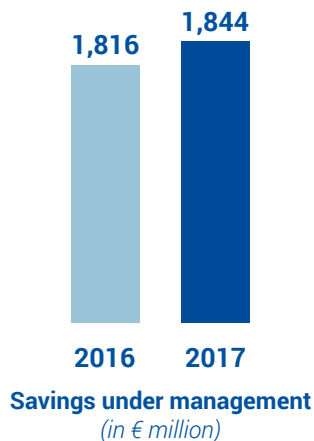
Launch in April 2017



Savings under management

€1,844 million

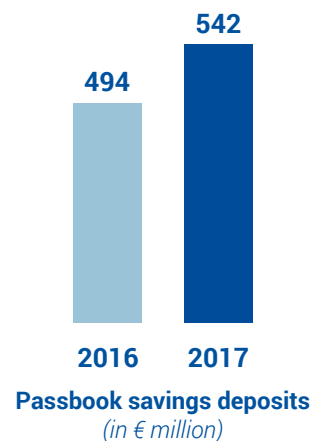
+ 2% compared with 2016



Passbook savings deposits

€542 million

+ 10% compared with 2016



Statement of inactive accounts at end-2017: 12,088 savings accounts paid to the Caisse des Dépôts et Consignations (CDC) for a total of €1,044,670.38.

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COMPANY FINANCIAL STATEMENTS

Balance sheet as at 31 December 2017

ASSETS (in thousands of euros)	Note	2017	2016
Cash and central banks		202	93
Government debt securities and equivalents		-	-
Amounts due from credit institutions	2-4	1,365,703	1,480,743
Transactions with customers	3-4	1,980,475	2,145,129
Bonds and other fixed-income securities	5	706,429	205,997
Equities and other variable-income securities	5	150,004	150,004
Participating interests and other long-term investment securities	5	555	650
Interests in related undertakings	8	25,218	22,724
Finance leases		-	-
Operating leases		-	-
Intangible assets	9	120,134	136,328
Property, plant and equipment	9	15,951	17,424
Capital called but not paid		-	-
Treasury shares		-	-
Other assets	10	193,472	182,211
Accrual accounting adjustments	10	84,763	103,385
TOTAL ASSETS		4,642,906	4,444,688
OFF BALANCE SHEET COMMITMENTS		2017	2016
Commitments given	15	3,843,489	3,082,774
Loan commitments		2,256,088	2,395,338
Commitments on forward financial instruments		1,111,000	666,000
Guarantee commitments		6,401	21,436
Securities commitments		470,000	-

LIABILITIES AND EQUITY (in thousands of euros)	Note	2017	2016
Central banks		-	-
Amounts due to credit institutions	2-4	442,188	20,187
Transactions with customers	4	577,142	511,350
Debt securities in issue	6-7	2,815,801	3,089,871
Other liabilities	11	87,199	86,715
Accrual accounting adjustments	11	44,598	54,146
Provisions	12	28,291	50,649
Subordinated liabilities		-	-
Fund for general banking risks	13	3,735	3,735
Equity excluding fund for general banking risks	14	643,952	628,036
Subscribed share capital		101,347	101,347
Share premium		207,110	207,110
Reserves		150,370	150,370
Revaluation reserve		-	-
Restricted provisions	12	46	772
Retained earnings		140,061	140,115
Net profit for the period		45,017	28,322
TOTAL LIABILITIES AND EQUITY		4,642,906	4,444,688
OFF BALANCE SHEET COMMITMENTS		2017	2016
Commitments received	15-16	5,039,783	4,625,161
Loan commitments		2,036,657	2,123,801
Commitments on forward financial instruments		2,981,850	2,480,000
Guarantee commitments		21,276	21,360
Securities commitments		-	-

Income statement for the year ended 31 December 2017

(in thousands of euros)	Note	2017	2016
Interest and equivalent income	17	141,443	167,874
Interest and equivalent expenses	17	- 33,077	- 38,511
Income from finance leases and equivalents		-	-
Expenses on finance leases and equivalents		-	-
Income from operating leases		-	-
Expenses on operating leases		-	-
Income from variable-income securities		90,962	102,327
Fee and commission income	18	69,705	66,607
Fee and commission expense	18	- 8,573	- 6,837
Gains and losses on trading portfolios	22	2,802	3,674
Gains and losses on investment portfolios and equivalents	22	-	-
Other income from banking operations	19	91,475	142,971
Other expenses on banking operations	19	- 9,241	- 59,167
NET BANKING INCOME		345,496	378,938
General operating expenses	20	- 190,295	- 209,787
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		- 18,212	- 13,103
GROSS OPERATING PROFIT		136,989	156,048
Cost of risk	21	- 89,806	- 104,499
OPERATING PROFIT		47,183	51,549
Gains and losses on non-current assets* *Includes an error correction of -€3,000 thousand	23	- 6,773	2,161
CURRENT PRE-TAX PROFIT		40,410	53,710
Exceptional items		2,297	- 13,646
Income taxes		1,584	- 12,730
Net change in fund for general banking risks and restricted provisions		726	988
NET PROFIT		45,017	28,322

Six-year financial summary

Financial position at end of period (in euros)	2012	2013	2014	2015	2016	2017
Share capital	99,970,792	99,970,792	99,970,792	101,346,957	101,346,957	101,346,957
Number of shares outstanding	6,524,356	6,524,356	6,524,356	6,614,184	6,614,184	6,614,184
RESULTS OF OPERATIONS						
Revenues	589,707,422	611,374,788	582,113,671	507,460,018	480,416,446	377,568,628
Profit before tax, profit-sharing, depreciation, amortisation, provisions and impairment	111,221,474	122,144,900	109,240,896	83,466,627	57,023,169	30,747,063
Income taxes	40,465,253	30,462,633	21,246,531	19,925,607	12,729,818	-1,583,867
Profit-sharing expense	1,405,521	1,450,348	1,307,453	1,401,998	1,495,704	218,398
Profit after tax, profit-sharing, depreciation, amortisation, provisions and impairment	51,950,008	46,205,784	64,889,020	37,515,606	28,321,680	45,017,053
Total profits paid out as dividend	39,015,649	23,161,464	32,491,293	28,176,424	28,374,849	-
PER SHARE DATA						
Profit after tax and profit- sharing but before depreciation, amortisation, provisions and impairment	10.63	13.83	13.29	9.39	6.47	4.86
Profit after tax, profit-sharing, depreciation, amortisation, provisions and impairment	7.96	7.08	9.95	5.67	4.28	6.81
Dividend payout per share	5.98	3.55	4.98	4.26	4.29	-
EMPLOYEE DATA						
Average number of employees during the period	1,718	1,662	1,677	1,771	1,764	1,625
Total payroll	50,547,724	49,553,761	50,017,799	51,631,322	54,299,233	53,511,495
Total employee benefits	24,007,498	24,022,315	24,199,441	24,770,904	27,023,589	24,593,019

Notes

Note 1

ACCOUNTING POLICIES (company financial statements)

A / Significant events of the year

1/ Goodwill on the merger with the Italian branch

The goodwill of €3,747 thousand recognised in the Carrefour Banque accounts on 1 October 2011 as a technical adjustment arising from the conversion of the Italian subsidiary into a branch was written down in full at the end of the reporting period.

2/ Participating interests

Carrefour Banque has made an error correction of €3,000 thousand, involving the recognition during the year of an impairment allowance against the investments in its 100% owned subsidiary La Financière Pass, which houses tax-efficient transactions carried out under the "Girardin Law".

3/ Dissolution of GIE Carrefour Personal Finance Services

This economic interest grouping was dissolved on 30 November 2016.

Carrefour Banque, the contact member of the grouping, acted as liquidator with effect from that date.

Liquidation was confirmed on 31 May 2017.

4/ Refinancing

Carrefour Banque has continued with its refinancing policy via:

- participating in the final European Central Bank long-term (four-year) refinancing programme, thereby obtaining refinancing of €400 million;
- renewing a €300 million series of two-year securities with its investors under its revolving credit securitisation programme.

5/ Launch of the "C-zam" current account

Carrefour Banque extended its product range in April 2017 by launching "C-zam", the bank's first current account, a self-service product available in the Group's hypermarkets, supermarkets and convenience stores, and on the Rue du Commerce website. This connected product meets customers' needs for a simple, stand-alone solution.

B / Presentation of the financial statements

The 2017 financial statements have been prepared and presented in accordance with the applicable regulatory requirements, in particular those specified by regulation 2014-07 on the financial statements of banking sector companies, issued on 26 November 2014 by the *Autorité des Normes Comptables* (ANC).

Unless otherwise indicated, all amounts in the notes to the financial statements are expressed in thousands of euros.

C / Branch

Carrefour Banque has included its Italian branch in the presentation of its separate financial statements since 1 October 2011, the date on which the merger took legal effect.

D / Customer loans

Non-doubtful and doubtful loans

Customer loans reported in the balance sheet include the outstanding principal at the balance sheet date, plus interest, penalties and insurance premiums due as of that date or accrued to that date but not yet due.

Customer loans are classified as doubtful if it is probable or certain that they will be wholly or partially non-recoverable. Impairment allowances are determined on the basis of up-to-date statistical observations for each product type, according to the age and known deterioration in credit quality of the loan. In accordance with Articles 2211-1 to 2251-13 of Book II, Title 2 of ANC regulation 2014-07 on the accounting treatment of credit risk, in determining allowances for impairment of doubtful loans, Carrefour Banque discounts the recoverable cash flows on the basis of the initial terms of the loan.

In addition, Carrefour Banque applies the same regulation in calculating the haircut on restructured loans, by using a reference to the original interest rate.

The discounting of recoverable cash flows as part of the impairment calculation, and the application of the haircut calculation, impact on net banking income.

Finally, doubtful interest and late payment penalties, which are included in net banking income but also written down via cost of risk, are eliminated from net banking income. This reclassification amounted to €3,875 thousand in 2017, versus €6,974 thousand in 2016.

Compromised doubtful loans

Compromised doubtful loans are doubtful loans for which there has been a marked deterioration in the prospects of recovery and which the bank expects ultimately to write off. The rules applied by Carrefour Banque in downgrading loans to "compromised doubtful loans" comply with Article 2221-8 of Book II - Title 2 of ANC regulation 2014-07, and are as follows:

- the loan has been subject to recovery management procedures for at least twelve months;
- a default has occurred on the loan (customer referred for legal recovery);
- the loan is subject to an over-indebtedness referral that has been under observation for at least twelve months;
- the loan is subject to a personal debt management plan.

Rules for writing off loans:

If it proves impossible to recover a loan either through negotiation or issuance of a legal summons to pay, that loan is written off. In such cases, the existing impairment allowance is reversed out against recognition of the loss.

In accordance with Articles 2111-1 to 2171-1 of Book II - Title 1 on the accounting treatment of fees and commission collected by a credit institution and marginal transaction costs on the granting or acquisition of loans, with effect from 1 January 2010, Carrefour Banque has amortised introducers' fees paid on the granting of a loan over the effective life of the loan. The effect of this amortisation was to reduce 2017 net banking income by €96 thousand.

Impairment allowances for credit risk

The impairment allowance equals the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows. The calculation of impairment allowances is based on:

- a statistical approach applied to portfolios of loans with similar characteristics, given that individual loans are not material and that they share common characteristics in terms of credit risk;
- probabilities of default and of loss that reflect the level of risk for each category of loan (such as the number of months in arrears or specific factors).

The amount of impairment allowances is determined by applying a statistical model of recoveries and losses that incorporates all possible movements between the different strata, based on observations of historical data.

E / Investment portfolio

In accordance with ANC regulation 2014-07 on the accounting treatment of securities, investment portfolio securities are reported in the balance sheet at acquisition cost. Impairment allowances are recognised as necessary to reflect market value at the balance sheet date. Unrealised gains are not recognised.

F / Non-current financial assets

Participating interests are reported in the balance sheet at cost. Impairment allowances are recognised as necessary to reflect value in use. Because the value in use of the investment in the subsidiary La Financière Pass recorded in the books of Carrefour Banque (€8,425 thousand) was not correctly determined, an additional impairment allowance of €2,894 thousand was recognised during 2017, taking the total impairment allowance to €5,894 thousand.

G / Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reported in the balance sheet at acquisition cost (purchase price plus incidental expenses).

Depreciation and amortisation are charged using the straight line method over the expected economic life of the asset:

- licences and software: three to eight years;
- computer hardware: three to five years;
- fixtures and fittings: five to eight years;
- other assets: three to ten years.

Leasehold rights are not amortised, but are tested for impairment annually and whenever there is evidence that they may have become impaired.

H / Forward financial instruments

Interest rate hedges are used to limit the effect of interest rate fluctuations on floating rate debt. Carrefour Banque acts as a central treasury management unit, and contracts derivatives both on its own account and on behalf of the two other entities (the Belgian financial services subsidiary Fimaser, and the Spanish subsidiary Servicios Financieros Carrefour) in the interests of mutualisation, organisational efficiency and access to markets.

Hedges are contracted over the counter with leading banks. The main financial instruments used are interest rate swaps. Gains and losses arising on these instruments are recognised symmetrically with gains and losses on the hedged items. Some hedging transactions may generate open positions, on a limited and temporary basis. These positions are remeasured at the balance sheet date, and a provision is recognised to cover any unrealised losses. The instruments in use as of 31 December are presented in notes 15 and 16. The nominal amount of commitments is reported off balance sheet.

In accordance with the amended CRC regulation 2004-16 on disclosure of the fair value of financial instruments, Carrefour Banque has measured its derivative financial instruments at fair value, based on observable market parameters.

I / Retirement benefits

Carrefour Banque pays a lump-sum benefit to its employees on retirement, based on their length of service within the Carrefour Group. The benefit obligation is calculated on an actuarial basis – taking into account factors such as employee turnover, mortality, and the rate of increase in salaries and social security charges – and is recognised in the form of a provision. Consequently, actuarial gains and losses are recognised in profit or loss in the period in which they arise.

J / Translation of foreign currency transactions

These transactions are accounted for in accordance with Articles 2711-1 to 2731-1 of Book II – Title 7 relating to foreign currency transactions. All assets, liabilities and off balance sheet items expressed in foreign currencies are translated into euros at the exchange rate prevailing on the balance sheet date.

Income and expenses are translated into euros at the exchange rate prevailing on the transaction date.

Foreign exchange gains and losses, whether unrealised or realised, are recognised in the income statement at the end of the period.

K / Income taxes

Carrefour Banque is the lead company in a group tax election.

Each company included in the group tax election is restored to the position it would have been in had it been taxed separately.

The tax saving or expense arising from the difference between the tax due by subsidiaries included in the group tax election and the tax arising from the group income tax computation is recognised by Carrefour Banque.

The corporate income tax rate is 33.33%. The additional profit-based contribution amounts to 3.3% of standard-rate tax after applying an allowance of €763,000. The amount of tax payable is determined before offset of tax reductions, tax credits and all forms of tax receivables.

L / Events after the reporting period

No significant events have occurred since the end of the reporting period.

M / Proposed appropriation of profits

The appropriation of profit to be submitted to the Annual General Meeting for approval is as follows:

Net profit for the year (€)	45,017,053.32
Retained earnings brought forward	140,061,349.20
Distributable profits available for appropriation at the Annual General Meeting	185,078,402.52
Transfer to legal reserve	-
Transfer to other reserves	-
Dividend payout (€0 x 6,614,184 shares)	-
BALANCE CARRIED FORWARD AS RETAINED EARNINGS	185,078,402.52

Notes to the balance sheet

Note 2

AMOUNTS DUE FROM AND TO CREDIT INSTITUTIONS

(in thousands of euros)	31/12/2017	31/12/2016
Assets		
Current accounts, overnight loans and advances	209,115	196,460
Term loans and advances	1,156,589	1,284,283
TOTAL	1,365,703	1,480,743
of which accrued interest receivable	589	1,283
of which transactions with related undertakings	-	-
Liabilities		
Current accounts, overnight borrowings	42,188	20,187
Term deposits and borrowings	400,000	-
TOTAL	442,188	20,187
of which accrued interest payable	-	-
of which transactions with related undertakings	-	-

Note 3

CUSTOMER LOANS

(in thousands of euros)	31/12/2017	31/12/2016
Current accounts in debit	404,975	438,288
Other short-term loans	418,407	431,469
Medium-term loans	409,993	435,435
Long-term loans	1,035,571	1,157,257
Total gross customer loans	2,268,946	2,462,448
Loan impairment allowances	- 288,471	- 317,319
TOTAL NET CUSTOMER LOANS	1,980,475	2,145,129

CUSTOMER LOANS NET OF IMPAIRMENT ALLOWANCES

(in thousands of euros)	France	Italy	Principal	Accrued interest	31/12/2017	31/12/2016
Non-doubtful loans	1,663,284	194,836	1,858,120	5,885	1,864,005	2,024,172
of which transactions with related undertakings	145,000	-	145,000	100	145,100	148,095
of which restructured loans					243,567	268,587
Non-compromised doubtful loans						
Gross amount	82,881		82,881		82,881	100,104
Impairment allowances	- 31,840		- 31,840		- 31,840	- 42,768
Coverage ratio			38%		38%	43%
Compromised doubtful loans						
Gross amount	269,503	52,557	322,060		322,060	338,171
Impairment allowances	- 213,460	- 43,171	- 256,631		- 256,631	- 274,551
Coverage ratio			80%		80%	81%
CARRYING AMOUNT IN THE BALANCE SHEET	1,770,368	204,222	1,974,590	5,885	1,980,475	2,145,129

COMPANY FINANCIAL STATEMENTS

Note 4

MATURITY SCHEDULE OF AMOUNTS DUE FROM/TO CREDIT INSTITUTIONS AND CUSTOMERS

(in thousands of euros)						31/12/2017
Credit institutions and financial institutions	On demand/ no fixed term	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Assets	209,703	1,156,000	-	-	-	1,365,703
Liabilities	442,188	-	-	-	-	442,188
Other advances to customers	5,784	267,522	409,993	924,823	110,748	1,718,871
Loans to financial sector customers	100	145,000	-	-	-	145,100
Current accounts in debit	116,504	-	-	-	-	116,504
TOTAL CUSTOMER LOANS (ASSETS)	122,389	412,522	409,993	924,823	110,748	1,980,475
TOTAL TRANSACTIONS WITH CUSTOMERS (LIABILITIES) (*)	577,142	-	-	-	-	577,142

(*) Of which transactions with related undertakings.

Note 5

EQUITIES, BONDS AND OTHER SECURITIES

(in thousands of euros)	31/12/2017	31/12/2016
Interests in investment portfolio UCITS	150,000	150,000
Equities and other investment portfolio securities unlisted	4	4
Equities and other investment portfolio securities listed	-	-
Other long-term investment securities	555	650
Bonds (*)	706,429	205,997
TOTAL	856,988	356,651

(*) Bonds issued by the Master Credit Cards PASS securitisation fund, maturing October 2025, and subscribed by Carrefour Banque:

- of which subordinated bonds: **€101,774 thousand** including an impairment allowance of **€22,826 thousand**;
- of which seller's interest bonds: **€134,600 thousand**;
- of which accrued interest receivable: **€39 thousand**.

(*) Bonds issued by the Spanish securitisation fund SFC: **€470,000 thousand**;

- of which accrued interest receivable: **€16 thousand**.

Note 6

DEBT SECURITIES IN ISSUE

(in thousands of euros)	31/12/2017	31/12/2016
Certificates of deposit	415,000	1,010,014
Other negotiable debt instruments	600,000	279,000
Bond issues	1,800,801	1,800,857
TOTAL	2,815,801	3,089,871
of which accrued interest payable	801	871
of which transactions with related undertakings	-	-

Note 7

MATURITY SCHEDULE OF DEBT SECURITIES IN ISSUE

(in thousands of euros)					31/12/2017
	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	More than 5 years	TOTAL
Certificates of deposit	415,000		-	-	415,000
Other negotiable debt instruments			600,000	-	600,000
Bond issues	500,801	-	1,300,000	-	1,800,801
TOTAL	915,801	-	1,900,000	-	2,815,801

Note 8

INVESTMENTS IN SUBSIDIARIES AND PARTICIPATING INTERESTS

(in thousands of euros)	31/12/2017			31/12/2016		
	Gross value	Impairment allowances	Carrying amount	Gross value	Impairment allowances	Carrying amount
Unlisted subsidiaries and participating interests						
Fimaser SA	20,700	-	20,700	20,700	-	20,700
Servicios Financieros Carrefour, EFC SA	1,663	-	1,663	1,663	-	1,663
La Financière PASS SAS *	8,426	- 5,895	2,531	37	-	37
GIE Carrefour Personal Finance Services	-	-	-	-	-	-
GIE Chamnord	324	-	324	324	-	324
TOTAL	31,113	- 5,895	25,218	22,724	-	22,724

* Impairment allowance of €3,000 thousand against the subsidiary La Financière PASS in respect of an error correction, plus an additional impairment allowance of €2,895 thousand relating to the value in use of the asset.

Fimaser SA: Avenue des Olympiades 20, 1140 Brussels; share capital €8,655,202.

Equity interest of Carrefour Banque: 99.98%

Revenues for the 2017 financial year: **€23,405 thousand**, down 2.3% versus 2016.

Post-tax profit for the 2017 financial year: **€3,948 thousand**, up 9.3% versus 2016. Reserves, retained earnings and share premium before appropriation of 2017 profits: **€14,937 thousand**.

The accounts of Fimaser are included in the consolidated financial statements of the Carrefour Banque Group by the full consolidation method.

Servicios Financieros Carrefour, EFC SA: registered office Calle Juan Esplandiú no. 11, 28007 Madrid; share capital €18,567,438.

Equity interest of Carrefour Banque: 6.797%

Revenues for the 2017 financial year: **€342,365 thousand**, up 3.6% versus 2016.

Post-tax profit for the 2017 financial year: **€115,102 thousand**, down 4.6% versus 2016.

Reserves, retained earnings and share premium before appropriation of 2017 profits: **€251,614 thousand**.

La Financière PASS SAS: registered office 1, place Copernic, 91051 Evry Cedex, subsidiary with share capital of €37,000.

Equity interest of Carrefour Banque: 100.00%, net loss of €21 thousand for the 2017 financial year. FCT Master Credit Cards PASS (securitisation fund): registered office 41, rue Délézy, 93500 Pantin.

Equity interest of Carrefour Banque: 100.00% (representing €300).

The accounts of FCT Master Credit Cards PASS are included in the consolidated financial statements of the Carrefour Banque Group by the full consolidation method.

GIE Carrefour Personal Finance Services (CPFS): registered office 1, place Copernic, 91080 Courcouronnes.

Economic interest grouping with no capital, established on 13 April 2010 by CARMA and Carrefour Banque (which acted as the contact member).

CPFS was dissolved on 30 November 2016 and liquidated on 31 May 2017.

The accounts of CPFS were included in the consolidated financial statements of the Carrefour Banque Group by the full consolidation method.

Note 9

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	31/12/2016	Increases	Decreases	Other movements	31/12/2017
Gross value					
Intangible assets	161,298	12,142	20,400	- 538	152,502
Property, plant and equipment	39,994	3,330	1,666	- 124	41,533
TOTAL GROSS VALUE	201,292	15,472	22,066	- 663	194,036
Amortisation of intangible assets	24,970	13,722	6,323	0	32,369
Depreciation of property, plant and equipment	22,570	4,490	1,478	0	25,582
TOTAL CARRYING AMOUNT	153,752	- 2,740	14,265	- 663	136,085

Note 10

OTHER ASSETS AND ACCRUAL ACCOUNTING ADJUSTMENTS

(in thousands of euros)	31/12/2017	31/12/2016
Assets		
Sundry Group debtors	105,607	91,112
Other sundry debtors (*)	87,864	91,099
TOTAL OTHER ASSETS	193,472	182,211
Items in course of collection	55,382	65,829
Prepayments	12,017	9,644
Accrued income	17,364	27,911
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	84,763	103,385

(*) Includes advances to GIE GNIFI (INCO): **€18,510 thousand** from 2006, and to SCI Ambaville: **€6,124 thousand** from 2013, as well as a reduction of **€6,013 thousand** representing the advance to SCI Karukaz II (from 2009), that entity having been dissolved at the end of October 2017.
These advances represent tax-efficient investments.
Includes impairment allowances of **€6,150 thousand** as of 31 December 2017 for funds deposited as a guarantee against debtor default risk on loans transferred to the securitisation fund.

Note 11

OTHER LIABILITIES AND ACCRUAL ACCOUNTING ADJUSTMENTS

(in thousands of euros)	31/12/2017	31/12/2016
Liabilities		
Sundry Group creditors	29,175	18,029
Taxes payable	3,543	4,257
Employee-related liabilities	22,065	28,042
Trade payables	2,041	2,260
Other sundry creditors (*)	30,376	34,126
TOTAL OTHER LIABILITIES	87,199	86,715
Accruals	29,341	38,259
Deferred income	15,257	13,870
Items in course of collection	-	2,016
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	44,598	54,146

(*) Includes debt waivers in favour of the tax-efficient investment vehicles GIE GNIFI: **€18,510 thousand** from 2006, and SCI Ambaville: **€4,016 thousand** from 2013, as well as the balance of the debt waiver in favour of SCI Karukaz II: **€3,942 thousand** (from 2009) following the dissolution of that entity at the end of October 2017.

Note 12

IMPAIRMENT ALLOWANCES AND PROVISIONS

(in thousands of euros)	31/12/2016	Increases	Decreases	Other movements	31/12/2017
Impairment allowances against customer loans	317,319	63,882	92,730	-	288,471
TOTAL	317,319	63,882	92,730	-	288,471
Provisions				-	
Provisions for retirement benefits	23,169	2,244	1,113	-	24,300
Other provisions (*)	27,480	226	23,714	-	3,991
TOTAL	50,649	2,470	24,827	-	28,291
Restricted provisions					
Accelerated tax depreciation	772	1	726	-	46
Special profit-sharing reserve	-	-	-	-	-
TOTAL	772	1	726	-	46

(*) Includes a restructuring provision of **€3,224 thousand** at 31 December 2017.

Note 13

FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	31/12/2016	Increases	Decreases	31/12/2017
Fund for general banking risks	3,735	-	-	3,735

Note 14

EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	31/12/2016	Increases	Decreases	31/12/2017
Share capital: 6,614,184 shares	101,347	-	-	101,347
Reserves and retained earnings				
Share premium	207,110	-	-	207,110
Share warrants	-	-	-	-
Legal reserves	10,135	-	-	10,135
Reserves required under the bylaws	-	-	-	-
Other reserves	140,236	-	-	140,236
Retained earnings	140,115	-	53	140,061
TOTAL RESERVES AND RETAINED EARNINGS	497,595	-	-	497,542
TOTAL EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS	598,942	-	-	598,889

Notes on off balance sheet items

Note 15

**CONFIRMED CREDIT FACILITIES, SURETIES, ENDORSEMENTS
AND OTHER COMMITMENTS GIVEN AND RECEIVED**

(in thousands of euros)	31/12/2017	31/12/2016
Commitments given	3,843,489	3,082,774
Confirmed credit facilities available to customers	2,256,088	2,395,338
Commitments on interest rate instruments (swaps)	1,111,000	666,000
Sureties, endorsements and other guarantees given to customers	6,401	21,436
– of which financial guarantees	6,401	21,436
Securities commitments	470,000	-
Commitments received	5,039,783	4,625,161
Loan commitments received from credit institutions	1,526,657	1,613,801
Loan commitments received from financial sector customers	510,000	510,000
Commitments on forward financial instruments	2,981,850	2,480,000
Sureties, endorsements and other guarantees received from credit institutions	21,276	21,360

Note 16

FORWARD FINANCIAL INSTRUMENTS

(in thousands of euros)	31/12/2017				31/12/2016			
	Micro-hedging	Non-hedging	Total	Fair value	Micro-hedging	Non-hedging	Total	Fair value
Firm OTC instruments								
Interest rate swaps	1,083,850	2,392,000	3,475,850	- 3,587	1,189,000	1,742,000	2,931,000	- 10,017
Cross currency	-	-	-	-	-	-	-	-
Caps	-	617,000	617,000	156	-	215,000	215,000	2
TOTAL	1,083,850	3,009,000	4,092,850	- 3,431	1,189,000	1,957,000	3,146,000	- 10,015
Residual maturity	≤ 1 year	1 to 5 years	> 5 years	Total				
Nominal value of contracts	184,750	638,000	261,100	1,083,850				
Fair value	- 797	- 3,498	708	- 3,587				

Notes to the income statement

Note 17

INTEREST AND EQUIVALENT INCOME INTEREST AND EQUIVALENT EXPENSES

(in thousands of euros)	2017		2016	
	Income	Expenses	Income	Expenses
On transactions with credit institutions	10,605	16,916	12,645	21,178
On transactions with customers (*)	123,646	5,959	151,500	6,438
On bonds and other fixed-income securities	7,193	10,202	3,730	10,895
TOTAL	141,443	33,077	167,874	38,511
(*) Related parties (income).	537		730	

Note 18

FEES AND COMMISSION

(in thousands of euros)	2017		2016	
	Income	Expenses	Income	Expenses
Fees and commission on securities transactions	12,150	-	11,821	-
Fees and commission on payment media	57,555	8,573	54,786	6,837
TOTAL	69,705	8,573	66,607	6,837

Note 19

OTHER INCOME AND EXPENSES FROM BANKING OPERATIONS

(in thousands of euros)	2017		2016	
	Income	Expenses	Income	Expenses
Share of joint operations	8,048	9,025	54,222	58,826
Expenses recharged to Group companies	-	-	-	-
Other income and expenses from banking operations (*)	83,427	217	88,749	341
TOTAL	91,475	9,241	142,971	59,167
(*) Related parties (income).	71,028	-	75,913	-

Note 20

GENERAL OPERATING EXPENSES

(in thousands of euros)	2017	2016
Wages and salaries	52,429	49,962
Social security charges and payroll taxes	31,392	39,254
Profit-sharing	2,478	4,486
Personnel costs	86,299	93,702
of which retirement benefit expenses	5,590	9,901
Other administrative expenses	103,995	116,085
TOTAL GENERAL OPERATING EXPENSES	190,295	209,787

Note 21

COST OF RISK

(in thousands of euros)	2017	2016
Net change in impairment allowances	10,545	1,840
Charges on customer loans mainly covered by impairment allowances	- 100,351	- 106,339
TOTAL	- 89,806	- 104,499

Note 22

GAINS AND LOSSES ON PORTFOLIOS

(in thousands of euros)	2017		2016	
	Income	Expenses	Income	Expenses
Gains and losses on trading portfolios				
On financial instruments	2,802	-	3,676	-
Foreign exchange gains and losses	-	-	-	2
TOTAL	2,802	-	3,676	2
Gains and losses on investment portfolios and equivalents				
Impairment of investment securities	-	-	-	-
Gains and losses on disposals of investment securities	-	-	-	-
Expenses related to investment securities	-	-	-	-
TOTAL	-	-	-	-

Note 23

GAINS AND LOSSES ON NON-CURRENT ASSETS

(in thousands of euros)	2017		2016	
	Income	Expenses	Income	Expenses
Gains/losses on property, plant and equipment, intangible assets and non-current financial assets				
On non-current financial assets (*)	-	6,773	2,161	-
TOTAL	-	6,773	2,161	-

(*) Impairment allowance of **€3,000 thousand** against the subsidiary La Financière Pass in respect of an error correction, plus an additional impairment allowance of **€2,895 thousand** relating to the value in use of the asset.

Other information

Note 24

DIRECTORS AND KEY EXECUTIVES

(in thousands of euros)	2017	2016
Remuneration paid to directors and key executives	1,586	1,403

Note 25

HEADCOUNT

(number of employees)	2017	2016
Average number of employees in the year, comprising:	1,625	1,764
Non-managerial grades	1,210	1,359
Managerial grades	415	406

Note 26

IDENTITY OF CONSOLIDATING ENTITIES

Carrefour Banque is included by the full consolidation method in the consolidated financial statements of the Carrefour SA Group (equity interest: 60%), registered office 33, avenue Émile-Zola – 92100 Boulogne-Billancourt, and by the equity method in the consolidated financial statements of BNP Paribas SA, registered office 16, boulevard des Italiens – 75009 Paris, via its subsidiary BNP Paribas Personal Finance SA (equity interest: 40%), registered office 1, boulevard Haussmann – 75009 Paris.

Appropriation of profits

We propose appropriating the net profit for the year ended 31 December 2017 as follows:

NET PROFIT FOR THE YEAR (€)	45,017,053.32
Retained earnings brought forward	140,061,349.20
Distributable profits available for appropriation at the Annual General Meeting	185,078,402.52
Transfer to legal reserve	-
Transfer to other reserves	-
Dividend payout (€0 x 6,614,184 shares)	-
Balance carried forward as retained earnings	185,078,402.52

We propose that no dividend be paid in 2018.

In accordance with Article 243 bis of the French General Tax Code (CGI), we report below the dividend distributed per share in respect of the three previous financial years, and the amount of income per share eligible for relief under Article 158.3(2) of the CGI:

Financial year	Dividend distributed	Income eligible for relief under Article 158.3(2) of the CGI
2014	4.98	4.98
2015	4.26	4.26
2016	4.29	4.29

Statutory auditors' report on the financial statements

Year ended 31 December 2017

To the Annual General Meeting of the shareholders of Carrefour Banque S.A.,

OPINION

In accordance with the assignment entrusted to us by your Annual General Meeting, we have conducted our audit of the accompanying financial statements of Carrefour Banque SA for the year ended 31 December 2017.

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017, and of the results of its operations for the year then ended, in accordance with French generally accepted accounting principles.

The opinion expressed above is consistent with the contents of our report to the Audit Committee.

BASIS FOR OUR OPINION

Auditing standards

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under those standards are described in the section "Statutory auditors' responsibilities for the audit of the financial statements" below.

Independence

We conducted our audit engagement in compliance with the rules on independence that applied to us during the period from 1 January 2017 to the date of issuance of this report. Specifically, we provided no services prohibited by Article 5, Paragraph 1 of Regulation (EU) No. 537/2014 or by the code of ethics of the auditing profession.

Services other than audit of the financial statements that we provided to your company (and to entities controlled by it) during the year ended 31 December 2017 and not disclosed in the management report or the notes to the financial statements consist of the issuance of a comfort letter in connection with the updating of the prospectus for the Carrefour Banque SA Euro Medium Term Notes (EMTN) programme.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

Pursuant to Articles L. 823-9 and R. 823-7 of the Commercial Code regarding the justification of our assessments, we draw your attention to key audit matters that relate to those risks of material misstatement that in our professional judgment were of the most significance in the audit of the financial statements for the year, and our response to those risks.

Our assessment should be seen in the context of the audit of the financial statements taken as a whole, and of the formation of our opinion as expressed above. We do not express an opinion on elements of the financial statements taken in isolation.

STATISTICAL APPROACH TO IMPAIRMENT OF LOANS

Risk identified and key judgments	Our audit approach
<p>Carrefour Banque is exposed to credit risk and counterparty risk. Those risks arise as a result of the inability of customers or counterparties to meet their financial obligations, and require the recognition of impairment allowances to cover known risks of non-recovery of loans.</p> <p>As mentioned in note 1.D. to the financial statements, the impairment allowance equals the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows.</p> <p>The calculation of impairment allowances is based on:</p> <ul style="list-style-type: none"> - a statistical approach applied to portfolios of loans with similar characteristics, given that individual loans are not material and that they share common characteristics in terms of credit risk; - probabilities of default and of loss that reflect the level of risk for each category of loan (such as the number of months in arrears or specific factors). <p>The amount of impairment allowances is determined by applying a statistical model of recoveries and losses that incorporates all possible movements between the different strata, based on observations of historical data.</p> <p>As of 31 December 2017, total impairment allowances against customer loans and advances were €288 million on a gross value of €2,269 million, as disclosed in note 3 to the financial statements.</p> <p>We regarded the assessment of the risk of impairment as a key audit matter, given the relative importance of financing in the balance sheet and the significant extent to which the bank exercised judgment in estimating future recoveries and observations of historical data.</p>	<p>As part of our audit, we examined control systems and tested the effectiveness of key controls relating to (i) the identification of risk exposure (and in particular, identifying the pool of loans associated with a known risk), (ii) the monitoring of credit and counterparty risks, (iii) the evaluation of the risk of non-recovery, and (iv) the determination of the related impairment allowances on a statistical basis.</p> <p>Our procedures involved:</p> <ul style="list-style-type: none"> - assessing the control systems used to identify and monitor counterparties classed as (i) subject to a loss event, (ii) doubtful, and (iii) subject to recovery proceedings; - reconciling the impairment rate calculation schedules with the accounting records, to check that those rates were consistent with the impairment allowances actually recognised; - assessing the appropriateness of the methodology used to calculate impairment allowances in light of the operations carried on by Carrefour Banque and the structure of its loan book.

VERIFICATION OF THE MANAGEMENT REPORT AND OTHER DOCUMENTS ADDRESSED TO THE SHAREHOLDERS

We also carried out the specific procedures required by law, in accordance with the professional standards applicable in France.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN OTHER DOCUMENTS ADDRESSED TO THE SHAREHOLDERS ABOUT THE COMPANY'S FINANCIAL POSITION AND FINANCIAL STATEMENTS

We have no matters to report regarding the fairness or consistency with the financial statements of the information given in the management report prepared by the Board of Directors or in documents addressed to the shareholders about the company's financial position and financial statements.

REPORT ON CORPORATE GOVERNANCE

We hereby attest that the information required under Articles L. 225-37-3 and L. 225-37-4 of the Commercial Code is contained in the Board of Directors' report on corporate governance.

As regards the information required under Article L. 225-37-3 of the French Commercial Code on the remuneration and benefits paid to corporate officers and commitments made in their favour, we inform you that such information is not disclosed in the report on corporate governance. Consequently, we are unable to attest that such information is accurate and fairly presented.

INFORMATION REQUIRED UNDER OTHER LEGAL OR REGULATORY OBLIGATIONS**Appointment as statutory auditors**

We were appointed as statutory auditors of Carrefour Banque SA by the Annual General Meeting of 25 May 2004 (Deloitte & Associés) and 25 June 1980 (KPMG), taking into account acquisitions of and mergers between firms since that date.

As of 31 December 2017, Deloitte & Associés was in its fourteenth uninterrupted year as statutory auditor, and KPMG in its thirty-eighth.

RESPONSIBILITIES OF MANAGEMENT, AND OF THOSE CHARGED WITH GOVERNANCE, FOR THE FINANCIAL STATEMENTS

It is the responsibility of management to prepare financial statements that give a true and fair view in accordance with French generally accepted accounting principles, and to implement such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, it is the responsibility of management to assess the company's ability to continue as a going concern; to disclose in those financial statements any matters relating to going concern; and to apply the going concern basis of accounting unless it is intended to liquidate the company or cease trading.

It is the responsibility of the Audit Committee to oversee the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information.

The financial statements have been closed off by the Board of Directors.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**Objectives and audit approach**

It is our responsibility to prepare a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the Commercial Code, our audit does not involve guaranteeing the viability of the company or the quality of how it is managed.

As part of an audit in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. In addition, the auditor:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;

COMPANY FINANCIAL STATEMENTS

- concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Those conclusions are based on the audit evidence obtained up to the date of the auditor's report, with the caveat that future events or conditions may cause a company to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or disclaimer;
- evaluates the overall presentation of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view of them.

Report to the Audit Committee

We submit a report to the Audit Committee that describes inter alia the scope of our audit, the work programme followed and our findings. We also inform the Audit Committee of any significant deficiencies in internal control we have identified as regards the procedures used for the preparation and processing of accounting and financial information.

The information contained in our report to the Audit Committee includes those risks of material misstatement that we determined were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters that we are required to describe in the present report.

We provide the Audit Committee with the written confirmation (as required under Article 6 of Regulation [EU] No. 537-2014) of our independence, within the meaning of the rules applicable in France and contained inter alia in Articles L. 822-10 to L. 822-14 of the Commercial Code and in the code of ethics of the French auditing profession. Where applicable, we also communicate with the Audit Committee about risks to our independence and related safeguards.

Neuilly-sur-Seine and Paris La Défense, 27 April 2018

The Statutory Auditors

Deloitte & Associés
Jean-Vincent COUSTEL

185 avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

KPMG SA
Fabrice ODENT

Tour Eqho - 2 avenue Gambetta - CS 60055
92066 Paris La Défense Cedex

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**Consolidated financial
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prepared
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CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position at 31 December 2016 and 31 December 2017

ASSETS (in thousands of euros)	Note	IFRS 31/12/2017	IFRS 31/12/2016
Cash, central banks and postal cheque accounts		503	593
Financial instruments at fair value through profit or loss	3.1	4,192	5,535
Hedging derivatives	3.2	1,280	550
Available-for-sale financial assets	3.3	621,204	151,638
Interbank and equivalent transactions	3.5	1,377,904	1,495,154
Transactions with customers	3.6	2,746,175	2,969,001
Current and deferred tax assets	3.8	61,482	69,090
Accrual accounting adjustments and other assets	3.9	129,283	150,656
Participating interests, interests in related undertakings and other long-term investment securities		5,037	2,638
Property, plant and equipment and intangible assets	3.10	139,850	140,369
Goodwill	3.11	-	-
TOTAL ASSETS		5,086,910	4,985,224

LIABILITIES AND EQUITY (in thousands of euros)	Note	IFRS 31/12/2017	IFRS 31/12/2016
Cash, central banks and postal cheque accounts		-	-
Financial instruments at fair value through profit or loss	3.1	4,399	5,611
Hedging derivatives	3.2	5,756	13,285
Interbank and equivalent transactions	3.5	442,189	20,188
Transactions with customers	3.6	588,422	524,692
Debt securities in issue	3.7	3,221,738	3,595,434
Current and deferred tax liabilities	3.8	5,663	9,527
Accrual accounting adjustments and other liabilities	3.9	113,143	110,157
Provisions		29,551	40,364
Shareholders' equity attributable to the Group:		676,051	664,740*
Share capital and associated reserves		308,457	308,457
Consolidated reserves		329,365	326,821
Net profit for the period		38,228	29,461
TOTAL LIABILITIES AND EQUITY		5,086,910	4,985,224

* See note 3.12

Consolidated income statement for years ended 31 December 2016 and 31 December 2017

INCOME STATEMENT (in thousands of euros)	Note	2017	2016
Interest and equivalent income	4.1	254,950	285,751
Interest and equivalent expenses	4.1	- 32,315	- 39,952
Income from variable-income securities		6,151	5,563
Fee and commission income	4.2	76,236	76,529
Fee and commission expenses	4.2	- 11,354	- 9,696
Net gains/(losses) on financial instruments at fair value through profit or loss	4.3	- 438	- 48
Net gains/(losses) on available-for-sale financial assets and other financial assets not measured at fair value	4.4	- 339	-
Other income from banking operations	4.5	95,227	146,683
Other expenses on banking operations	4.5	- 28,221	- 75,865
NET BANKING INCOME		359,896	388,965
General operating expenses		- 187,792	- 219,189
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		- 14,297	- 12,652
GROSS OPERATING PROFIT		157,807	157,123
Cost of risk	4.6	- 103,705	- 112,134
OPERATING PROFIT		54,102	44,989
Gains and losses on non-current assets		- 1,146	- 610
Gain from bargain purchase/(goodwill impairment)		-	-
CURRENT PRE-TAX PROFIT		52,957	44,379
Income taxes	4.7	- 14,728	- 14,917
Non-controlling interests		-	-
NET PROFIT ATTRIBUTABLE TO THE GROUP		38,228	29,461

Consolidated statement of comprehensive income for the years ended 31 December 2016 and 31 December 2017

(in thousands of euros)	2017	2016
Net profit attributable to the Group	38,228	29,461
Non-controlling interests	-	-
Actuarial gains and losses on retirement benefit obligations	497	- 2,139
Value adjustments reclassifiable to profit or loss on cash flow hedging derivatives and available-for-sale assets	4,008	4,269
Value adjustments not reclassifiable to profit or loss on cash flow hedging derivatives and available-for-sale assets	-	-
Other comprehensive income	4,506	2,130
TOTAL COMPREHENSIVE INCOME	42,733	31,591
Attributable to owners of the parent company	42,733	31,591
Attributable to non-controlling interests	-	-

CONSOLIDATED FINANCIAL STATEMENTS

Statement of changes in equity between 1 January 2016 and 31 December 2017

(in thousands of euros)	Share capital and share premium		Consolidated reserves	Gains and losses recognised directly in equity			Net profit attributable to the Group	Total equity attributable to the Group	Equity attributable to non-controlling interests	Total consolidated equity
	Share capital	Share premium		Changes in fair value of financial instruments						
				Available-for-sale financial assets	Hedging derivatives	Actuarial gains and losses				
IFRS EQUITY AT 01/01/2016 AFTER APPROPRIATION	101,347	207,110	372,239	777	- 10,723	- 7,574	-	663,178	-	663,178
Transactions with shareholders										
Capital increase										
Reclassification										
Distributions			- 28,176					- 28,176		- 28,176
Sub-total			- 28,176					- 28,176		- 28,176
Gains and losses recognised directly in equity										
Other movements				297	3,972			4,269		4,269
Sub-total				297	3,972			4,269		4,269
Other movements										
Net profit for the period							29,461	29,461		29,461
Other movements			- 1,852*			- 2,139		- 3,991		- 3,991
Sub-total			- 1,852			- 2,139	29,461	25,470		25,470
IFRS EQUITY AT 31/12/2016	101,347	207,110	342,211	1,074	- 6,751	- 9,713	29,461	664,740	-	664,740
Appropriation of 2016 profits			29,461				- 29,461			
IFRS EQUITY AT 01/01/2017 AFTER APPROPRIATION	101,347	207,110	371,672	1,074	- 6,751	- 9,713	-	664,740	-	664,740
Transactions with shareholders										
Capital increase										
Reclassification										
Distributions			- 28,375					- 28,375		- 28,375
Sub-total	-	-	- 28,375					- 28,375		- 28,375
Gains and losses recognised directly in equity										
Other movements				- 296	4,304	346		4,354		4,354
Sub-total				- 296	4,304	346		4,354		4,354
Other movements										
Net profit for the period							38,228	38,228		38,228
Other movements			- 2,960*	102	- 190	151		- 2,896		- 2,896
Sub-total			- 2,960	102	- 190	151	38,228	35,332		35,332
IFRS EQUITY AT 31/12/2017	101,347	207,110	340,337	881	- 2,636	- 9,216	38,228	676,051	-	676,051

* See note 3.12: The published amount for "Other movements" as of 31 December 2016 was -€624 thousand.

Cash flow statement for the years ended 31 December 2016 and 31 December 2017

(in thousands of euros)	2017	2016
Current pre-tax profit	52,957	44,379
Non-monetary items included in pre-tax profit and other adjustments not included in profit or loss	- 252,456	- 246,133
Depreciation and amortisation of property, plant and equipment and intangible assets, net	1,084	12,653
Impairment of goodwill and other non-current assets	-	-
Net change in provisions	- 32,383	- 2,025
Share of profits/losses of associates and joint ventures	-	-
Net gain/loss on investing activities	8,548	-4,953
Income/expenses on financing activities	-	-
Other movements	- 229,705	- 251,808
Net cash inflows/(outflows) arising from assets and liabilities relating to operating activities	234,313	271,182
Net cash inflows/(outflows) arising from transactions with credit institutions	535,204	- 2,288
Net cash inflows/(outflows) arising from transactions with customers	65,571	425,494
Net cash inflows/(outflows) arising from transactions affecting other financial assets and liabilities	- 352,693	- 140,422
Income taxes paid	- 13,769	- 11,602
Net cash generated by/(used in) operating activities	34,814	69,428
Net cash inflows/(outflows) arising from financial assets and participating interests	- 2,897	5,061
Net cash inflows/(outflows) arising from property, plant and equipment and intangible assets	- 15,189	7,467
Net cash generated by/(used in) investing activities	- 18,086	12,528
Net cash inflows/(outflows) arising from transactions with shareholders	- 28,375	- 28,176
Net cash inflows/(outflows) arising from other financing activities	-	-
Net cash generated by/(used in) financing activities	- 28,375	- 28,176
Effect of exchange rate fluctuations on cash and cash equivalents	-	-
NET INCREASE/(DECREASE) IN CASH POSITION	- 11,647	53,780
Cash and cash equivalents at start of period	191,277	137,497
Cash, central banks and postal cheque accounts (assets and liabilities)	593	129,553
Loans to credit institutions repayable on demand	190,684	26,488
Borrowings from credit institutions repayable on demand	-	18,544
Cash and cash equivalents at end of period	179,630	191,277
Cash, central banks and postal cheque accounts (assets and liabilities)	503	593
Loans to credit institutions repayable on demand	179,127	190,684
Borrowings from credit institutions repayable on demand	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	- 11,647	53,780

Significant events of 2017

• Changes in scope of consolidation

The Carrefour Personal Finance Services economic interest grouping was dissolved on 30 November 2016 and liquidated on 31 May 2017.

• Product launch

Carrefour Banque launched a new product, C-zam, on 18 April 2017.

C-zam is a 100%-connected current account with no minimum income requirement and no authorised overdraft.

• Funding of operations

Carrefour Banque acquired units in the SFC-SPV Intermoney securitisation fund for €470 million, in order to benefit from Banque de France TLTRO II funding of €400 million on 29 March 2017.

• Distribution of dividends

Carrefour Banque SA made a dividend payout of €28.4 million to its shareholders on 6 June 2017.

• Change in tax rate

Under the 2018 French Finance Act adopted on 21 December 2017 and the Belgian Finance Act adopted on 25 December 2017, the corporate income tax rate will change to 25% in 2022. Consequently, Carrefour Banque has recognised deferred taxes arising in France at a rate of 25.83% (additional expense: €4 million), and in Belgium at a rate of 25% (additional expense: €1.5 million).

Notes to the financial statements

Note 1

APPLICABLE ACCOUNTING STANDARDS

Carrefour Banque ("the Company") is a *société anonyme* [a form of public limited company] with share capital of €101,346,956.72. It is a credit institution and insurance broker, with its registered office at 1, place Copernic, 91051 Evry Cedex, France. The consolidated financial statements for the year ended 31 December 2017 include the Company and its subsidiaries (collectively "the Group"). They have been prepared and are presented in euros, the Group's functional currency.

Pursuant to European regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Company for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union as of 1 January 2017 and mandatorily applicable as of that date.

The term "IFRS" refers collectively to International Financial Reporting Standards and International Accounting Standards (IAS), and to interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The Group decided not to early adopt those standards and interpretations that were not mandatorily applicable as of 1 January 2017:

- IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which have not yet been endorsed by the European Union, are applicable from 1 January 2018.

- IFRS 16 "Leases", which has not yet been endorsed by the European Union, will be applicable from 1 January 2019.

IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 "Financial Instruments", issued by the International Accounting Standards Board (IASB) in July 2014, will replace IAS 39 "Financial Instruments: Recognition and Measurement" as regards the classification and measurement of financial instruments. The new standard defines new principles for the classification and measurement of financial instruments, impairment for credit risk associated with financial assets, and general hedge accounting (or micro-hedging).

Classification and measurement

Under IFRS 9, the classification and measurement of financial assets will depend on the business model within which they are held and their contractual characteristics. On initial recognition, financial assets will be classified either at amortised cost, fair value through other comprehensive income (in a separate line item), or fair value through profit or loss.

Applying the business model and contractual characteristics criteria could result in some financial assets being classified and measured differently from how they were classified and measured under IAS 39.

The IAS 39 requirements on derecognition of financial assets and financial liabilities have been carried over unchanged from IAS 39 to IFRS 9.

Loan impairment allowances

IFRS 9 introduces a new impairment model for credit risk, based on expected losses.

The new IFRS 9 impairment model requires an entity to recognise twelve-month expected credit losses (i.e. losses resulting from the risk of default events within the next twelve months) on instruments issued or acquired by the entity, and to do so from the date of initial recognition of those instruments in the balance sheet.

Lifetime expected credit losses (i.e. losses resulting from all possible default events over the expected life of the instrument) must be recognised if there has been a significant increase in credit risk since initial recognition.

The new impairment model is likely to lead to an increase in impairment allowances for credit risk, given that twelve-month expected credit losses will have to be calculated for all financial assets. In addition, the scope of assets subject to a significant increase in credit risk could differ from the scope of assets requiring a portfolio-based provision under IAS 39.

Finally, the IFRS 9 impairment model places greater emphasis on prospective information than the IAS 39 model, leading to greater volatility in expected credit losses.

Carrefour Banque has relied on its existing concepts and mechanisms (especially those used for compliance with the Basel regulatory framework) in the case of exposures whose capital requirements in respect of credit risk are calculated using the IRBA approach. Those mechanisms will also have to be applied to portfolios whose capital requirements in respect of credit risk are calculated using the standard approach. However, the Basel mechanisms will have to be supplemented to reflect the specific requirements of IFRS 9, especially as regards prospective information.

This change in accounting policy will have a negative effect on shareholders' equity as of 1 January 2018. Subject to ongoing audit and validation procedures, the impact is expected to be between €110 million and €130 million net of corporate income taxes, with no restatement of comparative periods (in accordance with the option permitted under the transitional provisions of IFRS 9).

Hedge accounting

The IFRS 9 hedge accounting model is intended to be more closely aligned on risk management, in particular by broadening the scope of qualifying hedging instruments and eliminating some rules that were regarded as too prescriptive.

The requirements of IAS 39 relating to portfolio hedges, as endorsed by the European Union, will continue to apply.

Based on the analyses carried out, the Carrefour Banque Group will transition to the IFRS 9 hedge accounting model. The impacts identified to date on Carrefour Banque's hedging instruments will not be material.

Transition

The new classification and measurement principles and the new impairment model in IFRS 9 are applicable retrospectively by adjusting opening balances as of the date of first-time application, but with no obligation to restate comparative periods.

The full set of IASB pronouncements endorsed by the European Union can be consulted on the European Commission website at the following address:

https://ec.europa.eu/commission/index_fr

Note 2

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

2.1 / Consolidation

2.1.1 / Scope and method of consolidation

The consolidated financial statements of the Carrefour Banque Group include all entities under the exclusive control of the Company, which does not exercise joint control or significant influence over any other entities. Subsidiaries are consolidated from the date on which the Group obtains effective control.

Entities under exclusive control are consolidated using the full consolidation method.

Control exists when Carrefour Banque has the power to govern, directly or indirectly, the financial and operating policies of an entity.

In determining the percentage of control, the Group takes account of potential voting rights that give access to additional votes, provided that they are exercisable or convertible immediately.

As of 31 December 2017, the scope of consolidation of the Carrefour Banque Group comprised:

- Carrefour Banque, registered office 1, place Copernic, Évry (91051), registered number 313 811 515. Carrefour Banque is the parent company and has share capital of €101,346,956.72.
- FCT Master Credit Cards PASS – EuroTitrisation, a securitisation umbrella fund, registered office 41, rue Délizy, Pantin (93500), registered in the Bobigny companies register as no. 352 458 368 00045;
- Fimaser, acquired on 30 September 2013 for €20.7 million, registered office Avenue des Olympiades, Brussels (1140), and registered in the Brussels companies register; this company has share capital of €8,655,202.42, of which 99.98% is owned by Carrefour Banque, and is included in the financial statements of the Carrefour Banque Group by the full consolidation method.

CSF, acquired on 31 December 2010 for €11.502 million, registered office Via Calidera no. 21, Milan (Italy), share capital €5,000,000, is 100% owned by Carrefour Banque, with the status of a branch.

The Group also consolidates separate legal entities established specifically to manage a transaction or group of similar transactions (special purpose entities – "SPEs"), even if it has no equity interest in the SPE, when it has power over the relevant activities of the SPE and the ability to use that power to influence the amount of the returns from the SPE:

- the activities of the SPE are conducted exclusively for the Group so that the Group obtains benefits from the SPE's operation;
- the Group has the decision-making and managerial powers to obtain the majority of the benefits of the ordinary activities of the SPE, as evidenced in particular by the ability to wind up the SPE, amend its articles of association, or formally veto such amendment;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE. These benefits may take the form of a right to receive some or all of the SPE's annual profits, a right to a share of the SPE's net assets, a right to dispose of one or more assets, or a right to a majority of the residual assets of the SPE in the event of liquidation;
- the Group retains the majority of the risks incurred by the SPE in order to obtain benefits from them; this would apply, for example, if the Group retains exposure to the first losses on a portfolio of assets carried by the SPE.

As of 31 December 2017, separate legal entities formed specifically to manage a tax-efficient transaction or group of tax-efficient transactions have not been consolidated insofar as Carrefour Banque does not have power over the relevant activities of such entities.

2.1.2 / Consolidation rules

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Elimination of reciprocal transactions

Reciprocal balances arising from transactions between consolidated entities are eliminated, as are the transactions themselves (including income, expenses and dividends). Gains and losses arising from disposals of assets within the Group are eliminated, unless they indicate an impairment loss. Unrealised gains and losses incorporated into the value of available-for-sale assets are maintained at Group level.

Foreign currency translation

All entities in the scope of consolidation have the euro as their functional currency.

2.1.3 / Business combinations and measurement of goodwill

Business combinations

Business combinations are accounted for using the acquisition method.

Whenever the Group acquires control over a company or group of companies, it must identify and measure at fair value all of the assets acquired and liabilities assumed. The difference between (i) the fair value of the consideration transferred, including the amount recognised for any non-controlling interest in the acquiree, and (ii) the net amount recognised (usually at fair value) for the identifiable assets acquired and liabilities assumed is recognised as goodwill. This goodwill is subsequently subject to impairment testing at cash generating unit level. It is recognised in the balance sheet of the acquiree, in the functional currency of the acquiree.

In accordance with the revised IFRS 3, which took effect on 1 January 2010, the Group applies the following policies:

- acquisition-related costs are recognised immediately as an operating expense as incurred;
- for each business combination, the Group assesses whether to apply the full goodwill method or the partial goodwill method:
 - under the full goodwill method, non-controlling interests are measured at fair value and are attributed a share of the goodwill arising on the acquisition;
 - under the partial goodwill method, non-controlling interests continue to be measured at their share of the acquiree's net assets, and hence are not attributed any goodwill;
- any potential price adjustment is measured at its estimated fair value at the acquisition date. The initial measurement may only be subsequently amended (via an adjustment to goodwill) if new information is obtained about facts and circumstances that existed at the acquisition date and the adjustment falls within the twelve-month measurement period. If the financial liability recognised in respect of contingent purchase consideration is adjusted after the end of the measurement period, or is adjusted in a way that does not meet these criteria, the adjustment is recognised as a component of comprehensive income;
- in a step acquisition, any existing equity interest is remeasured at fair value through profit or loss when the Group obtains control. Conversely, loss of control requires any residual equity interest to be remeasured at fair value on the same basis;
- any negative goodwill (gain on a bargain purchase) is recognised immediately in profit or loss;
- any acquisition or disposal of equity interests which occurs subsequent to a business combination but does not affect control is treated as a transaction between shareholders and under the revised IAS 27 is recognised directly in equity.

If an entity or additional equity interest is acquired during the financial year, only the profits or losses arising since the acquisition date are included in consolidated profit or loss for the year.

Given its organisational structure and the inter-dependence of the cash flows generated by its banking activities, the Carrefour Banque Group constitutes a single cash generating unit.

Effectively, the Group's banking activities are run by a single management team, and share a common sales force and sales supervision team. The selling of insurance products is handled by Carrefour Banque staff, while all the Group's activities use common management reporting tools and information systems, and share the same accounting, financial control, payroll and human resources functions.

Allocation of goodwill

Goodwill is allocated in full to the sole cash generating unit, constituting the Carrefour Banque Group.

2.2 / Financial assets and liabilities

2.2.1 / Loans

Loans and advances are initially recognised at fair value, which is usually the amount disbursed at inception and includes origination costs directly attributable to the transaction together with certain fees and commission income regarded as an adjustment to the effective return on the loan. Loans and advances are subsequently measured at amortised cost, using the effective interest method.

In accordance with IAS 39, loans classified in "Transactions with customers" are written down by means of impairment allowances if they have been subject to one or more loss event subsequent to their initial recognition. Impairment allowances are therefore recognised for customer loans that are subject to a known credit risk as a result of any of the following events:

- there has been one or more missed payment under the specific terms of the loan;
- the counterparty's situation is such that regardless of any missed payments, it is reasonable to assume that a known credit risk exists;
- legal proceedings have been instigated between the bank and the counterparty.

The impairment allowance equals the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows. The calculation of impairment allowances is based on:

- a statistical approach applied to portfolios of loans with similar characteristics, given that individual loans are not material and that they share common characteristics in terms of credit risk;
- probabilities of default and of loss that reflect the level of risk for each category of loan (such as the number of months in arrears or specific factors).

The amount of impairment allowances is determined by applying a statistical model of recoveries and losses that incorporates all possible movements between the different strata, based on observations of historical data.

In accordance with IAS 39, the cash inflows used in the statistical models are discounted. Impairment allowances calculated on loans subject to a known credit risk are recognised in "Cost of risk".

2.2.2 / Securities

Categories of securities

The securities held by the Carrefour Banque Group can be classified in two categories.

Financial assets at fair value through profit or loss

The "Financial assets at fair value through profit or loss" category comprises:

- held-for-trading financial assets;
- financial assets that the Group has designated as being recognised and measured at fair value through profit or loss from inception using the option permitted under IAS 39;
- securities classified in this category and reported in the corresponding line item in the balance sheet are initially measured at fair value; transaction costs are recognised directly in profit or loss. At the reporting date, they are remeasured at fair value; any changes in fair value (other than accrued interest on fixed-income securities) are recognised in the income statement in "Net gains/losses on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and any realised gains or losses on disposal.

Income generated on fixed-income securities classified in this category is reported in "Interest and equivalent income" in the income statement.

An assessment of counterparty risk is incorporated in the fair value of these securities.

Available-for-sale financial assets

The "Available-for-sale financial assets" category consists of fixed-income and variable-income securities that do not belong to any of the other categories of financial asset.

Securities classified in this category and reported in the corresponding line item in the balance sheet are initially measured at fair value plus directly attributable transaction costs. At the reporting date, they are remeasured at fair value; any changes in fair value (other than accrued interest) are recognised in "Other comprehensive income". When available-for-sale securities are sold, the unrealised gains and losses initially recognised in "Other comprehensive income" are reclassified to profit or loss, in "Net gains/losses on available-for-sale financial assets".

Repos and securities lending/borrowing

Securities temporarily sold under repurchase agreements ("repos") remain in the Group's balance sheet in their initial category. The corresponding liability is recognised in the appropriate line item on the liabilities side of the balance sheet except in the case of repos initiated by the Group's trading activities, the liability for which is recognised in "Financial liabilities at fair value through profit or loss".

Securities temporarily acquired under reverse repurchase agreements ("reverse repos") are not recognised in the Group's balance sheet. The corresponding receivable is recognised in "Loans and advances" except in the case of reverse repos initiated by the Group's trading activities, the receivable for which is recognised in "Financial assets at fair value through profit or loss".

Securities lending transactions do not lead to derecognition of the loaned securities, and securities borrowing transactions do not lead to recognition of the borrowed securities in the balance sheet unless the securities are subsequently sold by the Group, in which case the obligation to deliver the securities on expiry of the loan is reflected by a financial liability reported in "Financial liabilities at fair value through profit or loss".

2.2.3 / Foreign-currency transactions

At the reporting date, monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the Group entity in whose balance sheet they are recorded; the resulting foreign exchange gains or losses are recognised in profit or loss.

2.2.4 / Impairment of financial assets

Provisions for financing and guarantee commitments

Similar principles apply to provisions for financing and guarantee commitments given by the Group; in the case of financing commitments, the probability of drawdown is taken into account.

Impairment of a loan or advance is usually recorded in a separate allowance account that reduces the original value recognised for the loan or advance on the assets side of the balance sheet. Provisions relating to off balance sheet financial instruments, financing or guarantee commitments and litigation are recognised on the liabilities side of the balance sheet. Impaired loans or advances are fully or partly written off, and the allowance reversed up to the amount of the write-off, when all recourse available to the Carrefour Banque Group to recover the debt (and any collateral) has been exhausted or when the loan or advance has been wholly or partially waived.

Impairment of available-for-sale financial assets

Available-for-sale financial assets, mainly comprising securities, are written down individually by recognising an impairment loss in the income statement if there is objective evidence of other-than-temporary impairment resulting from one or more events occurring subsequent to acquisition.

In the case of variable-income securities quoted in an active market, the Group's control system identifies any equity interests that may be subject to other-than-temporary impairment by reference to two criteria: a significant fall in the share price below the acquisition value, or the length of time for which an unrealised loss has been observed. These criteria are used to determine whether a further individual qualitative analysis is performed, which may lead to the recognition of an impairment loss calculated on the basis of the quoted market price.

In addition to these identification criteria, the Group has defined three impairment criteria: one based on a significant fall in the quoted market price of a security, with a price fall of more than 50% below the acquisition value regarded as significant; another based on observation of an unrealised loss over two consecutive years; and the third based on observation of an unrealised loss of at least 30% on average over a one-year period. The Group considers two years to be the period required for a moderate fall in market price below cost to be regarded as an other-than-temporary phenomenon warranting recognition of an impairment loss, and not just attributable to the inherent volatility of the stock markets or to cyclical variations in these markets over several years.

Impairment losses on variable-income securities are recognised in net banking income, in the line item "Net gains/losses on available-for-sale financial assets"; they may only be reversed through profit or loss on the date of sale, if and when the security is sold. Any subsequent decline in market value is also regarded as an impairment loss, recognised in the income statement.

Impairment losses on fixed-income securities are recognised in "Cost of risk", and may be reversed through profit or loss if the market value of the security has increased due to an objective cause occurring subsequent to the recognition of the last impairment loss.

2.2.5 / Debt securities in issue

Financial instruments issued by Group companies are classified as debt instruments if there is a contractual obligation for the company to deliver cash to the holder in consideration. The same applies if the Group is obliged to exchange financial assets or financial liabilities with another entity on potentially unfavourable terms, or to deliver a variable number of its own equity instruments.

Debt securities in issue are measured at amortised cost using the effective interest method.

2.2.6 / Own equity instrument derivatives

The term "own equity instruments" refers to shares issued by the parent company (Carrefour Banque) and by its fully-consolidated subsidiaries. IAS 32 specifies the situations in which an own equity instrument derivative must be recognised as an equity instrument, as a debt instrument, or as a derivative financial instrument (which in the latter case means that the instrument must be measured at fair value, with changes in fair value recognised in profit or loss).

IAS 32 establishes the following principles:

- Only those own equity instrument derivatives that will be settled by the exchange of a fixed quantity of cash for a fixed number of own equity instruments can be recognised directly in equity. In such cases, they are not remeasured.
- An instrument that is settled net or that allows one of the parties to choose the method of settlement is treated as a derivative financial instrument. In such cases, changes in the fair value of the instrument are recognised in profit or loss.
- An own equity instrument derivative that requires the issuer to repurchase its own shares in exchange for a fixed amount of cash gives rise to a financial liability equal to the redemption amount.

2.2.7 / Derivatives and hedge accounting

All derivatives are recognised in the balance sheet on the value date at the transaction price, and are contracted to protect the Group's financial margin. At the reporting date, they are remeasured at fair value.

Held-for-trading derivatives

Held-for-trading derivatives are reported in the balance sheet in "Financial assets at fair value through profit or loss" if they have a positive fair value and in "Financial liabilities at fair value through profit or loss" if they have a negative fair value. Realised and unrealised gains and losses are recognised in profit or loss, in "Net gains/losses on financial instruments at fair value through profit or loss".

To pool the hedging needs of the affiliates of Carrefour Banque (i.e. the Spanish financial services operations of the Carrefour Group – "the affiliates"), the Carrefour Banque Group acts as a central treasury management unit, and contracts derivatives both on its own account and on behalf of the affiliates in the interests of mutualisation, organisational efficiency and access to markets.

Derivatives and hedge accounting

The Carrefour Banque Group distributes two principal consumer credit product families, which involves managing two types of portfolio: loans associated with the PASS card, and all other personal loans distributed to customers. To protect its financial margin, the Group has developed specific hedging strategies appropriate to each type of portfolio. These strategies use derivatives to limit the impact of a rise in interest rates.

On inception of a hedging relationship, the Group prepares formal documentation: designation of the hedged instrument or risk (or portion thereof), hedging strategy and nature of the hedged risk, designation of the hedging instrument, and methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, the Group tests the retrospective and prospective effectiveness of its hedging relationships. Retrospective effectiveness tests are intended to ensure that the ratio of actual variations in the value or profits of the hedging instrument to actual variations in the value or profits of the hedged item is in a range between 80% and 125%. Prospective tests are intended to ensure that expected variations in the value or profits of the derivative over the residual life of the hedge will adequately offset expected variations in the value or profits of the hedged item.

The effective portion of a hedge is the lower of:

- the fair value of the hedging instrument (absolute value);
- changes in the fair value of the hedged cash flows (absolute value).

The ineffective portion is the difference between the fair value of the hedging instrument and the effective portion. This ineffective portion is recognised in the income statement, in "Net gains/losses on financial instruments at fair value through profit or loss".

Under IAS 39 as endorsed by the European Union (which excludes some requirements relating to portfolio hedge accounting), fair value hedges of interest rate risk based on asset portfolios are used.

In this context:

- the risk designated as the hedged risk is the interest rate risk associated with the interbank rate component included in the rate charged on commercial customer lending transactions;
- the hedging instruments are primarily plain vanilla interest rate swaps;
- retrospective hedge effectiveness is ensured by the fact that all the derivatives, as of their date of inception, have the effect of reducing interest rate risk on the portfolio of underlying hedged assets. Retrospectively, hedge accounting must be discontinued for such a hedge if the underlying assets specifically associated with the hedge for each maturity band are no longer sufficient. Carrefour Banque does not test effectiveness prospectively since its hedges are perfectly matched and are assumed to be highly effective for IAS 39 purposes.

The accounting principles applied to derivatives and to hedged instruments depend on the hedging strategy.

In the case of a fair value hedge, gains or losses arising from remeasurements of the derivative are recognised in profit or loss symmetrically with those arising from the hedged instrument to the extent of the hedged risk, such that the net impact on profit or loss is limited to any ineffectiveness of the hedge.

In the case of a cash flow hedge, the fair value remeasurement of the derivative is recognised by adjusting the carrying amount of the derivative in the balance sheet, with a matching entry recognised in equity. Any ineffective portion of the hedge is recognised in profit or loss.

Amounts recognised in equity during the life of the hedge are transferred to profit or loss (as interest income or expense) as and when gains or losses on the hedged instrument are recognised in the income statement.

If the hedged item ceases to exist, the cumulative amount recognised in equity must be recognised in profit or loss immediately.

2.2.8 / Determination of fair value

Financial instruments are classified in three levels, in decreasing order of the observability of the values and inputs used to determine their fair value:

- level 1 – Financial instruments with quoted market prices:
this level consists of financial instruments with directly usable quoted prices in an active market;
- level 2 – Financial instruments measured by valuation techniques that use observable inputs:
this level consists of financial instruments valued by reference to (i) similar instruments quoted in an active market, or (ii) identical or similar instruments quoted in an inactive market but for which there are observable transactions, or (iii) financial instruments measured using valuation techniques based on observable inputs;
- level 3 – Financial instruments measured by valuation techniques that use unobservable inputs:
an instrument is classified as level 3 if a significant part of its valuation relies on unobservable inputs, defined as inputs whose value is derived from assumptions or correlations that are based neither on observable transaction prices for the same instrument at the measurement date nor on observable market data available as of that date.

Counterparty risk (CVA/DVA), which is taken into account via an adjustment to the model-derived valuation of derivatives, is calculated using observable market data.

The Carrefour Banque Group does not determine the market value of derivative instruments internally, but rather obtains those values from its counterparties.

2.2.9 / Income and expense on financial assets and financial liabilities

Financial assets at fair value through profit or loss

The Carrefour Banque Group reports interest on financial instruments measured at fair value that do not meet the definition of a derivative in "Interest and equivalent income" and "Interest and equivalent expenses". Changes in the fair value of these instruments (other than accrued interest) are reported in "Net gains/losses on financial instruments at fair value through profit or loss".

Hedging derivatives

Interest income and expenses on fair value hedging derivatives are reported with the income from the items whose risk exposure they hedge. Similarly, interest income and expenses on derivatives used to provide economic hedges of transactions designated as "at fair value through profit or loss" are included in the line item which records interest on the hedged transaction.

Available-for-sale assets

Income and expense on instruments measured at amortised cost and on fixed-income assets classified as available-for-sale financial assets are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that discounts future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

2.2.10 / Cost of risk

Cost of risk includes charges to and reversals of impairment allowances recognised for credit risk on fixed-income securities, and on loans and advances to customers and credit institutions.

It also includes any impairment losses recognised for known risks of default by counterparties in over-the-counter financial instrument contracts, and expenses arising from fraud and litigation relating to lending activities.

2.2.11 / Derecognition of financial assets and financial liabilities

The Group derecognises some or all of a financial asset when the contractual rights to receive the cash flows from the asset expire, or when the Group has transferred the contractual rights to receive the cash flows from the asset and substantially all of the risks and rewards of ownership of the asset. If any of these conditions is not met, the Group retains the asset in its balance sheet, and recognises a liability representing the obligations arising in connection with the transfer of the asset.

The Group derecognises some or all of a financial liability when some or all of that liability is extinguished.

2.2.12 / Offset of financial assets and financial liabilities

A financial asset and financial liability are offset, with a net amount reported in the balance sheet, if and only if the Group has an enforceable legal right to offset the amounts involved and intends either to settle the amount net or to realise the asset and settle the liability simultaneously.

2.3 / Intangible assets and property, plant and equipment

Intangible assets mainly comprise:

- software, which is amortised over periods of between three and eight years. Internally-developed software that meets the criteria for recognition as an intangible asset is capitalised at its direct development cost, which includes external expenses and employee costs directly attributable to the project;
- leasehold rights, which are not amortised but tested for impairment annually;
- acquired intangible rights, which are tested for impairment annually.

Property, plant and equipment under construction is reported at cost net of any impairment losses.

Intangible assets are amortised and property, plant and equipment depreciated from the date they are ready for use until the date of their disposal, retirement or reclassification as held-for-sale assets under IFRS 5.

Depreciation and amortisation are charged on a straight line basis, with the principal components treated separately as appropriate, over the following estimated useful lives:

Licences and software	3 to 8 years
Computer hardware	3 to 5 years
Fixtures and fittings	5 to 8 years
Other assets	3 to 10 years

Given the nature of the assets used by the Group, no residual value is recognised for property, plant and equipment.

Depreciation methods and useful lives are reviewed at each reporting date, and where necessary are adjusted prospectively.

When entering into long-term lease contracts (especially for property assets), the Group analyses the terms of the contract to determine whether it is an operating lease or a finance lease (i.e. a lease which transfers to the lessee substantially all of the risks and rewards of ownership of the asset).

Assets acquired by the Group under a finance lease are accounted for as follows:

- the leased asset is capitalised as an item of property, plant and equipment at the lower of its fair value or the present value of the minimum lease payments. It is then depreciated over the same period as items of property, plant and equipment owned by the Group, or over the term of the lease if this is shorter than the useful life of the asset;
- a corresponding liability is recognised on the liabilities side of the balance sheet;
- the lease payments are split between interest expense and repayments of the liability.

Depreciable assets are tested for impairment if indications of potential impairment are identified at the reporting date.

Non-depreciable assets are tested for impairment at least once a year.

If there is an indication that an asset may have become impaired, the new recoverable amount of the asset is compared with its carrying amount. Any impairment losses are recognised in profit or loss. Impairment losses are reversed if there is a change in the estimate of the recoverable amount or if there is no longer any indication of impairment. Impairment losses are reported in the income statement line item "Amortisation, depreciation and impairment of intangible assets and property, plant and equipment".

Gains and losses on disposals of intangible assets and property, plant and equipment are reported in the income statement line item "Gains and losses on other non-current assets".

2.4 / Leases

Leases contracted by the Carrefour Banque Group are classified as either operating leases or finance leases, based on an analysis of the substance and financial reality of the lease.

Finance leases

A finance lease is defined as a lease that transfers to the lessee substantially all the risks and rewards of ownership of an asset. It is treated as an acquisition of an item of property, plant and equipment by the lessee financed by a loan granted by the lessor.

IAS 17 specifies five situations in which a lease must be classified as a finance lease:

- the lease transfers ownership of the asset to the lessee at the end of the lease term;
- the lessee has the option to purchase the asset at a price sufficiently lower than the fair value of the asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased asset is of such a specialised nature that only the lessee can use it without major modifications.

In addition, IAS 17 describes three indicators of situations that could also lead to a lease being classified as a finance lease:

- if the lessee cancels the lease, the lessor's losses associated with the cancellation (such as a loss on disposal of the asset) are borne by the lessee;
- gains or losses from fluctuations in the fair value of the residual value accrue to the lessee;
- the lessee has the ability to continue the lease at a rent substantially lower than market rent.

At inception of the lease, the lessor recognises a receivable in its balance sheet of an amount equal to the net investment in the lease, i.e. the present value of the minimum lease payments receivable from the lessee plus any unguaranteed residual value reverting to the lessor, discounted at the rate implicit in the lease.

Impairment of finance lease receivables is determined using the same methods as described for loans and advances.

Interest income from finance leases is recognised in "Interest and equivalent income" in the income statement.

Operating leases

An operating lease is a lease that does not transfer to the lessee substantially all of the risks and rewards of ownership of the asset.

In the financial statements of the lessor, the asset is capitalised as an item of property, plant and equipment and depreciated over the lease term (with the residual value excluded from the depreciable amount). The lease payments are recognised in profit or loss on a straight line basis over the term of the lease.

2.5 / Employee benefits

Group employees receive short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (jubilee benefits, long-service awards, compensation for paid leave entitlement not taken) and post-employment benefits under defined-contribution and defined-benefit plans (lump-sum retirement benefits, pensions, etc.).

Defined-contribution plans

Defined-contribution plans involve the payment of periodic contributions to an external body that administers and manages the plan. Under such plans, the employer is released from any further obligation; instead, the external body is responsible for paying employees the benefits to which they are entitled. Examples include the basic social security old age scheme in France, top-up retirement plans and defined-contribution pension plans.

Contributions to such plans are recognised as expenses when they fall due.

Defined-benefit plans

The Carrefour Banque Group records a provision for the various defined-benefit plans under which employees gain entitlement on the basis of their length of service with the Group.

The obligation is calculated annually using the projected unit credit method, taking into account actuarial assumptions such as the rate of salary increases, retirement age, mortality, employee turnover and the discount rate. The discount rate used is the interest rate as of the reporting date on high-quality bonds with a maturity similar to that of the Group's obligations. The calculations are performed by a qualified actuary.

Under the amended IAS 19, which became effective on 1 January 2013, the "corridor" method is no longer permitted. Consequently, the Group recognised all unamortised actuarial gains and losses and unrecognised past service costs in equity; these items will never impact profit or loss.

Share-based payment

Share-based payments are not recognised in the Carrefour Banque Group financial statements on grounds of immateriality.

2.6 / Segment information

By virtue of its organisational structure and internal reporting systems, the Carrefour Banque Group constitutes a single operating segment. The geographical segment in which the Group operates is France. Activities carried on outside France (Italy and Belgium) do not make a material contribution to the activities of the Group.

2.7 / Provisions

Other provisions

In accordance with IAS 37 – Provisions, contingent assets and contingent liabilities, provisions are established at the reporting date if the Group has a present obligation (legal or constructive) as a result of a past event, the amount of that obligation can be measured reliably, and it is probable that an outflow of resources representing economic benefits will be required to settle the obligation. Such obligations may be statutory, regulatory, contractual or constructive. These provisions are estimated using methods appropriate to the nature of the obligation, based on the most likely assumptions. The amount of provisions is discounted where the effect of the passage of time is material.

2.8 / Current and deferred taxes

Income tax expense for the period includes current tax expense and deferred tax expense.

Deferred taxes are calculated using the balance sheet method for all temporary differences between the carrying amount of an asset or liability in the consolidated balance sheet and the tax base of that asset or liability (subject to the exceptions specified in IAS 12). Deferred taxes are determined using the liability method; they reflect the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities, and are calculated using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised on deductible temporary differences, and for tax losses and tax credits available for carry-forward to the extent that their recovery is regarded as probable.

The expense recorded in France for the corporate value added contribution (CVAE) is also classified as an income tax expense, because the Group takes the view that it meets the definition specified in IAS 12.

2.9 / Cash flow statement

"Cash and cash equivalents" consists of the net balances recorded for cash, central banks and postal cheque accounts plus the net balance of loans to/borrowings from credit institutions payable on demand.

Net cash generated by (or used in) operating activities mainly comprises cash flows generated by the activities of the Carrefour Banque Group, transactions with credit institutions, transactions with customers and transactions involving debt securities in issue.

Net cash generated by (or used in) investing activities mainly comprises cash flows generated by acquisitions and disposals of financial assets, of property, plant and equipment and of intangible assets, plus changes in the scope of consolidation.

Net cash generated by (or used in) financing activities mainly comprises inflows and outflows arising from transactions with shareholders (dividends paid in cash and capital increases paid in cash). Capital increases involving the issuance of shares in exchange for assets are excluded from the cash flow statement if the assets obtained in exchange are of a non-monetary nature.

Note 3

NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2016 AND 31 DECEMBER 2017
3.1 / Financial assets, financial liabilities and derivatives at fair value through profit or loss

Financial assets measured at fair value through profit or loss, which amounted to €4.2 million at 31 December 2017, consist of the positive fair value of swaps contracted by Carrefour Banque on behalf of Servicios Financieros Carrefour (SFC), a non-consolidated Spanish entity, and the fair value of swaps relating to securitisation transactions. Financial liabilities at fair value through profit or loss, amounting to €4.4 million, consist of the negative fair value of swaps contracted by Carrefour Banque on behalf of SFC, caps held by Carrefour Banque on behalf of SFC and the fair value of swaps relating to securitisation transactions.

Carrefour Banque provides a credit facility to SFC and consequently contracts swaps on the market which are then passed on to SFC.

(in thousands of euros)	31/12/2017			31/12/2016		
	Held for trading	Designated at fair value	TOTAL	Held for trading	Designated at fair value	TOTAL
Financial assets at fair value through profit or loss						
Equities and other variable-income securities	-	-	-	-	-	-
Equities and other variable-income securities	-	-	-	-	-	-
Derivative financial instruments	4,192	-	4,192	5,535	-	5,535
Derivatives	4,192	-	4,192	5,535	-	5,535
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	4,192	-	4,192	5,535	-	5,535
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Derivative financial instruments	4,399	-	4,399	5,611	-	5,611
Derivatives	4,399	-	4,399	5,611	-	5,611
Other derivatives	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	4,399	-	4,399	5,611	-	5,611

3.2 / Hedging derivatives

The table below shows the fair value of derivative financial instruments used for hedging purposes and those not used for hedging purposes.

(in thousands of euros)	31/12/2017		31/12/2016	
	Notional amounts	Fair value	Notional amounts	Fair value
CASH FLOW HEDGES	1,460,850	- 4,158	1,304,000	- 12,249
Interest rate derivatives - liabilities	796,750	- 5,401	1,036,500	- 12,689
Interest rate derivatives - assets	664,100	1,245	267,500	440
FAIR VALUE HEDGES	-	-	-	-
Interest rate derivatives - assets	-	-	-	-
DERIVATIVES USED FOR HEDGING PURPOSES	1,460,850	- 4,158	1,304,000	- 12,249
DERIVATIVES NOT USED FOR HEDGING PURPOSES	1,521,000	- 210	1,176,000	- 78
Derivatives - assets		4,188		5,531
Derivatives - liabilities		- 4,399		- 5,611
COUNTERPARTY RISK	2,981,850	- 320	2,480,000	- 486
Credit value adjustment: Derivatives - liabilities		- 355		- 596
Debit value adjustment: Derivatives - assets		35		110

Derivative financial instruments used for hedging purposes are contracted over-the-counter.

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3.3 / Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value.

(in thousands of euros)	31/12/2017			31/12/2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Fixed-Income securities	-	-	-	-	-	-
Other bonds	-	-	-	-	-	-
Variable-Income Securities	621,204	-	621,204	151,638	-	151,638
Investments in UCITS	621,204	-	621,204	151,638	-	151,638
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS	621,204	-	621,204	151,638	-	151,638

3.4 / Fair value measurement of financial instruments

The classification of financial instruments measured at fair value by valuation method complies with the requirements of IFRS 7 except for CVA and DVA.

(in thousands of euros)	31/12/2017				31/12/2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Held-for-trading financial instruments at fair value through profit or loss	4,192	-	-	4,192	5,535	-	-	5,535
Hedging derivatives	-	1,245	-	1,245	-	440	-	440
Available-for-sale financial assets	621,204	-	-	621,204	151,638	-	-	151,638
Financial liabilities								
Held-for-trading financial instruments at fair value through profit or loss	4,399	-	-	4,399	5,611	-	-	5,611
Hedging derivatives	-	5,401	-	5,401	-	12,689	-	12,689

3.5 / Interbank transactions, amounts due from and to credit institutions

Loans and advances to credit institutions

(in thousands of euros)	31/12/2017	31/12/2016
Demand accounts	221,315	210,871
Loans	1,156,589	1,284,283
TOTAL LOANS AND ADVANCES TO CREDIT INSTITUTIONS	1,377,904	1,495,154
Impairment of loans and advances to credit institutions	-	-
TOTAL LOANS AND ADVANCES TO CREDIT INSTITUTIONS, NET OF IMPAIRMENT	1,377,904	1,495,154

Amounts due to credit institutions

(in thousands of euros)	31/12/2017	31/12/2016
Demand accounts	42,188	20,188
Borrowings	400,001	1
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	442,189	20,188

3.6 / Loans and advances to customers, amounts due to customers
Loans and advances to customers

(in thousands of euros)	31/12/2017	31/12/2016
Current accounts in debit	472,858	501,360
Loans to customers	2,628,268	2,846,904
Finance leases	-	-
TOTAL LOANS AND ADVANCES TO CUSTOMERS BEFORE IMPAIRMENT	3,101,126	3,348,264
Impairment of loans and advances to customers	354,951	379,263
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET OF IMPAIRMENT	2,746,175	2,969,001

Amounts due to customers

(in thousands of euros)	31/12/2017	31/12/2016
Current accounts in credit	21,586	24,101
Term accounts and equivalents	-	-
Other accounts in credit	19,984	-
Regulated savings accounts	546,852	500,592
TOTAL AMOUNTS DUE TO CUSTOMERS	588,422	524,692

3.7 / Debt securities in issue

(in thousands of euros)	31/12/2017	31/12/2016
Certificates of deposit	415,000	1,010,082
Other negotiable debt instruments	599,418	278,475
Bonds	2,207,320	2,306,877
TOTAL DEBT SECURITIES IN ISSUE	3,221,738	3,595,434

3.8 / Current and deferred taxes

(in thousands of euros)	31/12/2017	31/12/2016
Current tax assets	19,829	8,880
Deferred tax assets	41,653	60,211
CURRENT AND DEFERRED TAX ASSETS	61,482	69,090
Current tax liabilities	3,774	5,520
Deferred tax liabilities	1,888	4,006
CURRENT AND DEFERRED TAX LIABILITIES	5,663	9,527

Movement in deferred taxes during the period

(in thousands of euros)	31/12/2017	31/12/2016
Net deferred tax asset at start of period	56,204	57,884
Deferred tax gain/(expense) (see note 4.7)	- 13,215	174
Changes in deferred tax arising from available-for-sale financial assets (remeasurements, and reclassification of past remeasurements to profit or loss)	155	- 156
Changes in deferred tax arising from hedging instruments (remeasurements, and reclassification of past remeasurements to profit or loss)	- 1,777	- 1,914
Effect of exchange rate fluctuations and other items	- 1,603	216
Net deferred tax asset at end of period	39,764	56,204

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Breakdown of net deferred tax asset by source

(in thousands of euros)	31/12/2017	31/12/2016
Available-for-sale financial assets	- 307	- 564
Unrealised finance lease reserve	-	-
Provisions for employee benefit obligations	6,308	6,604
Provisions for credit risk	18,083	41,064
Other items	7,014	9,100
Tax losses available for carry-forward	8,666	-
Net deferred tax asset	39,764	56,204
Deferred tax assets	41,653	60,211
Deferred tax liabilities	1,888	4,006

3.9 / Accrual accounting adjustments, other assets and liabilities

(in thousands of euros)	31/12/2017	31/12/2016
Items in course of collection	66,410	76,589
Prepayments	7,970	5,695
Accrued income	9,639	8,608
Other accrual accounting adjustments	4,640	2,870
Sundry Group debtors	8,488	23,176
Other sundry debtors	32,137	33,718
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER ASSETS	129,283	150,656
Accruals	555	368
Deferred income	17,756	15,276
Items in course of collection	2,889	3,746
Sundry Group creditors	29,337	8,721
Taxes payable	2,561	2,421
Employee-related liabilities	22,952	28,902
Trade payables	32,059	39,101
Other sundry creditors	5,033	11,621
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER LIABILITIES	113,143	110,157

3.10 / Intangible assets and property, plant and equipment

(in thousands of euros)	31/12/2017			31/12/2016		
	Gross value	Accumulated depreciation, amortisation & impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation & impairment	Carrying amount
Investment property	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-
Equipment, furniture, fixtures and fittings	42,395	26,383	16,012	40,793	23,366	17,427
Assets leased out	-	-	-	-	-	-
Other property, plant and equipment	-	-	-	-	-	-
Property, plant and equipment	42,395	26,383	16,012	40,793	23,366	17,427
Acquired or internally-developed software	86,820	38,768	48,053	95,659	48,502	47,156
Other intangible assets	75,785	-	75,785	75,785	-	75,785
Intangible assets	162,606	38,768	123,838	171,444	48,502	122,942

Intangible assets

An impairment allowance of €15.8 million was recognised against acquired software as of 31 December 2016; that allowance was retained as of 31 December 2017.

"Other intangible assets" include in particular leasehold rights and customer relationships.

For impairment testing purposes, leasehold rights are valued as the sum total of the differences between (i) the market rent and (ii) the rent payable over the residual lease term discounted at the market rate of return.

As of 31 December 2017, impairment testing of these assets on an individual basis (performed using the methods described in note 2.3, "Intangible assets and property, plant and equipment") did not result in the recognition of any impairment losses.

Depreciation and amortisation

The net amount of depreciation charged against property, plant and equipment was €26.4 million in 2017 and €23 million in 2016; the net amount of amortisation charged against intangible assets was €38.8 million in 2017 and €32.7 million in 2016.

Assets leased out under operating leases

The table below shows the minimum future payments receivable under operating leases relating to assets owned by the Group:

(in thousands of euros)	31/12/2017	31/12/2016
Minimum future payments receivable under non-cancellable operating leases		
Payments receivable within less than 1 year	4,013	3,581
Payments receivable within more than 1 year but less than 5 years	5,556	8,277
Payments receivable after more than 5 years	710	2,786
TOTAL MINIMUM FUTURE PAYMENTS RECEIVABLE UNDER OPERATING LEASES	10,280	14,644

Minimum future lease payments receivable under non-cancellable leases represent the payments that the lessee is obliged to make during the term of the lease.

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3.11 / Goodwill

(in thousands of euros)	31/12/2017	31/12/2016
Carrying amount at start of period	-	-
Acquisitions	-	-
Currency translation differences	-	-
Impairment losses recognised in the period	-	-
Other movements	-	-
Carrying amount at end of period	-	-
Gross value	-	-

3.12 / Provisions

(in thousands of euros)	31/12/2016	Charges	Reversals	Other movements	31/12/2017
Employee benefits	23,394	2,525	- 385	- 1,087	24,447
Restructuring provision	13,017	-	- 9,793	-	3,224
Provision for employee-related risks	1,021	274	- 498	157	953
Provision for legal risks	100	1	-	599	700
Other provisions	2,832	114	- 38	- 2,681	226
TOTAL PROVISIONS	40,364	2,913	- 10,713	- 3,012	29,551

Carrefour Banque has made an error correction in respect of a tax-efficient transaction carried out under the "Girardin Law" and housed within its subsidiary La Financière Pass.

Because the value in use of the investment in that subsidiary was not correctly determined on inception of the transaction, an impairment allowance of €3 million has been recognised in respect of the investment in the subsidiary as of 31 December 2016, and offset against consolidated reserves as of that date. The overall amount of participating interests is unchanged, given that there was a capital increase of the same amount during 2016.

The existing impairment allowance of €1.7 million against La Financière Pass has been reversed out.

An additional impairment allowance of €2.9 million was recognised in 2017, further to a €5.4 million increase in the investment in La Financière Pass following a capital increase carried out by the subsidiary during the year.

(in thousands of euros)	31/12/2016 Published	31/12/2016 Corrected
Provisions	40,364	38,591
Participating interest	2,638	2,638
Shareholders equity	665,967	664,740

Note 4

NOTES TO THE INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016
4.1 / Interest and equivalent income and expenses

(in thousands of euros)	2017			2016		
	Income	Expenses	Net	Income	Expenses	Net
Transactions with customers	230,648	5,928	224,719	262,828	6,416	256,412
Accounts, loans and borrowings	230,648	5,928	224,719	262,828	6,416	256,412
Interbank transactions	7,510	235	7,275	9,455	204	9,250
Accounts, loans and borrowings	7,510	235	7,275	9,455	204	9,250
Repos	-	-	-	-	-	-
Debt securities issued by the Group	6,753	1,774	4,979	5,521	1,779	3,741
Cash flow hedging instruments	10,038	24,377	- 14,339	7,948	31,552	- 23,604
Available-for-sale assets	-	-	-	-	-	-
Other interest and equivalent income/expenses	-	-	-	-	-	-
TOTAL INTEREST AND EQUIVALENT INCOME/ EXPENSES	254,950	32,315	222,634	285,751	39,952	245,799

4.2 / Fee and commission income and expense

Fee and commission income on financial assets amounted to €76.2 million in 2017 (compared with €76.5 million in 2016); fee and commission expense on financial liabilities not measured at fair value through profit or loss totalled €11.3 million in 2017 (compared with €9.7 million in 2016).

4.3 / Net gains/losses on financial instruments at fair value through profit or loss

"Net gains/losses on financial instruments at fair value through profit or loss" comprises all profit and loss items (including dividends) generated by held-for-trading financial instruments and by financial instruments designated by the Group at fair value through profit or loss, except for interest income and expenses (reported in "Interest and equivalent income and expenses", note 4.1).

(in thousands of euros)	2017	2016
Held-for-trading portfolio	- 605	183
Debt instruments	-	-
Other derivative financial instruments	- 605	183
Changes in fair value – ineffective portion	-	-
Fair value hedges	-	-
Losses on hedged items	-	-
Gains on hedging instruments	-	-
Cash flow hedges	-	-
Changes in fair value of hedging derivatives – ineffective portion	-	-
Gain/(loss) from counterparty risk on derivative instruments	166	- 229
Remeasurement of foreign exchange positions	-	- 2
TOTAL	- 438	- 48

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4.4 / Net gains/losses on available-for-sale financial assets and other financial assets not measured at fair value

(in thousands of euros)	2017	2016
Net change in impairment allowances on impaired securities	- 339	-
TOTAL	- 339	-

4.5 / Other income and expenses on banking operations

(in thousands of euros)	2017			2016		
	Income	Expenses	Net	Income	Expenses	Net
Share of joint operations	85,794	9,564	76,230	91,964	59,132	32,832
Expenses recharged to Group companies	7,083	-	7,083	53,209	-	53,209
Other income and expenses on banking operations	2,350	18,657	- 16,307	1,510	16,733	- 15,224
Net income from insurance activities	-	-	-	-	-	-
TOTAL OTHER INCOME AND EXPENSES ON BANKING OPERATIONS	95,227	28,221	67,006	146,683	75,865	70,818

4.6 / Cost of risk

"Cost of risk" consists of charges to impairment allowances recorded in respect of credit risk arising from the Group's intermediation activities.

Cost of risk for the period

(in thousands of euros)	2017	2016
Net reversal of impairment allowances	24,313	12,694
Charges on customer loans mainly covered by impairment allowances	- 128,018	- 124,828
TOTAL COST OF RISK FOR THE PERIOD	- 103,705	- 112,134

Cost of risk for the period by asset class

(in thousands of euros)	2017	2016
Loans and advances to credit institutions	-	-
Loans and advances to customers	- 103,705	- 112,134
Other assets	-	-
TOTAL COST OF RISK FOR THE PERIOD	- 103,705	- 112,134

Impairment allowances recognised for credit risk

Change in impairment allowances during the period

(in thousands of euros)	2017	2016
TOTAL IMPAIRMENT ALLOWANCES AT START OF PERIOD	375,528	388,222
Net change in impairment allowances	- 24,313	- 12,694
Movements related to newly-consolidated entities	-	-
Other items	-	-
TOTAL IMPAIRMENT ALLOWANCES AT END OF PERIOD	351,215	375,528

Impairment allowances recognised for credit risk

(in thousands of euros)	2017	2016
Impairment allowances		
Loans and advances to customers	351,215	375,528
Other assets	-	-
TOTAL IMPAIRMENT ALLOWANCES	351,215	375,528

4.7 / Income tax expense

(in thousands of euros)	2017	2016
Current taxes	1,513	15,092
Deferred taxes	13,215	- 174
TOTAL	14,728	14,917

(in thousands of euros)	2017	2016
Current pre-tax profit	52,956	44,379
Standard tax rate	33.33%	33.33%
Surtaxes	4.70%	4.70%
Theoretical tax charge	18,233	15,280
Items taxed at reduced rates	-	-
Net impact of add-backs and deductions	- 2,357	- 1,522
Levies and duties equivalent to income taxes	- 2,408	- 88
Other items	1,260	1,247
Income tax expense	14,728	14,917
Current income tax expense for the period	1,513	15,092
Deferred tax (gain)/expense for the period (see note 3.8)	13,215	- 174

RISK EXPOSURE AND REGULATORY RATIOS

5.1 / Overview of risk exposure

The Carrefour Banque Group specialises in providing consumer credit to retail customers. The Group distributes two principal product families: loans associated with the Mastercard PASS card, and the full range of personal loans (new and used cars, motorcycles, home improvements, cash advances, internal/external debt consolidation, asset finance, etc.).

The principal risks identified by Carrefour Banque are:

- **Interest rate risk:** Carrefour Banque would be adversely affected by interest rate risk if the rate payable on its debts were to rise faster than the rate charged to its customers. An unfavourable movement in interest rates of this kind would be liable to adversely affect the profitability of Carrefour Banque, and hence its ability to repay its debts. Carrefour Banque has opted for a policy of matching customer loans with interbank borrowings, in a manner that reflects the term and repayment profile of the customer loans.
- **Market risk:** Market risk is the risk of loss arising from fluctuations in the prices of financial instruments in a portfolio, and may relate to share prices, exchange rates or other financial products.
- **Liquidity risk:** This is the risk that an entity may be unable to meet its obligations, or to unwind or offset a position, due to market conditions.
- **Solvency risk:** Solvency is the ability of Carrefour Banque to secure its future over a relatively long time-frame without defaulting on its payments.
- **Credit risk:** For Carrefour Banque, credit risk is the risk that a debtor may not fulfil its contractual obligations.
- **Counterparty risk:** This is the risk that arises if refinancing and/or derivatives transactions are concentrated with a very limited number of counterparties.
- **Foreign exchange risk:** The Carrefour Banque Group is by nature not exposed to foreign exchange risk. All Group companies are within the European Union, and the dividends received by Carrefour Banque are denominated in euros. If any refinancing is obtained in a currency other than the euro, the foreign exchange risk is neutralised in full at inception.

Carrefour Banque is subject to the regulatory obligations of Regulation 575/2013 of the European Parliament, and is in compliance with those obligations.

5.2 / Credit risk

For Carrefour Banque, credit risk is the risk that a debtor may not fulfil its contractual obligations. Insolvency of borrowers to whom the Company has advanced funds is one of the principal risks affecting its operations. Consequently, Carrefour Banque has specifically focused on systems designed to exercise control over the quality and solvency of its customers, such as:

- a decision-making support system which incorporates tools to handle credit scoring, budgets and credit references, and also checks out negative reports;
- active management of negotiated and legal recovery procedures;
- permanent credit risk monitoring tools.

Provisions for credit risk are established in accordance with currently applicable accounting standards.

Credit risk management

Loan approval systems

The Carrefour Banque Group has its own in-house distribution network. Network sales staff are trained and sensitised to deal with issues relating to the prevention of over-indebtedness and the risk of financial exclusion, and approve loans on the basis of credit scoring and expert systems.

Organisational structure

Carrefour Banque has reinforced its risk management structure by creating a Risk Management and Internal Control Co-ordination Department, bringing together the following functions:

- 1) Credit risk:** Responsible for loan acceptance policy, administration of decision-making tools used in the loan approval process, strategies for dealing with defaulting loans, estimating provisioning rates (used as the basis for the cost of risk calculations performed by the Finance Department), compiling and reviewing country risk scores, segmenting the loan book into Basel II exposure classes, and checking the quality of the underlying assets in securitisation transactions.
- 2) Operational risks and risk mapping:** Responsible for compiling and maintaining risk mapping, and for monitoring and identifying operational risks.
- 3) Level 2 permanent control:** Responsible for preparing and executing the level 2 control plan, and for supporting business lines in level 1 control.
- 4) Compliance:** Responsible for oversight of financial security, control over outsourced essential services, protection of customer interests, ethical standards and monitoring of regulatory requirements.
- 5) Fraud prevention and anti money laundering:** Responsible for establishing rules, and for monitoring systems used to prevent fraud, money laundering and the financing of terrorism.

This reinforced organisational structure reflects Carrefour Banque's commitment to enhancing control over the risks it faces while protecting the interests of its customers and complying with currently applicable regulations.

Its subsidiaries and branches are also monitored using these risk management structures, which are backed up by local teams.

Risk measurement and oversight

- Governance of risk operates via:
 - A Credit Risk Management Committee that meets quarterly and consists of the Chief Financial Officer plus representatives from the operational management, sales, risk management, finance, marketing, compliance and permanent control functions. This Committee makes decisions on operational matters relating to control over credit risk. It establishes credit risk indicators, approves escalation criteria, flags up problem areas and disseminates information. The Committee's role is defined in the risk management policy.
 - Carrefour Banque BNPP PF Risk Committee: this Committee meets quarterly and brings together managers from major BNPP PF partners and the Carrefour Banque Risk Management Department. It performs benchmarking on trends in risk indicators, and assesses performance on legal and negotiated recovery performance.
 - Board of Directors: each Board meeting includes a presentation on risk trends and action plans for controlling risk (both preventive and remedial measures).
- Oversight of risk using risk monitoring indicators:
 - Quarterly controls over internal ratings, based on comparisons between predicted and actual values for regulatory parameters. To reinforce these controls, Carrefour Banque has developed an indicator that measures the equity impact of predicted-to-actual variances in regulatory parameters.
 - Quarterly controls over prudence of estimators via a quality indicator. These quality indicators are provided to the Permanent Control function so that they can assess the impact of prediction-to-actual variances on equity. The indicator is split into an expected loss component and an unexpected loss component. It indicates both the direction and amount of the variance.
 - Quarterly back-testing of all scores (Basel II segmentation relies essentially on the operational scores used by the Group); analysis of loan approval scoring performance by product and generation, as a control over scoring accuracy; analysis of trends in the composition of risk factors, as a control over the robustness of the scoring process; stability analysis versus prior quarter and target.
 - Monthly loan acceptance review: loan application acceptance rate, with focus on reconciling the decision per the expert system with the advisor's decision, by product and by salesperson.
 - Monthly review of level of risk on approval by product, by salesperson and by advisor, in quantity and in amount, with distribution to salespeople of lists of over-indebtedness referrals less than three months old.
 - Monitoring of application profiles, application conversion (expert system decisions versus salesperson decision) and generational risk.
 - Monthly review of "rejected-approved" applications by salesperson, product and reason (system decision compared to salesperson decision), including applications initially rejected due to inadequate score, budget overrun or non-compliance with standards. The aim is to understand trends in applications initially rejected but then approved in order to identify additional training needs and the reasons why rejected applications are subsequently approved, and to see whether the system is too restrictive. Since 2008, the information system has required an explanation for any application initially refused but subsequently accepted.
 - Monthly review of cost of risk, trends in over-indebtedness referrals and compromised loans, debt recovery referrals and collections on debt recovery proceedings by counterparty.
 - Daily review of effectiveness of in-house recovery (number of calls made and received, percentage of regularisations, etc.) by customer manager, by group head and by phase, supplied to staff via the "risk weather report", and outsourced recovery.

Obligations related to the use of internal ratings systems to calculate capital requirements in respect of credit risk

Applying Basel II standards requires a bank to implement procedures to ensure that the parameters used to calculate the capital requirement are accurate, robust and consistent.

To meet the requirements of the Basel accord, Carrefour segments its loan book into exposure classes. The segmentation process combines obvious industry knowledge about risk levels (such as the distinction between standard loans and revolving credit) with statistical modelling.

Loans grouped within a given exposure class have broadly similar characteristics in terms of probability of default, and the probabilities of default for the various exposure classes reflect differentiated risk profiles.

Non-doubtful exposures

The Carrefour Banque Group may carry out full or partial deferments or refinancings on its exposures.

Such exposures are referred to as "restructured" and represent 12.98% of the Group's non-doubtful exposures.

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Doubtful exposures

The table below shows doubtful exposures and the related impairment allowances.

(in thousands of euros)	31/12/2017			31/12/2016		
	Gross doubtful exposures (impaired assets and commitments provided for)	Impairment allowances on doubtful exposures	Net doubtful exposures	Gross doubtful exposures (impaired assets and commitments provided for)	Impairment allowances on doubtful exposures	Net doubtful exposures
Loans and advances to customers	472,858	351,216	121,642	501,360	375,528	125,832
TOTAL DOUBTFUL EXPOSURES	472,858	351,216	121,642	501,360	375,528	125,832

Ageing of doubtful exposures

31 December 2017 (in thousands of euros)	Not past due	More than overnight to 3 months	3 to 6 months	6 months to 1 year	More than 1 year	TOTAL
Loans and advances to customers	110,129	7,189	21,679	30,256	303,605	472,858
Impairment allowances on doubtful exposures	108,344	4,669	11,422	23,161	203,620	351,216
Doubtful exposures by time past due	1,785	2,520	10,257	7,095	99,985	121,642

31 December 2016 (in thousands of euros)	Not past due	More than overnight to 3 months	3 to 6 months	6 months to 1 year	More than 1 year	TOTAL
Loans and advances to customers	119,557	9,619	20,606	25,264	326,314	501,360
Impairment allowances on doubtful exposures	117,473	6,514	15,176	21,017	215,348	375,528
Doubtful exposures by time past due	2,084	3,105	5,430	4,247	110,967	125,832

5.3 / Interest rate risk on the banking book

Overview of interest rate risk management

Carrefour Banque has two principal customer banking books denominated in euros (personal loans and revolving credit), for which specific interest rate hedging strategies are used.

The objective is to protect the Group's financial margin by using plain vanilla interest rate swaps.

Interest rate risk is overseen by a monthly risk committee, which defines appropriate indicators and sets risk limits.

5.4 / Liquidity risk

The exposure of the Carrefour Banque Group to liquidity risk is monitored via a liquidity policy approved by senior management as part of the Group's overall policies.

The Group's refinancing position is assessed using internal standards, early warning indicators and regulatory ratios.

Liquidity risk management aims to address the following objectives:

- security of refinancing, based on a monthly review of projected cash surpluses or needs via a comparison between (i) a static or dynamic projection of commitments received and (ii) a dynamic projection of customer outstandings;
- a gradual move to compliance with the new Basel III liquidity ratios;
- diversification of sources of refinancing (interbank, bonds, securitisation, negotiable debt instruments, on balance sheet savings deposits).

Note 6

EMPLOYEE REMUNERATION AND BENEFITS
6.1 / Personnel costs

Personnel costs amounted to €91.6 million in 2017, compared with €101.6 million in 2016. Fixed and variable salaries and wages, plus voluntary and statutory profit-sharing expenses, came to €57 million (versus €66 million in 2016); retirement benefits, pension costs and other social charges amounted to €29.2 million (versus €29.7 million in 2016); and payroll-based taxes and equivalents totalled €5.4 million (versus €5.8 million in 2016).

6.2 / Post-employment benefits

The cost of defined-benefit plans is determined at the end of each annual reporting period using the projected unit credit method. The calculation is based on an actuarial method that builds in assumptions about salary increases and the retirement age. The Group's defined-benefit plans take the form of retirement benefits payable under collective agreements in a single lump sum on the retirement date. In accordance with currently applicable legislation and collective agreements, the Group pays a lump-sum benefit to each employee on retirement, expressed in number of months' salary (based on the salary paid in the twelve months preceding retirement) and determined according to the employee's length of service with the Group.

Net expense for the period

(in thousands of euros)	2017	2016
Service cost	2,044	- 1,260
Interest expense	391	393
Expected return on plan assets	-	-
Amortisation of actuarial gains and losses	-	-
Other items	-	97
Net expense/(income)	2,435	- 770

Movement in the provision

(in thousands of euros)	TOTAL
Provision at 31 December 2015	11,712
Impact in income statement	- 770
Effect of changes in scope of consolidation	- 287
Benefits paid directly by the employer	- 633
Other items	- 128
Provision at 31 December 2016	9,894
Impact in income statement	2,435
Effect of changes in scope of consolidation	-
Benefits paid directly by the employer	- 244
Other items	- 58
Provision at 31 December 2017	12,027

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Amount of the liability

Obligation (in thousands of euros)	TOTAL
Defined benefit obligation at 31 December 2016	23,394
Provision	12,027
Fair value of plan assets	-
Gross obligation	12,027
Actuarial gains and losses	12,420
Defined benefit obligation at 31 December 2017	24,447

Actuarial assumptions

The assumptions used in the measurement of retirement benefit obligations are as follows:

Assumptions	2017	2016
Age at retirement	60-65 years	60-65 years
Salary inflation rate	2.5%	2.5%
Social security charges rate	45%	45%
Discount rate	1.44%	1.21%

6.3 / Other long-term benefits

The Group operates a scheme that enables employees who work during part of their paid leave entitlement to save credits in exchange for future benefits. The provision recorded in respect of this scheme was €1.7 million at 31 December 2017 and €1.6 million at 31 December 2016.

6.4 / Executive remuneration

Remuneration paid to key executives totalled €1.59 million for the year ended 31 December 2017, compared with €1.52 million for the year ended 31 December 2016.

Note 7

FINANCING AND GUARANTEE COMMITMENTS
7.1 / Financing commitments
Contractual value of financing commitments given and received by the Group:

(in thousands of euros)	31/12/2017	31/12/2016
Financing commitments given		
To credit institutions	1,111,000	666,000
Hedging commitments	1,111,000	666,000
To customers	2,256,088	2,395,338
Committed credit facilities	2,256,088	2,395,338
Hedging commitments	-	-
Other commitments	-	-
Pledges	1,342	1,108
Securities commitments	470,000	-
TOTAL FINANCING COMMITMENTS GIVEN	3,838,430	3,061,338
Financing commitments received		
From credit institutions	4,506,850	4,090,000
Hedging commitments	2,981,850	2,480,000
Funding commitments	1,525,000	1,610,000
Guarantees	-	-
From customers	-	-
TOTAL FINANCING COMMITMENTS RECEIVED	4,506,850	4,090,000

7.2 / Signed guarantee commitments given and received

(in thousands of euros)	31/12/2017	31/12/2016
Guarantee commitments given		
To credit institutions	-	-
To customers	520,849	534,129
Administrative, tax and other sureties	5,059	20,327
Other guarantees given to customers	515,790	513,802
TOTAL GUARANTEE COMMITMENTS GIVEN	520,849	534,129
Guarantee commitments received		
Sureties received	21,276	21,360
TOTAL GUARANTEE COMMITMENTS RECEIVED	21,276	21,360

7.3 / Other guarantee commitments
Financial instruments posted as collateral

(in thousands of euros)	31/12/2017	31/12/2016
Securities posted as collateral	-	-

Financial instruments received as collateral

As of 31 December 2016 and 31 December 2017, no financial instruments received by the Group as collateral or in reverse repos had been effectively sold or reposted as collateral.

Note 8

ADDITIONAL INFORMATION

8.1 / Changes in share capital

As of 31 December 2017, the share capital of Carrefour Banque consisted of 6,614,184 shares with a par value of €15.30, all fully paid; 60% of the share capital is held by Carrefour SA, and 40% by BNP Paribas Personal Finance SA (BNPP PF).

On 29 May 2015, 89,828 new shares were issued on exercise of the share warrants held by BNPP PF, representing a capital increase of €1.4 million.

In 2010, 506,148 new shares with an aggregate par value of €7.8 million were issued in connection with acquisitions and asset-for-share exchange transactions involving in-store finance and insurance booths, the aim of which was to unite within Carrefour Banque the banking and insurance product distribution networks previously carried by various legal entities within the Carrefour Group. Of those newly-issued shares, 358,181 (€5.5 million) were issued in exchange for the transfer of the finance booths to Carrefour Banque.

8.2 / Changes in share capital and reserves of subsidiaries attributable to the Group and to non-controlling interests

The Carrefour Banque Group does not have any non-controlling interests in its consolidated financial statements.

8.3 / Business combinations

No business combinations took place in 2017.

8.4 / Related-party transactions

Transactions between the Carrefour Banque Group and related parties (the Carrefour Group and the BNPP PF Group) are concluded on the market terms prevailing on the date of the transaction.

The tables below show year-end balances and items of income and expense arising from transactions with other companies in the Carrefour and BNPP PF groups.

Related-party transactions – year-end balances

(in thousands of euros)	31/12/2017		31/12/2016	
	BNPP PF	Carrefour	BNPP PF	Carrefour
Assets				
Loans, advances and securities				
Current accounts	165		2,683	
Loans		1,156,000		1,283,000
Sundry assets		8,488		23,176
TOTAL	165	1,164,488	2,683	1,306,176
Liabilities				
Deposits				
Current accounts	7,953		-	
Other borrowings				
Sundry liabilities		29,337		8,721
TOTAL	7,953	29,337	-	8,721
Financing and guarantee commitments				
Financing commitments received	635,000	500,000	585,000	500,000
Other guarantee commitments				
Other guarantee commitments received	20,996	-	20,996	-

Related-party transactions – income and expenses

(in thousands of euros)	2017		2016	
	BNPP PF	Carrefour	BNPP PF	Carrefour
Interest and equivalent income	10	7,083	-	53,209
Interest and equivalent expenses	- 2,136	- 20,409	- 3,089	- 18,507
Fee and commission income	1,629	-	1,555	-
Fee and commission expenses	- 2,835	-	- 3,878	-
TOTAL	- 3,332	- 13,326	- 5,411	34,702

8.5 / Maturity schedule

The table below breaks down financial assets and financial liabilities reported in the balance sheet by contractual maturity. Financial assets at fair value through profit or loss and available-for-sale financial assets are regarded as "undetermined" since these instruments are liable to be sold or redeemed prior to maturity. Derivative instruments (including CVA and DVA) are also regarded as "undetermined".

31 December 2017 (in thousands of euros)	Undetermined	Overnight or on demand	More than overnight to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash, central banks and postal cheque accounts	-	503	-	-	-	-	503
Financial assets at fair value through profit or loss	4,192	-	-	-	-	-	4,192
Hedging derivatives	1,280	-	-	-	-	-	1,280
Available-for-sale financial assets	621,204	-	-	-	-	-	621,204
Loans and advances to credit institutions	-	221,904	1,156,000	-	-	-	1,377,904
Loans and advances to customers	-	326,193	219,389	576,934	1,526,957	96,702	2,746,175
Remeasurement difference on interest rate hedged portfolios	-	-	-	-	-	-	-
Financial assets by maturity	626,676	548,600	1,375,389	576,934	1,526,957	96,702	4,751,258
Central banks and postal cheque accounts	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	4,399	-	-	-	-	-	4,399
Hedging derivatives	5,756	-	-	-	-	-	5,756
Amounts due to credit institutions	-	42,188	-	-	400,001	-	442,189
Amounts due to customers	-	26,890	561,532	-	-	-	588,422
Debt securities in issue	-	-3,262	915,000	110,000	2,200,000	-	3,221,738
Subordinated debt	-	-	-	-	-	-	-
Financial liabilities by maturity	10,154	65,816	1,476,532	110,000	2,600,001	-	4,262,503

31 December 2016 (in thousands of euros)	Undetermined	Overnight or on demand	More than overnight to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash, central banks and postal cheque accounts	-	593	-	-	-	-	593
Financial assets at fair value through profit or loss	5,535	-	-	-	-	-	5,535
Hedging derivatives	550	-	-	-	-	-	550
Available-for-sale financial assets	151,638	-	-	-	-	-	151,638
Loans and advances to credit institutions	-	212,154	1,283,000	-	-	-	1,495,154
Loans and advances to customers	-	322,326	236,817	640,235	1,610,940	158,683	2,969,001
Remeasurement difference on interest rate hedged portfolios	-	-	-	-	-	-	-
Financial assets by maturity	157,724	535,073	1,519,817	640,235	1,610,940	158,683	4,622,472
Central banks and postal cheque accounts	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	5,611	-	-	-	-	-	5,611
Hedging derivatives	13,285	-	-	-	-	-	13,285
Amounts due to credit institutions	-	20,188	-	-	-	-	20,188
Amounts due to customers	-	30,368	494,324	-	-	-	524,692
Debt securities in issue	-	-3,566	1,015,000	674,000	1,910,000	-	3,595,434
Subordinated debt	-	-	-	-	-	-	-
Financial liabilities by maturity	18,896	46,990	1,509,324	674,000	1,910,000	-	4,159,210

CONSOLIDATED FINANCIAL STATEMENTS

8.6 / Fair value of financial instruments carried at amortised cost

The disclosures contained in this note should be used and interpreted with the utmost caution, for the following reasons:

- These fair values represent a snapshot estimate of the value of these instruments as of 31 December 2017. They are liable to fluctuate from day to day as a result of variations in a number of parameters, including interest rates and counterparty credit quality. In particular, these fair values may be materially different from the amounts actually paid or received on maturity of these instruments. In most cases, these remeasured fair values are not intended to be (and in practice could not be) realised immediately. Consequently, they do not represent the effective value of these instruments for the Carrefour Banque Group on a going concern basis.
- Most of the snapshot fair values are not meaningful, and hence are not taken into account in managing the Carrefour Banque Group activities that use these financial instruments.

(in thousands of euros)	31/12/2017		31/12/2016	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Loans and advances to credit institutions	1,377,904	1,377,904	1,494,854	1,494,854
Loans and advances to customers	2,746,175	2,744,194	2,969,001	2,958,080
Financial liabilities				
Amounts due to credit institutions	442,189	442,069	20,188	20,188
Amounts due to customers	588,422	588,422	524,692	524,576
Debt securities in issue	3,221,738	3,221,077	3,595,434	3,585,782

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of the assets and liabilities mentioned in the table above were determined using the discounted cash flow method.

8.7 / Disclosure of interests in other entities

The schedule below shows information about the non-consolidated structured entities in which Carrefour Banque has an interest.

Entity (in thousands of euros)	Year	Description of activity	Status	Amount advanced	Debt waiver
GIE GNIFI	2006	Nickel and cobalt processing plant in New Caledonia	Ongoing	18,510	- 18,510
SCI Ambaville	2013	Social and ultra-social housing in Réunion	Ongoing	6,124	- 4,015
SCI Kecho 2	2014	Social housing in New Caledonia	Ongoing	8,400	-
TOTAL				33,034	- 22,525

8.8 / Operations outside France

The schedule below shows information about the non-consolidated structured entities in which Carrefour Banque has an interest.

International operations by country

(in thousands of euros)

Name of operation	Carrefour Banque/GIE	Carrefour Banca	Fimaser	
Description of business	Credit institution, investment service provider	Lending, payment media management and insurance brokerage	Electronic money, credit and insurance brokerage (for life insurance only)	TOTAL
Country	France	Italy	Belgium	
Revenues	N/A	N/A	N/A	N/A
Net banking income	313,843	21,228	24,825	359,896
Average number of full-time employees	1,516	109	65	1,690
Public subsidies received	NONE	NONE	NONE	NONE
Current pre-tax profit	46,061	723	6,172	52,956
Current taxes	2,446	- 760	- 3,199	- 1,513
Deferred taxes	- 16,087	547	2,325	- 13,215

8.9 / Auditors' fees

(in thousands of euros)

	DELOITTE	KPMG
Auditor financial statements	190	302
Services other than audit of financial statements (CSR)		19
TOTAL AUDITORS' FEES	190	321

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2017

To the Annual General Meeting of the shareholders of Carrefour Banque SA,

OPINION

In accordance with the assignment entrusted to us by your Annual General Meeting, we have conducted our audit of the accompanying consolidated financial statements of Carrefour Banque SA for the year ended 31 December 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2017, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The opinion expressed above is consistent with the contents of our report to the Audit Committee.

BASIS FOR OUR OPINION

Auditing standards

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under those standards are described in the section "Statutory auditors' responsibilities for the audit of the consolidated financial statements" below.

Independence

We conducted our audit engagement in compliance with the rules on independence that applied to us during the period from 1 January 2017 to the date of issuance of this report. Specifically, we provided no services prohibited by Article 5, Paragraph 1 of Regulation (EU) No. 537/2014 or by the code of ethics of the auditing profession.

Services other than audit of the financial statements that we provided to your company (and to entities controlled by it) during the year ended 31 December 2017 and not disclosed in the management report or the notes to the financial statements consist of the issuance of a comfort letter in connection with the updating of the prospectus for the Carrefour Banque SA Euro Medium Term Notes (EMTN) programme.

Justification of our assessments – Key audit matters

Pursuant to Articles L. 823-9 and R. 823-7 of the Commercial Code regarding the justification of our assessments, we draw your attention to key audit matters that relate to those risks of material misstatement that in our professional judgment were of the most significance in the audit of the consolidated financial statements for the year, and our response to those risks.

Our assessment should be seen in the context of the audit of the consolidated financial statements taken as a whole, and of the formation of our opinion as expressed above. We do not express an opinion on elements of the consolidated financial statements taken in isolation.

STATISTICAL APPROACH TO IMPAIRMENT OF LOANS

Risk identified and key judgments	Our audit approach
<p>The Carrefour Banque Group is exposed to credit risk and counterparty risk. Those risks arise as a result of the inability of customers or counterparties to meet their financial obligations, and require the recognition of impairment allowances to cover known risks of non-recovery of loans.</p> <p>As described in note 2.2.1 to the consolidated financial statements, loans and advances classified in "Transactions with customers" are written down by means of impairment allowances if they have been subject to one or more loss event subsequent to their initial recognition. The impairment allowance equals the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows.</p> <p>The calculation of impairment allowances is based on:</p> <ul style="list-style-type: none"> - a statistical approach applied to portfolios of loans with similar characteristics, given that individual loans are not material and that they share common characteristics in terms of credit risk; - probabilities of default and of loss that reflect the level of risk for each category of loan (such as the number of months in arrears or specific factors). <p>The amount of impairment allowances is determined by applying a statistical model of recoveries and losses, based on observations of historical data.</p> <p>As of 31 December 2017, total impairment allowances against customer loans and advances were €355 million on a gross value of €3,101 million, as disclosed in note 3.6 to the consolidated financial statements.</p> <p>We regarded the measurement of impairment allowances as a key audit matter, given the relative importance of financing in the balance sheet and the significant extent to which the bank exercised judgment in estimating future recoveries and observations of historical data.</p>	<p>As part of our audit, we examined control systems and tested the effectiveness of key controls relating to (i) the identification of risk exposure (and in particular, identifying the pool of loans associated with a known risk), (ii) the monitoring of credit and counterparty risks, (iii) the evaluation of the risk of non-recovery, and (iv) the determination of the related impairment allowances on a statistical basis.</p> <p>Our procedures involved:</p> <ul style="list-style-type: none"> - assessing the control systems used to identify and monitor counterparties classed as (i) subject to a loss event, (ii) doubtful, and (iii) subject to recovery proceedings; - reconciling the impairment rate calculation schedules with the accounting records, to check that those rates were consistent with the impairment allowances actually recognised; - assessing the appropriateness of the methodology used to calculate impairment allowances in light of the operations carried on by Carrefour Banque and the structure of its loan book.

VERIFICATION OF INFORMATION ABOUT THE GROUP PROVIDED IN THE MANAGEMENT REPORT

As required by law, we also verified, in accordance with professional standards applicable in France, the information about the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

INFORMATION REQUIRED UNDER OTHER LEGAL OR REGULATORY OBLIGATIONS**Appointment as statutory auditors**

We were appointed as statutory auditors of Carrefour Banque SA by the Annual General Meetings of 25 May 2004 (Deloitte & Associés) and 25 June 1980 (KPMG), taking into account acquisitions of and mergers between firms since that date.

As of 31 December 2017, Deloitte & Associés was in its fourteenth uninterrupted year as statutory auditor, and KPMG in its thirty-eighth.

RESPONSIBILITIES OF MANAGEMENT, AND OF THOSE CHARGED WITH GOVERNANCE, FOR THE CONSOLIDATED FINANCIAL STATEMENTS

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as endorsed by the European Union, and to implement such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, it is the responsibility of management to assess the company's ability to continue as a going concern; to disclose in those financial statements any matters relating to going concern; and to apply the going concern basis of accounting unless it is intended to liquidate the company or cease trading.

It is the responsibility of the Audit Committee to oversee the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information.

The consolidated financial statements have been closed off by the Board of Directors.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**Objectives and audit approach**

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the Commercial Code, our audit does not involve guaranteeing the viability of the company or the quality of how it is managed.

As part of an audit in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit. In addition, the auditor:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Those conclusions are based on the audit evidence obtained up to the date of the auditor's report, with the caveat that future events or conditions may cause a company to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or disclaimer;
- evaluates the overall presentation of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of them;
- obtains what the auditor considers sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements, and for the opinion expressed on those financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Report to the Audit Committee

We submit a report to the Audit Committee that describes inter alia the scope of our audit, the work programme followed and our findings. We also inform the Audit Committee of any significant deficiencies in internal control we have identified as regards the procedures used for the preparation and processing of accounting and financial information.

The information contained in our report to the Audit Committee includes those risks of material misstatement that we determined were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters that we are required to describe in the present report.

We also provide the Audit Committee with the written confirmation (as required under Article 6 of Regulation [EU] No. 537-2014) of our independence, within the meaning of the rules applicable in France and contained inter alia in Articles L. 822-10 to L. 822-14 of the Commercial Code and in the code of ethics of the French auditing profession. Where applicable, we also communicate with the Audit Committee about risks to our independence and related safeguards.

Neuilly-sur-Seine and Paris-La Défense, 27 April 2018

The Statutory Auditors

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